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# THE EUROPEAN JOURNAL

## The Journal of the European Foundation




***Michael St John Parker***
**Stopping Europe's Progaganda**

***& Austin Mitchell, MP***
***Oliver Letwin, MP***
***Philippe de Villiers, MP***

The European Foundation 61 Pall Mall, London SW1Y 5HZ
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**Editor: Tony Lodge**

Publisher: The European Foundation, 61 Pall Mall, London SW1Y 5HZ

Telephone: +44 (0) 20 7930 7319 Facsimile: +44 (0) 20 7930 9706

E-mail: euro.foundation@e-f.org.uk

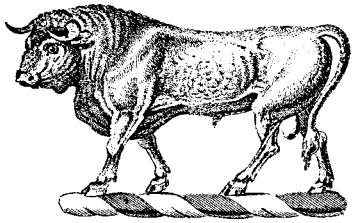
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# Facing Up to Facts

William Hague's bold and inspired speech to INSEAD at Fontainebleau is as much a benchmark in the late 1990s as was the Bruges speech in the late 1980s. Indeed, it would be impossible for the author of either speech to have signed the Maastricht Treaty. No wonder, therefore, that Fontainebleau has been followed by an outburst from Messrs Heseltine, Clarke and Brittan. But what was interesting was their failure to address the real questions and to come clean with the British public. At no point do they ever seek to rebut the charge that the continuing process of European integration through Maastricht to Amsterdam is designed to prevent the nation states of Europe from being able to govern themselves. Instead they allege, quite wrongly, that Eurorealists are campaigning to come out of Europe and harp on about their claim that a single market requires a single currency, for which there is no evidence, only assertion.

The speech was also important because it dealt head on with the fundamental differences between the Government and the Opposition in the United Kingdom. This was well illustrated in the chaotic aftermath of the split appointment, under the British Presidency, of the new Governorship of the European Central Bank. This is blatantly illegal and is an excellent illustration of the internal contradictions of the European Union. On the one hand it creates a rule of law across the whole of the Union and, on the other, it breaks it itself. The Prime Minister in his statement to the House on 5th May restated his view that there is no constitutional barrier to the United Kingdom joining economic and monetary union and a single currency. In his reply to me on this point, he made it clear that, "We must decide first of all whether or not the constitutional question is an insuperable barrier. He says yes; I say no. I say that, in the end, if it is in the interests of British jobs, investment and industry, we do it; if it is not, we do not." I received a similar reply from the Chancellor of the Exchequer in a written answer during May. He emphasised that the constitutional test does not override the economic test.

The differences therefore between the parties and within the Conservative Party are being more clearly defined and the need is growing to get down to the serious business of preparing for the Referendum which will cut across all sections of society and all political parties. There is in fact division and William Hague understands this very well – hence his speech. There are genuine parallels to be made with the situation which prevailed at the time of the repeal of the Corn Laws in the 1840s, although today the issue which is about who governs Britain and democratic and political freedom is even greater than the question of commercial freedom which lay behind the issues of the mid-nineteenth century. Indeed, we cannot have commercial freedom without political freedom, which is why the Prime Minister is so wrong.

The verdict of the great historian, G.M. Trevelyan, on Sir Robert Peel was as follows:

"Peel's real defence is this: that the abolition of the Corn Laws mattered more to Britain even if viewed from a Conservative standpoint, than the continued cohesion of a party which was in fact divided on the first question of the day." The fatal mistake by Robert Peel was to recognise that the Party was in fact divided a year too late. Had he acted sooner, he could have saved himself and the Party from going into the wilderness for decades.

In our own day the issue is Europe. It cannot be denied that all the parties are divided on the issue and there is no possibility of the differences in principle being reconciled. It would be as well to admit this and for the Conservative Party to buckle down behind the Fontainebleau speech. The real question is what is right in the national interest.

**Bill Cash**

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**Mr William Cash** (Stone): Will the Prime Minister explain why he thinks that there is no constitutional barrier in the United Kingdom to going ahead with economic and monetary union…

…

**The Prime Minister**: … I say that there is no insuperable constitutional barrier because, although there are constitutional questions of sovereignty, the issue in the end is whether that is an absolute barrier. If it is an absolute barrier, the position of the hon. Gentleman's party – saying "We might join after 10 years" – is absurd. I know that that is not his position: he is leader of the other Conservative party. However, it is an absurd position. We must decide first of all whether or not the constitutional question is an insuperable barrier. He says yes; I say no. I say that, in the end, if it is in the interests of British jobs, investments and industry, we do it; if it is not, we do not.

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# Cultures, Parties and Pan-European Politics

*by Oliver Letwin*

Will there, in twenty or fifty years' time, be a United States of Europe, successful enough to stand with the USA, China and Japan as one of the world's great powers?

The answer to this question – however unpalatable to the Eurosceptic ear – must be: maybe. There is little point in trying to deny that some intelligent and influential people are trying to bring about such a result; and history tells us, if it tells us nothing else, that intelligent and successful people may, with sufficient luck, move mountains.

It therefore behoves those interested in the evolution of the European Union to ask: what are the conditions for such a success?

Manifestly, none of us can know the answer to this question. But we can speculate – and I offer the following speculative assertions in the hope that they will be regarded both by proponents and by opponents of integration as at least a plausible set of condition for the successful emergence of a USE as a superpower:

**1**. The USE will require some locus of executive authority within the Union, sufficiently magisterial to conductive an effective foreign policy and to administer the domestic economy (let us call this, for short, a 'presidency');

**2**. This presidency will need to have (in contrast to the present Commission) a clear democratic legitimacy if it is to command the consent required to make its actions effective against other democratic, representative bodies within the USE;

**3**. Both the legislative process and the process of scrutiny of the presidency's acts will need to be conducted in such a way as to balance appropriately the new general (USE-wide) and the residual provincial (French, Italian, etc.) interests, with clear, democratic legitimacy also attaching to the institutions that represent those two interests;

**4**. The 'natural' means of creating this system of checks and balances in the light of the EU's history to date is for an elective presidency to legislate through (and be scrutinised by) a Council (or senate) of Ministers from the provinces and a Parliament directly elected and subject to a constitutional court – under a constitution similar to that of the USA.

If this speculation is accepted, it quickly becomes evident that little institutional change is required to provide the platform for a successful USE: the Court is in place; the President of the Commission becomes the elective President of the Union; the Commissioners become (as foreshadowed in Amsterdam) the appointed members of his (in the US sense) cabinet; and the TEU is slightly revised to remove all unanimity (and most qualified majority) rules from the operation of the Council, and to give the President, Parliament and Council a triple lock on (and equal weight in) legislation, so that 'deals' have to be done as on Capitol Hill.

The problem, then, is not institutional. It is, rather, in the deepest sense, political. For these arrangements to carry democratic consent – that is, for the President to obtain, with consent, full executive powers in the domestic and international spheres, and for the central institutions to obtain, with consent, a general power of legislation over the provinces – both the President himself and the MEPs will need to have been elected on a truly pan-European basis. That is, they will need to be supported by and be the leaders of pan-European parties with federal agendas that command widespread consent within the USE as a whole – just as the President and Congressmen in the USA are supported by and are leaders of the Republican and Democratic parties with federal agendas. The USA would not be a superpower if its President came from an Arkansas regional party and its Senators and Congressmen came from 15 separate regional parties.

We can, in short, re-express the challenge for the USE as: the need to create and sustain truly pan-European political parties with federal (USE-wide) agendas. Success or failure in this is, I maintain, the principal determinant of success or failure in establishing a USE as a stable superpower.

This brings us to the question: how easy will it be to establish such parties?

The answer must surely be: not easy at all.

A political party – a successful political party with the ability to persist and survive the various vicissitudes that politics inflicts upon it and the various changes of direction that politics demands of it – is above all a cultural phenomenon. A sense of history and sense of place, rather than a programme or ideology, hold Southern Democrats together with Northern Democrats in the US; religion, rather than programme or ideology, keeps the CSU separate from the CDs in Germany. The politicians, thinkers, apparatchiks and activists who make up a political party do so because – for a mysterious amalgam of reasons – they feel comfortable with one another (or at any rate more comfortable with one another than elsewhere).

Now, it would be foolhardy to suppose that such a cultural affinity cannot be built across Europe, or that it will be impossible to create lasting pan-European political parties that will each adopt policies relating to the supposed advantage of the whole USE rather than to the interests of particular provinces. But the difficulty of building such affinities should not be underestimated. The tendency (so evident in the countries of the former CIS and Yugoslavia) for politicians to revert to a pursuit of particular provincial interests as a vote winner is always strong – and the cultural affinities need to be sufficiently strong continuously to resist that centripetal force. To achieve such cultural affinity (such commonality of response to crisis and change, such mutuality of rhetoric) across the boundaries of language, history and nationhood is a daunting task.

That the effort will be made – that intelligent and influential people will seek to establish a United States of Europe, that they will slightly adapt the existing constitution of the EU to create a platform for effective executive power and for the democratic checks and balances which will convey legitimacy and consent – we can scarcely doubt. But the proponents of such moves must surely also admit that the effort will succeed only if there is also success in the far more difficult task of forging the cultural connections if that alone can enable pan-European political parties (with federal rather than provincial agendas) to arise and survive.

Here, the Eurosceptic argument is at its strongest when it is put most weakly: we need claim only (what seems to me, at any rate, evidently true) – that there must be at least a significant chance of failure in this effort of politico-cultural homogenisation.

And if it does fail? Why, then all hell breaks loose. A United States of Europe

governed by an elected President and a Parliament and a Council, each dominated by one or more (perhaps different) provincial or sub-federal agendas, will leave great masses of people – indeed whole (and once proud) nations – without even the reason for consent. If the central institutions are, and are seen as, the levers by which some provinces lord it over others, we will have, at best, Canada and, at worst, Yugoslavia. So far from a superpower, we will have a house tottering and divided.

Children can build Legoland. Bureaucrats and lawyers can make constitutions. But can the clerisy and the politicians make political parties work?

*Oliver Letwin is Conservative MP for West Dorset. He is a member of the European Foundation UK Advisory Board.*

# Eurosceptic Opportunities

*by Jonathan Collett*

The changes to the electoral system for the European elections in June 1999 throw up some concerns for Eurosceptics although they do also provide some opportunities that did not previously exist.

At first sight the introduction of proportional representation for the European Parliamentary elections of 1999 and the division of Great Britain into eleven electoral regions appeared to be a great opportunity for Eurosceptics. Large open lists and transferable votes would have given Eurocritical voters the opportunity to vet candidates and share votes amongst only those candidates that they considered to be genuine Eurosceptics. Party activists could, on the whole, be loyal to their party by expressing their main preferences for its candidates. They could, however, make sure that they did not vote for any Euro-fanatics contained on that Party's list by giving their remaining votes to independents or fringe Eurosceptic parties.

Many Conservatives see the European issue as transcending all others akin to appeasement in the 1930s. As such they were presented with a terrible dilemma in recent British general elections with the first past the post system, where their local Conservative candidate could be a Euro-fanatic such as Edward Heath. They were unable to vote for their traditional party if the candidate was a Euro-fanatic. As such they were hoping for PR to present the opportunity to vote for both their own Party and a Eurosceptic.

Instead, however, MEPs for each region will be elected by a regional list system without an open ballot. A voter can choose either a party or an independent candidate in common with France, Germany, Greece, Portugal and Spain. In those countries the regions used are far larger than the United Kingdom, and have at least 25 members. In Britain there will be between four and eleven members for each region. As the Electoral Reform Society have pointed out, this will be the first election in Great Britain where voters will be deprived of the right to vote for an individual candidate.

In common with the Liberal Democrats, the Conservative Party and Charter 88, most Eurosceptics would have preferred an open list system. Particularly so, as it seems the system will encourage the creation of MEPs more beholden to their party than to the electorate. Questions do arise about the lack of voter choice inherent in party lists and the responsiveness of representatives who may owe their office to their position on the list. The German system has stifled debate and imposed rigid and iron party discipline, which discourages independence of thought. The Labour Party may well favour the system so strongly because it gives them the opportunity to exclude the likes of Ken Coates, Hugh Kerr, Alex Falconer and Michael Hindley.

The new system does offer potential opportunities to Eurosceptics as well. The d'Hondt formula which will decide the allocation of seats will offer the opportunity of seats to the small Eurosceptic parties such as the UKIP and the Greens for the first time. Particularly so as the turnout in European elections is so low.

The party list system will increase the importance of and focus attention party candidate selection procedures. Which candidates are chosen and in what order? This will help Eurosceptic activists who can ensure that the right sort of candidates are selected and will be particularly important in the Conservative Party, with its internal civil war on the European issue. Until now existing MEPs have exerted undue influence over the selection of candidates through their own positions within the party's Euro constituencies. That will now end and real power will lie with party selection committees which will encompass the entire Euro regions. The grass roots of the Conservative Party are overwhelmingly Eurosceptical and the Euro-fanatical MEPs are in a minority. There could well be a purge of federalist Conservative candidates. Lord Williams of Mostyn (the Parliamentary Under-Secretary of State at the Home Office) has claimed that Winston Churchill and Edwina Currie have already been excluded from the Conservative Party's candidates' list, whilst notable Eurosceptics have been included.

Parties will not wish to include unpopular candidates on their list, or to give a low ranking to popular candidates. This will again help Eurosceptics as the majority of the electorate are also Eurosceptical. Further than this, the independent Constitution Unit have argued that, under a national list, disaffected factions could run as splinter parties with some electoral success. A breakaway group of Eurosceptical old Labourite candidates and MEPs is not beyond the realms of possibility.

So there are opportunities in proportional representation for Eurosceptics and ultimately the rewards they reap depend upon the effort and dynamism they put in. The choice of a closed list system is rather galling, however, with its emphasis on parties rather than candidates. In the 1992 general election there was perceived to be a cross-bench conspiracy over the Maastricht Treaty. In 1997 many Eurosceptics could not vote for any candidate who had supported the passage of the Treaty. Eurosceptics would not want to see those situations repeated in any future European election.

*Jonathan Collett is Campaign Director of the Bruges Group.*

# Educational Entryism – A New Fable of the Bees?

*by Michael St John Parker*




I SPENT A LARGE PART OF LAST WEEKEND in a melancholy employment, clearing out the remains of a stock of bees from a hive which had fallen to wax moth infestation. The wax moth is a pernicious pest. Initially inconspicuous, it penetrates colonies of bees that have been weakened in some way or another, and lays its clusters of eggs on the precious wax combs. The eggs in due course develop into white larvae, each almost an inch long, which first eat up and ruin the wax comb which has hosted them, and then settle down to pupate in a white, papery cocoon, made from the very wood of the surrounding beehive which they gnaw away and convert for their own purposes. I had neglected, for too long, to look into the hive which was being attacked in this way; a few weeks suffice for the wax moths to become established, and by the time I came along the hive was a repulsive, ravaged wreck, crammed with the loathsome cocoons and littered with the black deposits of the writing larvae. Fire was the only answer.

Bees have served as emblems of society since long before Mandeville wrote his *Fable of the Bees,* and it took no great originality for me to draw out a moral from my encounter with the wax moths. English education is currently undergoing a not dissimilar infestation, at the hands of Europeanists who are attempting to take over the structures of learning for a political purpose.

Just as my bee colony was in a weakened state when the first wax moths arrived – I must have lost a swarm without noticing it – so the English educational system has been vulnerable to infiltration by harmful influences since the Second World War. It has been part of the general loss of national self-confidence that politicians, teachers and lay people alike have combined to doubt the effectiveness of our educational institutions, and denigrate the value of what has been taught in them. The country is in a mess – so runs the argument – and it must be the schoolmaster's fault that this is so. It is a line that has been popular with pessimistic propagandists from Lyon Playfair as early as the 1870s, to Corelli Barnett – and, needless to say, it has become almost the theme song of New Labour.

The result has been a process, extended unremittingly over fifty years now, of mauling and pawing and poking, at education authorities and schools and the curriculum and examinations and teaching methods. Fads and fashions have come and gone like the colours in a kaleidoscope, but one point of orthodoxy has remained consistent throughout – it has always been correct to claim that education was done better elsewhere, whether "elsewhere" meant America, Germany, France, Russia, China or Japan. The one simple, basic fact of education, that all the virtue of teaching is to be found residing in the quality of the teachers themselves, has been almost entirely neglected throughout.

So we made ourselves vulnerable, and the wax moths were able to slip in. Inconspicuous at first, and unobtrusive, their first activities seemed to do little harm, and might even be understood as contributing to the rich variety of life. If the study of modern languages had been brought into disrepute by the ineptitude of its teachers, then chirpy programmes of exchanges and study trips seemed an excellent way of attracting the pupils' attention. (Much the same tactic was being applied at the same time to local government, where the number of twinning arrangements for a given authority tended to increase in direct proportion to the authority's diminishing effectiveness.) If the teaching of British politics and civics was wrapped in numbing apathy, what better way of reviving it than to incorporate it in something called "European Studies", with jolly mock elections from time to time to vary the fare.

And so on, and so on, as in this extract from *Your Passport to Europe*, published by the Representation of the European Commission in the United Kingdom:

> "There are special programmes which help with exchanges, where a girl or boy wants to go to university in another country to learn to speak the language really well. Schools can also participate in exchanges and projects with schools in other countries. When you get older you may also want to work in a company in another country for a little while… If you want to live in another country when you get older, you can. Your grandparents might want to retire to Spain because it's warmer there. Now they can do that much more easily… Help is given to very poor people without a job, who are old, who are refugees or who don't earn a lot of money."

After the eggs, the larvae. Every teaching job must be considered as available, notionally at least, to candidates from anywhere in the new Union, and the portability of qualifications creates a level playing field of such an extent that it becomes very difficult to discern distinguishing features of any sort. Just as the wax combs of the beehive, the structure within which the bees live and store their honey, are broken down and eaten up by the invading larvae, so the identity of a national school system stands to be affected, at the very least, by alien staffing. No one could possibly claim that this process has gone far in England to date, but the volume of applications from mainland Europe for teaching posts in England is running at a startlingly high level, and such is the shortage of good homegrown teachers that a growing proportion of foreigners are actually being appointed.

The metaphor grows tedious, and it risks becoming over suggestive as well. But the essential point remains: English education is not certain where it is going, and in its uncertainty it has made itself vulnerable to influences from other traditions which are likely to serve a European rather than an English national agenda. But one must recognise that there is a real problem about "teaching Europe" in schools. The well-spring of the European idea is a revulsion against armed conflict, so deep and fearful that, like the pacifism of 1918–39 with which it closely compares, it seems to be virtually undeniable. So far, therefore, we seem bound to teach an indisputable truth. But the next steps in the argument, dealing with the European Union as it has evolved, are so complex, obscure, inaccessible and often ineffectual that they virtually defy description, let alone justification. However, we have been taught to believe that to criticise in matters such as this is to show prejudice and bias; so, since we cannot adequately explain Europe, and since the prior underlying principle seems to be impeccable, we are very vulnerable to the political correctness that calls upon us to act as "good Europeans" and enthuse in Blairite fashion.

There is a real problem about "teaching Europe" in schools

There is no shortage of aids for such enthusing. The Office of the European Commission in London is active and persistent in despatching packets of propaganda material "for the information of those teaching European Studies in schools" – and very sharply intolerant of any suggestions that their offerings are at all unwelcome to the recipients. The author was castigated as "sadly mistaken and surprisingly misinformed" when he ventured to describe a batch of material from the Commission as insufficiently impartial for educational use. The Federal Trust likewise promotes a range of European wares under the banner of information. Their latest offerings include courses on, successively, "The collapse of citizenship in twentieth century Europe", and "Rebuilding citizenship on the basis of human rights", and an item headed "Why does European citizenship matter?" which explicitly proposes European unification as the antidote to social conflict, injustice and international disorder. Like the Office of the European Commission, the Federal Trust is capable of making a vicious response to those who reject its overtures: the writer was described as "irresponsible" and accused of "bigotry" when he ventured to reject a packet from the Trust.

Books for school use dealing with European institutions and issues related to the European Union are available in increasing numbers. They are predominantly pro-European in tone, not, one suspects, because the sceptics have lost their tongues or their pens, but rather because it is both more difficult and somehow less respectable to compose a critical polemic for consumption in schools than it is to produce enthusiastic advocacy. One of the best recent productions is Duncan Watts' *Introducing the European Union*, published by PAVC Publications, Sheffield Hallam University, for the Politics Association. Mr Watts makes a serious attempt to maintain objectivity and balance in his treatment, with results that, he would probably be the first to admit, are sometimes a little too cautious to be entirely readable. In fact, this problem of readability afflicts every aspect of the materials about Europe which are available for schools at the present time; being inherently difficult, the subject is likely to be inherently dull, and so there is a preference, time and again, for resources that are light to the point of superficiality – for instance a colouring book for infants, entitled *Let's Draw Europe Together*, "is intended as a call to schoolchildren as well as all of us to commit ourselves to achieving European unity".

In the end, though, perhaps the most potent force impelling the European bandwagon onwards in English schools is the traditional English reluctance to allow politics into teaching. Paradoxically, this means, time and again, a reluctance to discuss what needs to be discussed. As Duff Cooper remarked in his autobiography, *Old Men Forget,* "John Bull is represented as a blunt, bluff fellow, who is fond of speaking his mind. But in point of fact, the ordinary Englishman dislikes plain speaking, just as he dislikes cold logic or facing hard facts." Hard facts are particularly unpopular in English schools at the present time, and cold logic is regarded as positively distasteful: we prefer the cult of feeling. So the false historicists of the European Movement are having it very largely their own way, and the weaponry of political correctness is there to penalise those who dare to deviate from the path of received wisdom.

*Michael St John Parker is headmaster of Abingdon School. He wrote in the* European Journal, *April 1994, 'An Educational Agenda.'*

# The ECJ Condemned

*by David Radlett*

When George Meredith wrote the lines,

*"On a starred night Prince Lucifer uprose,*
*Tired of his dark dominion swung the fiend"*
('Lucifer in Starlight'),

he might have added – with the appropriate poetic flourish sadly lacking here,

*"And appointed he the European Court of Justice".*

For, over the past four months the hobgoblins of the ECJ have outdone even the most wild dreams of the Prince of Darkness. The traditional thought has always been that laws serve to protect against the predations of the Evil One, and only when all the laws are cut down can He hold sway. The ECJ appears to be reversing that thought, so that the elaborate spider's web of laws that they promulgate – without accountability and frequently without right – serve as the framework within which the work of the Beast can be done.

Take as an example the case of Commission (supported by Spain and the UK)–v–France, '*The Times*' 11th December 1997. Here, the ECJ were asked to rule on whether the French government had policed the protests of French farmers properly. It is important, from the lawyer's point of view, to put to one side *non-communautaire* thoughts like "what policing?" or "good to see someone else get shafted by the ECJ", and look to the basis of the Court's legal authority to act in this matter. A search of the Treaty will disclose no law authorising the ECJ to supervise policing. The proper, legal answer would be that policing is, at least until Europol is up and running, a matter for the Member States and not for the Community at all.

It is, perhaps, no great surprise that the ECJ did not take this course. Like the magpie, ever eager to collect unto itself power, it assumed power over policing by ruling that the French failings in policing the protests broke the rules of Community law on the free movement of goods. It took as its text the rule in Article 30 of the Treaty of Rome which states that:

> "Quantitative restrictions on imports and all measures having equivalent effect shall, without prejudice to the following provisions, by prohibited between the Member States."

Those words deal, on their face, with actions of government – banning imports, creating legal hurdles for would-be importers, even (as the ECJ has itself ruled) the promotion of campaigns to "Buy Irish" and so on. "Quantitative measures" have been defined as national measures which restrain:

> "the volume or amount of imports or exports … by placing direct or indirect limits on the physical quantity of imports or exports that may enter or leave a country", (Maclean, *European Union Law*).

The Community itself has defined "measures" in Directive 70/50 EEC as:

> "laws, regulations, administrative provisions, administrative practices and all instruments issuing from a public authority, including recommendations".

In the case of Dassonville [1974] ECR 837 the ECJ rules that the phrase "measures having a like effect" included:

> "all trading rules enacted by Member States which are capable of hindering, directly or indirectly, actually or potentially, intra-Community trade."

However, with the looking glass reasoning of the ECJ, the question becomes whether the French farmers' actions created "obstacles to intra-Community trade" and then, perhaps rather sinisterly, "whether the French government has adopted adequate and appropriate measures". Note the remarkable change here. Apparently Article 30 deals not only with measures promoted by governments, but also their responses to actions taken by others.

This was justified by reference to the duty on Member States under Article 5 of the Treaty of Rome which states that:

> "Member States shall take all appropriate measures, whether general or particular, to ensure fulfilment of the obligations arising out of this Treaty or resulting from action taken by the institutions of the Community. They shall facilitate the achievement of the Community's tasks."

According to the ECJ, this requires Member States:

> "to take all necessary and appropriate measures to ensure that fundamental freedom [author's note: free movement of goods, not abstract "fundamental freedom"] is respected on their territory".

The snag is that this conclusion simply does not follow from the premises. A duty to obey the law oneself does not necessarily imply a duty to ensure that other people obey the law. If Article 30 is concerned with direct or indirect "national measures", it is not concerned with the actions of individuals. This is so, no matter how unhelpful their actions may be to free movement of goods – perhaps especially given how unhelpful their actions are to the governmental aim of free movement of goods.

Commission–v–France carries a twofold message. It can be seen, once again, how the ECJ will manipulate, or endorse the manipulation of language to suit its purpose, which is neither the enforcement of law nor the promotion of liberty, but rather the promotion of a political end – the union of the peoples of Europe. Further, and perhaps of greater short term significance, it shows a further seizure of power by the central European government at the expense of the Member States. In this instance, the power seized is of particular importance, for the policing of a state has traditionally been seem to involve a complex balance which judges are ill suited to exercise.

In the United Kingdom, the courts have been reluctant to interfere with the way in which a chief constable exercises his or her discretion. For example, in R–v–Metropolitan Police Commissioner ex parte Blackburn [1968] 2 WLR 893 C/A, the issue was whether the Commissioner's decision not to enforce gaming laws unless there were special circumstances could be challenged. The Court of Appeal noted that decisions on the disposition of the police force and the concentration of attention on any particular crime or area were matters which fell within the chief constable's discretion. As Lord Denning MR put it:

> "[T]here are many fields in which they have a discretion with which the law will not interfere".

These fields have been held to include the decision whether to provide assistance when requested by developers of land to remove protesters (R–v–Chief Constable of Devon and Cornwall ex parte Central

Electricity Generating Board [1988] 3 All ER 826 C/A) and maintaining 'no go' areas in the interests of good community relations (R–v–Chief Constable of Merseyside ex parte Levy, *The Times* 18th December 1995).

A similar view had been taken regarding EC law in R–v–Chief Constable of Sussex ex parte International Traders Ferry Ltd [1997] 2 All ER 65 C/A, where the applicants complained of the Chief Constable's decision to restrict policing of demonstrations against export of live animals to two days per week. They claimed that they had a Community law right to engage in the activity, and that the Chief Constable had a corresponding duty to deploy his forces in a manner allowing them to do so – a similar argument to the one put in Commission–v–France. It was held at first instance that the decision amounted to a violation of Article 34 of the Treaty of Rome in that it had an effect equivalent to a quantitative restriction on trade. This could not be justified under the 'public security' defence in Article 36 of the Treaty of Rome, as there appeared to be resources available to provide the protection needed at a cost which was not disproportionate. The Court commented that the Chief Constable was not in breach of his duty to maintain the peace, nor was his decision irrational. It was noted that the Court would not normally interfere with policy decisions reached by chief constables. Harris–v–Sheffield United FC [1988] QB 77 would normally apply.

On appeal, this decision was reversed. The Court of Appeal was satisfied that, in striking a balance between the applicants' right to lawful protection for its lawful economic activity, the right of the residents of Sussex to protection from crime, and the rights of the protesters to make a peaceful protest, and in making the best use of available resources, the chief constable had acted within the principle of proportionality and was entitled to rely on Article 36 of the Treaty of Rome.

Now, this sensible approach to policing is threatened. According to the ECJ, it is for the courts to decide whether a chief constable has "adopted adequate and appropriate measures", and presumably his or success in this regard will fall to be measured in the bodies of those minded to dissent from the ideals of the "great European project".

It became clear in R–v–Minister of Agriculture etc. ex parte Compassion in World Farming Ltd, *The Times* 2nd April 1998, that dissenters cannot themselves rely on EC law for protection. The ECJ were asked to consider whether the evil trade in exporting live animals could be restricted, if only where such export contravened standards imposes by international law. The ECJ has, in previous cases, demonstrated a penchant for pinching jurisprudence from proper courts of international law – for example, the notion of 'proportionality' mentioned above derives from principles applied by the European Court of Human Rights. Compassion in World Farming might be forgiven for believing that the ECJ would accept that the standards in the European Convention on the Protection of Animals Kept for Farming Purposes adopted by the Council of Europe (representing all of Europe, not just the EC states) took priority over an EC Directive. But, of course, Heaven itself forfend that a sacred text of the ECJ be interpreted according to an outside source! Eschewing yet again the opportunity to be a proper court of international law as opposed to European Community policy, the ECJ ruled that the Directive could not be tested against international law standards, nor could it be avoided using the public morality, public policy or protection of animals 'defences' in Article 36 of the Treaty of Rome.

Whatever one may think about the live animal export debate – though it does only seem to require a modest amount of humanity to hold that animals should be killed before being transported many hundreds of miles in squalid conditions – the biggest surprise in both of these cases is that the ECJ seems perfectly willing to be seen to side with the forces of Darkness on the issue. In previous cases they had been anxious to be seen as the protectors of freedom – as a Court of Justice. Perhaps now they can be seen in the light of day for what they are: a squalid apology for a court of law.

*David Radlett is a lecturer in law at Mid Kent College of Higher and Further Education. He specialises in Constitutional and European Law and holds a degree in Law from the LSE.*

## *… news in brief*

**What a useful institution**

The European Parliament has once again shown itself to be an absurd waste of space. When the Duisenberg-Trichet compromise was announced, various MEPs got on their high horses to denounce it. Within hours, however, the long arm of national party political control was being extended to make them change their minds. Soon, the ridiculous talking shop had fallen into line and the compromise was duly ratified by it. It thereby abandoned any pretence to speak for the people of Europe, and showed itself conclusively as the satrap of national governments.

For instance, Pauline Green, the British Labour MEP who leads the Socialist faction in the parliament, and who had denounced the Brussels deal as an unacceptable trick, suddenly found that it was in conformity with the treaty after all. The chairman of the parliament's economic committee, Karl von Wogau, had called for the heads of government to nominate an ECB president for the full 8 year term; but when the Brussels deal was examined by the parliament, he described it as a magnificent solution. Christa Randzio-Plath, a German SPD MP who chairs the parliament's EMU committee, lapped up the fresh dose of lies Duisenberg dished out to the Euro parliamentarians, and said that his whoppers proved that he was thoroughly independent.

**Villiers attacks Chirac**

Philippe de Villiers, the former French presidential candidate and member of the *European Foundation's* advisory board, has said that he no longer supports Jacques Chirac, who has disappointed all the hopes placed in him. In particular, Villiers accused Chirac of not having lived up to his promise of breaking with political correctness in France (*la pensée unique*) and with having broken his undertaking to hold a referendum on the single currency.

**Germany has sights on European Bank for Reconstruction and Development**

Having been partially defeated by the French in the fight over the presidency of the European Central Bank, the Germans are now set on taking their revenge by claiming the presidency of the EBRD in London, which has hitherto always been held by a Frenchman. The name of Horst Köhler, the sherpa who negotiated Maastricht, is being mooted. Germany regards the nomination as a way of bolstering her general *Ostpolitik* – of gaining control over European investment in Central and Eastern Europe, Germany's own back yard.

# The Commission's Choice for EMU – breaking all the rules

*by Jeremy Stanford*

The predictable announcement of the European Commission on 25 March that eleven EU member states met the Maastricht convergence criteria for Economic and Monetary Union and would thus be recommended to adopt the future European single currency on 1 January 1999 has met with predictable alarm and protest.

Predictability, of course, is the key word in this whole shameful enterprise. It has been clear for several years that the Maastricht criteria, intended to establish that a degree of convergence in largely monetary terms had occurred between potential single currency nations, have been little more than a joke and regarded as such by political leaders. The tricks and distortions of creative accounting that have produced the final statistics have been widely reported. Italy's euro-tax in 1997, to be 'paid back' in 1999; Germany's attempt to revalue the book value of the Bank reserves; France's freesale of State enterprises; Ireland's budget supported by massive EU contributions, etc., have shown that reaching the Maastricht criteria has been treated with as much validity as a marathon runner taking a car ride to re-enter his race just before the final bend.

The announcement recommending the initial members was accompanied by the Commission's own 'convergence report', plus another report from the European Monetary Institute (forerunner of the European Central Bank). Responsibility for collecting the evidence on which the Commission's decision was based fell to Commissioner Yves-Thibault de Silguy who, predictably, is also the commissioner with responsibility for the single currency launch. And, predictably, it is the Commission's opinion that counts.

The Commission's task was to establish which countries had achieved 'a high degree of sustainable convergence' by applying the five convergence tests set by Maastricht:

1. *that the budget deficit should be no more than 3% of GDP;*
2. *that accumulated public debt should be no more than 60% of GDP;*
3. *that exchange rates stayed within the margins set by the exchange rate mechanism for at least the previous two years;*
4. *that inflation should not exceed an average of the three lowest by more than 1½ points; and*
5. *that long term interest rates were no more than 2 points above the averaged lowest three.*

It has always been conceivable, however, that many targets could be met merely for the period preceding selection by, for example, temporary increases in taxation, deliberate manipulation of exchange rates and the aforementioned creative accounting tricks. The Commission's Maastricht rules (Article 104c) gave it the ability to consider broader judgements on long term trends towards the deficit criteria. But, as has also long been predicted, this has simply enabled the Commission to ignore failure to meet these targets by stating in many cases that it, nevertheless, foresees a satisfactory longer term trend.

In fact, the Commission stands alone amongst both official reports and commentators in viewing the achievements of the proposed EMU entrants towards the Maastricht criteria as being both satisfactory and sustainable.

According to the Commission, all eleven recommended countries fulfil the necessary conditions for adoption of the single currency according to Maastricht Article 109j. The only exceptions are distant Greece, for which even the Commission couldn't stretch the rules so far that it might be included, and Sweden, which still has to show that it is politically ready for EMU. Britain and Denmark exclude themselves, view their present opt-outs, from joining EMU's third stage.

Satisfying the inflation targets has not been difficult for the eleven, given the sustained deflationary policies and unemployment-bound conditions of the continental economies. With the maximum reference value for long term interest rates set as high as 7.8%, this criterion has again been easy to meet. However, the requirement that currencies should have stayed within the margins of the exchange rate mechanism for at least two years is where the Commission's analysis begins to dissemble. Italy only rejoined the ERM in November 1996. Finland's first experience of the ERM has, to date, lasted just 17 months. Yet Sweden is barred from euro entry for not being an ERM member. And Greece, which admittedly fails on all counts, is censured for experiencing exchange rate 'tensions' despite remaining within the ERM and its margins for the required two years.

But it is in the Commission's analysis of governments' financial positions that its own pre-eminent skills of sleight of hand become most apparent. Article 109j of the Maastricht Treaty requires sustainability of government finances. According to the Article, this condition is to be determined by whether an applicant country is in receipt of a Decision, by the Commission, that an excessive deficit situation exists. The margin reference value for an excessive budget deficit is the familiar 3% of GDP criterion set out in the Treaty's Protocol 5. As it happens, prior to the Commission's recommendations on 25 March, all eleven countries were subject to Commission Decisions that excessive government deficits did indeed exist. For the purposes of the favourable Report, the Commission has merely needed to update the view and rescind every one (bar Greece) of these Decisions. No Decision, no deficit, it's as simple as that.

The Commission's most outrageous feat of prestidigitation, however, has been reserved for government debt. A case of 'now you see it, now you don't'. Protocol 5 of the Maastricht Treaty states that the reference value to be respected for accumulated government debt is 60% of gross domestic product. Yet miraculously, throughout the Commission's Report, it avoids a single mention of this requirement. An 'escape clause' written into Maastricht Article 104c enables exceptions to be made where 'the ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace'. But as Britain's negotiator at Maastricht, Norman Lamont, points out – in five selected countries their excessive debt position has not in fact declined, but risen. And in Italy and Belgium the ratio remains double the 60% target set.

It is this immense burden of debt that a future single currency will carry, plus what is seen as the unsustainability of even the fudged figures for annual budget deficits, that has given rise to such withering criticisms of the entrant countries' financial positions and of the Commission's politically partisan 'convergence' report.

Even the Commission, after blowing many trumpets over the 'outstanding' achievements towards convergence, warns of the hard work ahead and need for structural change as a result of the impact of EMU. But the European Monetary Institute (whose convergence report also forms part of the Maastricht requirements and, as the future euro Central Bank, has a direct interest in the feasibility of the EMU project) is far less circumspect in issuing warnings and criticising the way the convergence statistics have been achieved.

The EMI report repeatedly expresses 'ongoing concern' about the sustainability of the process of debt reduction. Italy and Belgium, both with debt of over 120% of GDP, need to 'accelerate the pace of fiscal progress considerably' and demonstrate 'sustained efforts' to continue the process in 'a significant way'. (The Benelux Dutch Central Bank in a separate report has dismissed half of what debt reduction Belgium has achieved as 'financial transactions'.) In Italy, the EMI continues, 'significant and persistent' fiscal surpluses are required 'rapidly'. The Italian government's projections rely on running continuous budget surpluses, yet the EMI points out that the marked ageing of the population, sustained by unfunded pensions, could have exactly the reverse effect on public spending as a proportion of GDP.

But it is not just the obvious targets that feel the sting of the EMI report. France supposedly fulfils all the Maastricht criteria, but the EMI is less than convinced of France's commitment to budget austerity. Since 1990 the official debt to GDP ratio has increased from 36% to 58%. And according to the EMI, the current fiscal position would 'not appear to be sufficient' to stabilise the ratio below the required 60 per cent. To maintain its debt level France needs to reduce the annual deficit from 3% to 2.5%. But a commitment to welfare spending means the EMI sees 'virtually no further improvement in 1998'.

And so to Germany, where an ever increasing debt burden produced a debt to GDP ratio above the EMU criteria at 61.3%. While the annual deficit ratio would appear to be falling – 2.7% of GDP last year – the EMI believes this to be insufficient to cut the level of excessive accumulated debt. (The budget figures have been questioned in several quarters in Germany as being the result of a series of large one-off receipts and delays in payments.) 'Further substantial progress in consolidation of the fiscal position' is needed, says the EMI, despite Germany facing taxation shortfalls and the constraints of the stability pact. But the biggest challenge to its budget it sees Germany facing is the inescapable consequence of its ageing population. Projected old age spending, including unfunded pensions, is set to place an increasing strain on the economy. And already it describes the burden of levies in Germany as 'unacceptably high'.

The EMI has produced its report knowing that failure to launch the currency in nine months' time could not only destabilise political credibility but have a similar effect in financial markets too. Yet the picture painted by the EMI of the readiness of EU countries for EMU couldn't be in sharper contrast to the politically motivated Commission report. If one can't actually read the words 'Europe isn't ready', it's only because of the twisted arm behind the EMI's back. But if EU leaders were principally concerned with the economic success and stability of Europe, wouldn't they heed the findings of a monetary institute comprising the heads of all EU central banks rather than the federalist babblings of Europe's oleaginous political servants?

Unfortunately, like Thomas Cromwell, the Commission derives a near all-powerful executive warrant. Some politicians have called for the current British EU presidency to call a halt to EMU, for so clearly breaking its own rules. But, predictably, tucked away in Protocol 10 of the Maastricht Treaty is the following carefully drafted Commission text:

> "… all Member States shall, whether they fulfil the necessary conditions for the adoption of a single currency or not, respect the will for the Community to enter swiftly into the third stage, and therefore no Member State shall prevent the entering into the third stage."

Game, set and match to the Commission. And it is on such games of kings as these that the people of Europe await their fate.

## *… news in brief*

**German economics institutes in favour of tax competition**

In their common report, 5 out of Germany's 6 leading economics institutes have described the EU's plans to harmonise tax as "a dangerous path". They have also attacked plans to introduce a single European wage policy, saying that differences between countries and regions must be taken into account, and flexibility in the labour market increased. The introduction of the euro would not help reduce Europe's unemployment rate, they opined.

The institutes also reported that Germany was unfit for currency union. The necessary reforms in tax and social policy had not been undertaken. The institutes also said that the prospects of a recovery in East Germany had become even more remote than they had been before.

**Wife of Mayor of Paris remanded in custody**

The scandals surrounding the Paris city hall – which have been rumbling on for years, ever since Jean Tiberi replaced Jacques Chirac as Mayor – have culminated in Madame Tiberi being remanded in custody. She is suspected of having organised fictional jobs, which cost – according to a former personnel director of the Hôtel de Ville – between 80 million and 100 million francs a year. The suspicion is that these jobs were pay-offs to friends.

**Harsh words on Russia**

The Council of Europe has delivered a damning report about the state of democracy and law in Russia. Its conclusions is that Russia is barely a "state of law" at all. There is an "absence of juridical codification" and the "mapping of legislation which is relatively badly conceived onto structures and mentalities which have been inherited from the Soviet past". It found that the conditions in Russian prisons and detention centres "have deteriorated since Russia joined the Council of Europe". The report also found that the Russian army had been guilty of numerous "human rights abuses during the Chechen war", and it concluded that the 53 executions which had been carried out in Russia since the country joined the organisation represented "a flagrant violation of the undertaking given by this country to apply a moratorium [to the death penalty]".

# A Necessity for Democracy

*A speech delivered at fringe meeting at the National Union of Teachers Conference, in Blackpool on Saturday 11th April 1998, by* ***Will Podmore****, a member of Greater London Against Maastricht*

What do we need for education to flourish? I would suggest that all of the following are necessary, though I am sure that others could be added: smaller classes, better wages and conditions for teachers, better maintained buildings, more books, more support for further and higher education and for lifelong learning, a united teaching profession encouraged to take initiatives and to take responsibility for improving education, support for the comprehensive system and an end to selection.

What stops us achieving these good things? Just one thing: Economic and Monetary Union. The preparations for EMU have already restricted the resources available to all our services and, if we were to enter EMU, resources would be permanently constrained.

Since the Maastricht Treaty was agreed, all the tax increases, public spending cuts and wage cuts across the EU are due to the preparations for EMU. Europe is no longer a place which respects social provision through public services: the attacks on public services throughout the European Union show that monetarism has now been adopted across the continent. For instance, the 1994 and 1995 budgets in Britain cut public spending by £15 billion over three years to meet the Maastricht convergence criteria. The Treaty adopts the approach that public spending is bad for price stability (although private spending is good!).

Some believed that hostility to the public sector was the result of Tory dogma, and that electing a Labour Government would end this destructive approach. But no – the Maastricht Treaty is hostile to the public sector, and those who defence the Treaty must attack the public sector. So Gordon Brown has said that he will retain until 2001 the public spending squeeze that the Conservatives imposed. Consequently, according to the Local Government Association, local authorities face a shortfall in their budgets of about one billion pounds for 1998–99. For teachers, as reported in the *Daily Telegraph* of 8 April, this means the threat of hundreds of redundancies, leading to a rise in class sizes.

What would entering Economic and Monetary Union mean for us? Under EMU, eight unelected European Central Bankers would control our currency and, as Keynes said, "Whoever controls the currency controls the Government." So a single currency would mean the end of Britain's sovereignty. As David Blunkett said, "the power to act alone is no longer an option for the parliaments of the developed democracies." The Bundesbank's President said, "a European currency will lead to member nations transferring their sovereignty over financial and wage policy as well as in monetary affairs. It is an illusion to think that states can hold onto their autonomy over taxation policy."

> Principally, we must get our trade unions to make their voices heard in upholding sovereignty and opposing EMU

Single currency members would force us to join at the pound's present very uncompetitive rate, to suit them, not us, as they did when Italy rejoined the ERM. The Bank is bound by Treaty not to take instructions from elected national governments: in fact it is illegal for elected national governments even to try to influence the Bank: we could be fined for trying. Further, this peculiar Bank is forbidden to lend to national or local governments: some bank!

British companies invest nearly two trillion pounds abroad; a determined government and people could redirect this into modernising plant and machinery, setting up new industries and firms, rebuilding our transport and energy systems. For this, we need long term, low interest funds. We need full employment: the power of millions of people brought back into productive work could raise resources for education and health. We need to control capital flows. We do not need permanent deflation, imposed by tight money, high interest rates and high exchange rates.

We need a new workers' nationalism, not like the old nationalisms, but one built on the historic strengths – the record of struggles and the development of the skills – of the British working class. We must assert our sovereignty, while of course respecting the sovereignty of others. The case against EMU is untainted by xenophobia, although it is routinely branded as xenophobic; but then, supporters of the British Empire routinely branded all national liberation movements as xenophobic.

Principally, we must get our trade unions to make their voices heard in upholding sovereignty and opposing EMU. Some unions are already doing this, for instance Unison and the Fire Brigades Union. We must make sure that the matter is discussed in our workplaces, with our families and friends, in our trade union branches, and in our Trades Councils. We should call for a referendum now, to say 'No' to EMU, and then move further along the path towards leaving the EU.

It is now argued that EMU is inevitable, not that it is good or desirable for Europe, or for Britain, just that it is inevitable. Nothing is inevitable, somebody once said, except death and taxes: which one equates with EMU? People who assert that 'There Is No Alternative' often find that others can find one when they try. In Star Trek, it is the evil Borg who say, "You will be assimilated – resistance is futile!" But the crew of the Enterprise fight successfully to maintain their independence! It is argued that only the EU preserves peace in Europe. I get on fine with my neighbours in our street, but if I gave them control over my income and my spending, I am sure this would lead to bad blood!

Sovereignty is not an issue that belongs to the 'left wing' or to the 'right wing': it is a necessity for all, a necessity for a democracy. Especially, it is vital for us now, when we need to rebuild our country: EMU blocks this. The greatest single contribution to progress we could make would be to leave the EU, in favour of making our own future, starting with rejecting a single currency.

# The Emperor's New Clothes
## – and some naked truths about Japanese investment

*by James Barr*

Emperor Akihito's visit shows two things: first, how difficult it is to apologise once the natural moment has passed, and second - the issue of this article - how obsessed the UK is by 'Japanese investment'.

As any host should, the British Government was anxious to make its guest welcome. The Prime Minister wrote an article in the *Sun* to encourage veterans and the British public at large not to mar the Emperor's big day. After the pleasantries – in this case some new clothes, in the shape of the Order of the Garter – it was down to business: the Irish State Coach which ferried the Emperor down the Mall was swapped for something more rapid. Next stop, Cardiff, to see the results of what has been a very fruitful UK-Japanese partnership, helped by generous terms agreed between companies, and the regional development authorities through which much lobbying for investment is now conducted. In a move which has provoked increased speculation, these regional development offices have decided to keep quiet the exact value of these terms. It is becoming clear that the UK pays substantially in the short-term for long-term employment, and the positive effects this has on the areas where investment is located.

Just how fruitful the relationship is, could thus be examined further. The UK is certainly the most popular destination of foreign direct investment in the EU, and Japanese businesses have invested billions of yen in Britain, where low social regulation and an appetite for Japanese cars and high tech products make for rich pickings, and crucially, jobs for British workers – about 65,000 according to Mr Blair. We should therefore be grateful to Japan, the 'logic' goes.

But Japan, as Europe gleefully recognises, is in an economic rut at the moment. Tearful Japanese businessmen announcing bankruptcy have reinforced the impression that the Japanese take everything to heart. Surely potential investors too, would take insult at the British veterans' behaviour towards the Emperor, until relatively recently a quasi-religious figure. Perhaps they might, but in truth, Japan is in little position to invest abroad at the moment, and the Government could apply a little more rationale to understanding Japanese investment decisions. To state the obvious - foreign direct investment uses free capital, available during prosperity, as lucratively as possible. Japanese investment was at its strongest between 1987–90, during the world-wide boom. Since then, it has been a shadow of its former self, as recession, then currency disaster, and now political collapse wrecked the Far East's immediate recovery. Cumulatively, investment has continued to rise, but the annual instalments have fallen away, in line with the general tail-off in the developed world's economic growth of late. The UK's popularity amongst investors has cushioned it against this general trend, which showed some sign of picking up at the end of 1997. That was before the Asian crisis.

Since then, stray foreign direct investment from Asia has been harder to find. As a result, Emperor Akihito's arrival has offered a welcome opportunity to catalyse the transfer of Far Eastern money and industrial know how to the British economy. But whether British forelock tugging is enough to encourage investment is questionable. It would seen more likely that Japanese firms, in Britain to make money (not a dishonourable goal for business) may have more down-to-earth issues on its mind. Labour flexibility, a ravenous market, parts availability and logistical issues are at bottom more important.

The same is true of EMU. Pragmatism dominates investment decisions. Japanese business likes low corporation tax, basic, but not stifling social provision for its workforce, and in consequence a lower wage bill. They will support EMU if monetary union provides all these things. The signs are that it will not. At the beginning of this year, the President of UNICE, the pan-European equivalent of the CBI, described progress towards deregulation as 'slow, insufficient or disappointing'. This is hardly a vote of confidence for potential investors.

In view of these factors, potential investors are more likely to be interested by Government moves to implement a minimum wage and increase trade union membership. Demonstrations by the workforce are, after all, more worrying than demonstrations by pensioners, regardless of the moral issues behind the protest.

*The European Foundation's Briefing Paper on Japanese Investment and EMU is available: see advert on page 27.*

## *… news in brief*

**German businessman launches initiative to protect D-Mark**

A German businessman has placed advertisements in the German press announcing a "Pro D-Mark initiative". An opinion poll gave the initiative 5.7% support, which seems tiny but has encouraged the organisers to think that they might achieve representation in the Bundestag and thus hold the balance of power in the next parliament. Dream on …

**Dumas refuses to resign**

Roland Dumas, the President of the Constitutional Council in France, has refused to resign as head of the body which guards France's constitution even though he has been officially placed under judicial investigation for corruption. He has insisted that no one can force him to go, and that it is wrong for the press to condition public opinion against him in advance of the enquiry.

**Tietmeyer on political union**

"Monetary union should lead in time to an additional political integration", said Hans Tietmeyer in an interview with *Le Monde*. He refused to criticise the Brussels compromise, and insisted that he had been a convinced European since the 1950s.

**Trial begins of Yann Piat's accused murderers**

The trial has begun in the south of France of 6 people accused of complicity in the murder of the anti-corruption deputy Yann Piat who was shot dead in February 1994. The suspicion is widespread that the deputy was the victim of a Mafia plot to prevent her from lifting the lid on its activities in her area.

# Back to the Euro Doghouse

*by Austin Mitchell*

New Labour new EU love affair. Our naïve infatuation made political sense given the deadlocked hostility the Tories had lumbered into. Yet now new niceness isn't working. We're back in the Brer Britain stuck to Euro Tar Baby routine and the alienation born of experience in previous governments is now creeping over Labour's leaders. Though not, yet, back-benchers conditioned to slogan chanting as a system of thought.

The deterioration started at Amsterdam. Tony Blair made concessions but got nothing in return, particularly on the flagship issue where he'd promised results. Our presidency has been lacklustre, getting the full PR Monty but only half attention. Now EMU compounds the decline. Tony Blair, committed to stop fudges, waved them all through and added his own dirty deal by forcing Duisenberg to retire early to spend more time with his money. He then got abused for it.

Mouthing the lies and half truths of Euro-PR must strain Tony Blair's transparent, shining integrity. He won't be the first British Prime Minister to make the plodding pilgrimage from support to scepticism but that process is now pressure cooked by EMU which will strain the union and our relationship with it. EMU is a political process advancing union by monetary means, which is like jumping from a cliff and hoping to invent the parachute on the way down. Difficult to participate in that in our usual way of stumbling behind grumbling. So it faces us with a stark choice. Protect our interests or be dragged down by this ultimate Euro-folly.

The EU has active supporters among the leadership, such as Peter Mandelson, the European Movement's Plenipotentiary, and Gordon Brown who would rather let someone else handle macroeconomic policy while he gets on with his real interest: in the micro. Such Euro-enthusiasts are hailing EMU claiming that critics said it would never happen but there it is. In fact critics said, rightly, that a single currency without a single stage to redistribute, cut public spending and facilitate labour mobility will be messy. The proof of that pudding remains in the eating but there were few doubt that the Titanic would sail, though many about the passenger list, the Captain, whether all could pay the fare and whether all the hull could take the strain. Yet it's difficult to tell electorates who've endured five years of high unemployment, low growth and Maastricht cuts that it had all been a terrible mistake. The Titanic had to sail; whether it floats or not.

British ministers then shouted "bon voyage" and kept quiet about the missing hull plates, the flooding in third class cabins, the absence of pumps and mops, and the wrong destination of the voyage: political union not economic success. Sulking is not a strategy but vacuous enthusiasm can't be either, for, fail or succeed, the EU's folly will harm us if we leave ourselves exposed, whether we try to help it on its way or get dragged behind like a bum boat.

The first consequence has already emerged in crippling overvaluation which will produce rising unemployment and recession. This is due to high interest rates and the flood of speculative money escaping Europe's uncertainties by coming here. With interest rates controlled by the Bank of England on a tight inflation target and a monetary committee in which Brown's appointees have been hawks, a system intended to secure stability has produced instability in the exchange rate. It now deprives us of any ability to protect ourselves against Europe's follies so we go naked into the Euro-chamber.

Our problem has been compounded by the German willingness to manage the D-Mark and its associated currencies down to offset the deflationary consequences of Maastricht by export led growth. This has already produced benefits in Germany and France but hits us and means that, if it's more than a last fling before marriage to make the disciplines to come bearable, it may be a soft euro. We need the euro hard because a weak euro threatens our trade with Europe which is less profitable than our trade outside and has always been in deep deficit, because entry meant a rundown of our traditional trade with the rest of the world (where we were in surplus up to last year) to open our market to more powerful industries producing much the same range of goods as ourselves and compete with them in their own home market.

The Treasury and Civil Service Committee, now the economic arm of the European Movement, expects a hard Euro. It was promised to the German electorate and Bundesbank. It is the expectation of markets who've been patient with both the birth pains and with the irresponsibility of embarking on the huge euro risk when the Far East puts the world financial system under strain. Yet why should the euro be hard? Few promises have been fulfilled. Inadequate convergence and fudged criteria imply weakness. A soft euro would allow growth and make the new currency more attractive by bringing down unemployment.

Already sterling appreciation and D-Mark depreciation have made the trade deficit horrendous. That heralds deflation to reduce demand for imports, and higher interest rates to finance it. Government hopes that the pound will come down. Indeed the slight fall since the summit has been heralded as the dawn of competitiveness. Yet a few pfenigs make no difference. The pound is still within the ERM range which did such damage and, once started, manufacturing rundown is difficult to reverse. There is no reason why the pound should fall substantially and no indication that the Bank of England will allow the substantial reduction in interest rates to bring it down. So we are left with an indefinite future of Sterling overvaluation. Compounded by a soft euro that would make the future bleak. It will not be profitable to produce in this country.

I'd defend the right of Euroland to go to hell in its own way. Yet that requires us to take advantage of their folly as they have of ours for so long. Exuding goodwill to a project which can't work is vacuous. Strong or weak the euro doesn't help us, therefore we have to defend our own interest with every weapon available. Small boats require more strenuous navigation. Hard or soft, the only sensible approach for Britain outside Euroland is to manage our economy for our purposes, to go for growth and jobs and repair the damage done by two decades of industrial anorexia and the ever rising deficit drain to the EU. That rebuilding was central to a manifesto which promised to repair Tory damage and ensure "real" convergence. Yet to get it, and to steer through coming Euro-uncertainties, we must take back control of monetary and fiscal policy, manage interest rates to ensure a competitive exchange rate, manage

demand to get jobs and control inflation by managing credit.

Labour shows no sign of doing, or even understanding, any of this. Indeed, we are proclaiming our intention to eschew competitive devaluation. Worse, the government seems determined to run the economy as if we were already an apprentice member of EMU, lacking influence on its decisions, but prepared to suffer its pains and penalties. Gordon Brown is committed to Euro-monetarism which means restricting public spending, to reducing deficits, to maintaining the debilitating obsession with inflation and to an exchange rate stability which will crucify manufacturing. There is talk of a possible entry rate of 2.60 to the DM, though this may be a carrot dangled before manufacturing to keep it plodding on its downhill road. It certainly shows no understanding of the problem for a 2.60 pound is far too high as well as unattainable.

So we may get the worst of all worlds, even though the enforced delay in entry puts us in a position to get the best. Watch the mess unfold. Learn lessons by observation rather than by bitter and expensive experience as we did in the ERM. Gordon Brown has shifted the onus to entry by proposing five tests on whether we're worthy (which amazingly do not include manufacturing strength) but none of whether it will be worth joining. This is the central issue and until it's answered, British government should go for the growth and betterment it was elected for. Then it can assess whether EMU has delivered economic benefits or done damage in Europe. This isn't a test of whether the euro falls apart under the strains predicted by Martin Feldstein, or the conflict feared by Bernard Connolly. It's a question of the strains forced on weaker economies by EMU. With lower productivity and living standards, less investment, fewer big companies with economies of scale, and a weaker manufacturing base, we are exactly the kind of economy likely to be clobbered by powerful competitors, if the insulation of our own exchange rate is removed. Maastricht took no account of this because it ignored real convergence to concentrate on monetarist measures. Even if monetary convergence had prepared the way, which it hasn't, a single currency deprives the weak of the ability to adjust through the exchange rate. They must take shocks directly on employment, wage rates and living standards.

A nation state offsets this by tax equalisation, as in Germany, or by redistribution envisaged in the McDougall report on monetary union. Europe can't and EMU does the opposite via a stability pact proposing fines for countries like France or Italy who will soon look to boost demand by public spending or for those suffering higher deficits as rising unemployment leads to higher spending and lower tax receipts. Such problems will emerge in the four years before our decision becomes imminent. So will divergences produced by the fact that one interest rate can't cover every condition, while cuts in public and social spending (the covert part of the agenda) must have differential consequences (and produce different levels of anger) in different economies. Thus the real test is the degree of divergence and damage as EMU strengthens the strong and undermines the weak. The EU can't respond to this without a massive new redistribution role.

Our four year breathing space is also a challenge. Either we pursue our own interest and set out to rebuild and expand our own economy, or we sit on the sidelines training for a different game by exercises which will damage. Make a success of the first choice and we have little need for a failed Euroland. Follow the second and we have no alternative to slumping into it.

*Austin Mitchell is Labour MP for Great Grimsby. He is a member of the European Foundation UK Advisory Board and Vice Chairman of the Labour Euro-Safeguards Campaign.*

## *… news in brief*

**Jacques Delors proposes reforms**

The former president of the European Commission and architect of monetary union has submitted plans for reforming the way the European institutions work, on behalf of the 'Notre Europe' foundation which he chairs. The central suggestion is that the political parties announce their candidate for the post of president of the Commission as part of their electoral manifesto in the European elections. Delors points out that appointments for this post are subject to approval by the European Parliament, and that the parties thus have the right (and duty) to say whom they will support. As Delors rightly realises, such a personalisation of the political debate would shift the European elections from their current excessive concentration on internal politics, and raise them to the European level instead. The change, in other words, while not being a strictly institutional one but instead a matter of practice, would be a very strong federal impulse.

**French right tries alliance**

The withering French centre-right opposition parties, the Gaullist RPR and the liberal UDF, have agreed to form an "Alliance". For years they have had an informal alliance, which consisted mainly in not putting up candidates against each other: this new structure is likely to be an uneasy compromise, bringing together two (or more) disparate strands of right-wing politics in a last ditch attempt to shore up the collapsing centre-right, and thus to prevent it from ceding all territory to the *Front National*. It is a difficult task, the two parties containing pro- and anti-European elements, and pro- and anti-free trade elements. In fact, it is almost as difficult as uniting the British Conservative Party…

**A bit late now**

The Socialist opposition in Spain has accused the government of creative accounting in its figures for the budget deficit. It claimed that the deficit of the country's social security system was far higher in reality than the government claimed, and that some 350 billion pesetas (£1.3 billion) had been hidden away. The Socialists claim that without this and other tricks, the Spanish budget deficit would be 4.3% rather than the 2.6% official figure submitted by the government.

**All good friends really**

Jacques Chirac hosted a lunch at the Elysée Palace for all the former prime ministers of France to celebrate the definitive decision to join the euro. Maurice Couve de Murville, Jacques Chaban-Delmas, Pierre Messmer, Raymond Barre, Pierre Mauroy, Laurent Fabius, Michel Rocard, Edith Cresson, Edouard Balladur, Alain Juppé and Lionel Jospin all came. The former president, Valéry Giscard d'Estaing was also invited, but he declined: he evidently has no desire to darken the portals of the Elysée, now that his old enemy Chirac is installed there – a scruple he never felt when Mitterrand was president, whom he visited several times. After the lunch, Michael Rocard, carried away by conviviality, admitted that, "It was a lunch for an exclusive club, a very pleasant and even jolly occasion." He tut-tutted at "our German friends" (it was just after the Brussels summit) for "sometimes having itches for power which they really ought to control".

# Germany, the CAP, and the Third World

*by Bill Cash*

On May 12th Members of Parliament representing all the major parties gathered in the Jubilee Room of the House of Commons for the launch of the All Party Group for the Jubilee 2000 Coalition. As chair of the group, I am delighted to be so closely involved in one of the largest groups within parliament. What unites these MPs is a firm belief that the only way for the world's poorest countries to make a fresh start in the next millennium is by a one-off cancellation of their unpayable debt. They are also united in their concern that some of the leading nations in the west, led by Germany, are blocking moves to boost the modest levels of debt relief currently on offer.

Forty five years ago – February 1953 – the Allies met in London to decide whether Germany should get massive debt relief – as well as Marshall Plan aid. Britain was one of her creditors, and was host to the negotiations. We in Britain had already been treated generously by our allied partners, in particular the US, which had written off a large proportion of the debts we owed.

A 'London Accord' was duly signed for Germany. It was an extremely generous package. The allies agreed to write off the equivalent of more than two-thirds of what Germany accepted it owed. The Accord was not just generous; it was wise and enlightened. Allied statesmen recognised that the German people needed to make a fresh start. That German children had to be offered a future. That the post First World War settlement had been too draconian and had helped Hitler's rise to power.

Germany joined Britain and other members of the Group of 8 at the annual summit of the world's leaders in Birmingham. On their agenda was the unpayable debts of some of the poorest countries in the world. But their approach is very different from that of the 1953 London Accord.

Not only are the G8 creditor countries demanding that poor countries, most of them effectively bankrupt, pay their debts. They are going further. They are demanding that some of the poorest countries in the world pay far more than we considered acceptable for ourselves and our allies in the past. Both the British and German governments are demanding that poor countries pay more than five times in debt service than we, or the Germans, were expected to pay after the war.

At the negotiations in London in 1953, Germany's creditors had begun negotiations by suggesting that she should use 10% of the income earned from exports to pay debts to the allies. But Herman Josef Abs, the central banker in charge of the German delegation, resisted this proposal fiercely, arguing that it was not affordable. He proposed instead that Germany should not devote more than 3.5% of the money earned from exports to pay back debts.

After some days of negotiation, the allies agreed.

Today Germany, Britain and the US sit on the Boards of the World Bank and insist that Mozambique, the poorest country in the world, recovering from a civil war and from low level conflict with the apartheid regime, should use 20% of her exports to repay debts – to Britain, Germany and other creditors.

As German campaigners for debt relief for Mozambique have noted: "by renouncing their claims against the Federal Republic of Germany, the legal 'heir' of the National Socialist regime, the victorious powers of the second World War helped the country that only a few years before had attacked and partly destroyed their own economies."

Neither Mozambique, nor any of Britain's or Germany's ex-colonies in Africa, has ever attacked and partly destroyed those creditor nations now denying them adequate debt relief. yet our approach to these poor debtor countries is much harsher than was our approach to Germany in 1953.

There is another aspect to the generous debt relief package granted to Germany in 1953 that has a modern day ring. Germany, while negotiating the London Accord, made it very clear that she could only recover – and pay back debts – if her ability to export into allied markets was secured. Allied creditors accepted that German debt service payments also depended on the liberalisation of their own trade.

In contrast today Germany stands at the helm of a Common Agricultural Policy which raises barriers against exporters from developing countries. Poor countries in Africa and the Caribbean cannot earn their way out of debt by exporting lemons or wine or finished products into our markets.

These double standards have to be challenged. The Jubilee 2000 Coalition – led by the churches and campaigning for debt relief for the poorest countries by the year 2000 – have laid down a gauntlet for this year's summit. Tens of thousands of supporters formed a human chain around the summit on Saturday 16th May to protest at this hypocrisy, and I spoke there. G8 leaders would be well advised to listen and to follow the sound and enlightened lead set by allied creditors in 1953.

*Bill Cash, MP, is Chairman of the All-Party Parliamentary Group for the Jubilee 2000 Coalition. He spoke at Jubilee 2000's meeting at St Martin's Parish Church before the Human Chain.*

## *… news in brief*

**Taking a leaf out of the book of the 5th Republic**

The Duisenberg "compromise" recalls a well known ruse used by successive presidents of the 5th Republic to get rid of their prime ministers when it suits them. The constitution of the 5th Republic gives the president the right to appoint the prime minister, but not to sack him. He is theoretically accountable to the National Assembly. In reality what happens is this: when a man is appointed to Matignon, he is invited to the Elysée where he signs an undated letter announcing his resignation of his own free will. The letter is kept safely until it is needed, whereupon a date is appended and the letter is made public. Similarly, the EU has bent the rules on mandates for the bank by officially appointing him for 8 years, but making that appointment conditional on his statement that he will not serve the full term.

**Tobacco advertising banned**

The European Parliament has approved a directive, which has been in gestation for a decade, banning all advertising of tobacco products within the European Union. The directive will come into force gradually from 2002 until 2006. It is not yet clear whether the EU will stop subsidising low quality tobacco at the rate of over £600 million a year.

# Switzerland "nul points"

*by James Barr*

It would be easy to oversimplify the Eurovision Song Contest, which celebrated its forty-third birthday this year. Many people see the contest as little more than an outlet for national prejudice. On the other hand a few obsessives eagerly await the publication of a book on the subject, analysing national voting patterns since the first contest in 1956. Surely there is an analytical middle way; to view the contest as a fascinating vignette of cultural connections in Europe in 1998, circumstantial evidence – nothing more – telling none the less.

Eurovision is *older* than the European Community, if only by a year. Like the EEC, it initially involved the Group of Six, as well as Switzerland. Since then, enlargement of Eurovision's compass has proceeded apace. The UK, surely unable to resist the pressures of isolation, joined in 1957. The end of the Cold War heralded closer East-West relations and expanded the horizons of the competition, which now periodically includes Russia and Israel. The fragmentation of the Eastern Bloc has dramatically increased the number of contestants, so that not all countries may compete. Austria, Denmark and Italy were not represented this year. Nevertheless, an estimated 100 million viewers watched the live contest – a feat of broadcasting organisation arguably unmatched at any other time in television's calendar.

Understanding the contest requires a brief explanation of how it works. First, in a

## Votes in the Eurovision Song Contest 1998

| **Country Voting –>** / **Country Singing** | *Croatia* | *Greece* | *France* | *Spain* | *Switzerland* | *Slovakia* | *Poland* | *Israel* | *Germany* | *Malta* | *Hungary* | *Slovenia* | *Ireland* | *Portugal* | *Romania* | *UK* | *Cyprus* | *Netherlands* | *Sweden* | *Belgium* | *Finland* | *Norway* | *Estonia* | *Turkey* | *FYR Macedonia* | *Total* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Croatia | • | 5 | 8 | 1 | 5 | **10** | 6 | **10** | **10** | **10** | 0 | **12** | 3 | 2 | 0 | 2 | 7 | 4 | 3 | 5 | 3 | 6 | 3 | 4 | **12** | 131 |
| Greece | 0 | • | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **12** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 12 |
| France | 0 | 0 | • | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 3 |
| Spain | 1 | 0 | 4 | • | 6 | 0 | 0 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4 | 0 | 0 | 3 | 0 | 0 | 0 | 0 | 0 | 21 |
| Switzerland | 0 | 0 | 0 | 0 | • | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Slovakia | 8 | 0 | 0 | 0 | 0 | • | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8 |
| Poland | 0 | 0 | 2 | 0 | 0 | 0 | • | 0 | 5 | 0 | 2 | 0 | 0 | 0 | **10** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 19 |
| Israel | 0 | **10** | **12** | **10** | **10** | 0 | **10** | • | 7 | **12** | 0 | 7 | 6 | **12** | 7 | 5 | **10** | 6 | 5 | **10** | **10** | 3 | 7 | 5 | 8 | 172 |
| Germany | 0 | 3 | 0 | **12** | **12** | 0 | 0 | 0 | • | 0 | 0 | 8 | 8 | **10** | 6 | 6 | 0 | **12** | 0 | 7 | 1 | 0 | 1 | 0 | 0 | 86 |
| Malta | 7 | 6 | 6 | 5 | 8 | **12** | 8 | 7 | 8 | • | 7 | 3 | **12** | 5 | 0 | **12** | 5 | 8 | 6 | 8 | 5 | **12** | 5 | **10** | 0 | 165 |
| Hungary | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | • | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 4 |
| Slovenia | 3 | 2 | 0 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | • | 0 | 0 | 5 | 0 | 0 | 0 | 0 | 0 | 4 | 0 | 0 | 3 | 0 | 23 |
| Ireland | 2 | 0 | 0 | 0 | 2 | 4 | 2 | 0 | 2 | 6 | 6 | 1 | • | 1 | 8 | 8 | 0 | 0 | 1 | 0 | 0 | 4 | 2 | 8 | 7 | 64 |
| Portugal | 0 | 1 | **10** | 6 | 0 | 2 | 0 | 2 | 0 | 2 | 0 | 0 | 0 | • | 0 | 0 | 2 | 0 | 0 | 1 | 0 | 0 | 0 | 6 | 4 | 36 |
| Romania | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | • | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 |
| UK | **12** | 7 | 3 | 3 | 3 | 1 | 7 | **12** | 1 | 8 | **10** | 5 | 5 | 6 | **12** | • | 8 | 7 | 7 | 6 | 8 | 5 | 8 | **12** | **10** | 166 |
| Cyprus | 4 | **12** | 0 | 0 | 0 | 5 | 0 | 1 | 0 | 1 | 1 | 0 | 0 | 4 | 4 | 3 | • | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 37 |
| Netherlands | **10** | 8 | 5 | 4 | 7 | 6 | 5 | 8 | 0 | 7 | **12** | 0 | **10** | 7 | 0 | **10** | 0 | • | 8 | **12** | 7 | 8 | 0 | 7 | 0 | 141 |
| Sweden | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 0 | 0 | 4 | 8 | 0 | 2 | 0 | 0 | 1 | 0 | 5 | • | 0 | 6 | **10** | **12** | 2 | 3 | 56 |
| Belgium | 0 | 4 | 7 | 7 | 4 | 7 | **12** | 5 | 4 | 3 | 3 | 6 | 7 | 8 | 0 | 7 | 6 | **10** | 2 | • | 0 | 7 | 6 | 1 | 6 | 122 |
| Finland | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **10** | 0 | • | 1 | **10** | 0 | 1 | 22 |
| Norway | 0 | 0 | 0 | 8 | 1 | 0 | 4 | 4 | 3 | 5 | 5 | **10** | 4 | 3 | 0 | 4 | 3 | 3 | **12** | 4 | 2 | • | 4 | 0 | 0 | 79 |
| Estonia | 0 | 0 | 0 | 2 | 0 | 8 | 0 | 0 | 0 | 0 | 4 | 2 | 1 | 0 | 0 | 0 | 0 | 2 | 4 | 0 | **12** | 0 | • | 0 | 0 | 35 |
| Turkey | 5 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | **12** | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | • | 5 | 26 |
| FYR Macedonia | 6 | 0 | 0 | 0 | 0 | 3 | 0 | 0 | 0 | 0 | 0 | 4 | 0 | 0 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | • | 16 |

random order, all contesting countries perform their songs. This time, Croatia kicked off, eventually finishing a creditable fifth, which might suggest that early numbers in this marathon two-hour section of the show enjoy a considerable advantage. Although critics portray the contest as tedious, the facts barely support this. The songs which occupied the top six positions, by Israel, the UK, Malta, the Netherlands, Croatia and Belgium, were fairly evenly spread throughout the batting order, suggesting an attentive, or already prejudiced audience. One interesting feature of the programme is that its viewing figures actually increase during its time on air, in anticipation of controversial voting at the end. The potential for embarrassment, which accompanies the combination of live TV and unpredictable telephone polling, is undoubtedly a draw.

Whether, as folk law would have it, Eurovision is an outlet for national tensions and prejudices is questionable. True, Turkey and Greece ignored one another again this year, as they have done for the last sixteen years, but elsewhere it would be wrong to infer too much from silence: each national panel could only allocate votes to under half the other competitors. As a result, analysis of the incredibly subjective process of Eurovision can only point out connections, rather than tensions. While it is widely recognised that the Aegean is a fraught spot, the growing links between states are less well observed. These links are not international, but ethnic.

After the performances comes an interval for voting. People inclined to get involved may ring a national number to vote for the foreign song of their choice. Total votes for each song are then added together by each national panel, and allocated a score of 1–8, 10 or 12. So each judging panel gives scores for the ten most popular songs, based on acclaim in its own country. The winner is the contestant who collects most points. This year, only the UK was rated in the top ten by every participating country. Switzerland, at the other end of the scale, polled the infamous '*nul points*' when no other country rated its offering worth anything at all.

So there it is, marvellously simplistic, open to abuse, assuming equal parity for all European nations' votes, regardless of population, devoid of political correctness, but arguably highly telling of Europe's nations' evaluation of one another. In fact the potential for this assessment has increased over since 1976, when the use of English by any country other than Ireland, Malta and the UK was banned. Contestants must sing in one of their country's official languages: paradoxically, in a world in which widespread knowledge of English has facilitated globalisation, Eurovision remains vernacular and local and attracts colossal audiences.

But the competition has been unable to stop the global trend, and with it the influence of America. Since the mid-sixties, traditional ballads have fought a rearguard action against British and American musical tastes. But rarely are the English-singing contestants out of the top ten: this year the UK and Malta came second and third respectively while Ireland bombed to ninth. Similarly other countries sharing close linguistic ties benefited: Greece and Cyprus both awarded one another the maximum 12 points, and France awarded 7 points to the Belgian entry sung in French. In this case, a reciprocal arrangement was not guaranteed, however. Belgium voted strongly for Germany and the Netherlands, showing perhaps that the Flemish exercised their voice strongly during the vote, the French song only won 3 Belgian points. Switzerland, predominantly German-speaking, gave 12 points to Germany; the Germans, like the rest of Europe, gave the Swiss nothing in return. Which observations lead us, Ladies and Gentlemen, to the first conclusion, that viewers unsurprisingly vote for a song they understand, lyrically and musically.

If language has been the main barrier to success since 1976, the songwriter's challenge is to choose words which are international, in a format which makes musical 'sense'. This explains the success of the Israeli entry, which came first, and the relative success of the Portuguese entry and the failure of the Hungarian offering. Israel's song cleverly used the Latinate phrase 'viva victoria' and an upbeat, infectious melody in chorus: the effect had almost universal appeal although the words were mostly unintelligible.

The Portuguese ballad attracted more select and traditional support. Accompanied by bagpipes, and guitarists, Portugal's singer earned 10 points from the French, 7 from Spain and recognition from the Mediterranean as a whole. Atlantic and inland Europe, with the exception of Belgium, remained profoundly unimpressed, allocating no support for Portugal. The historic lyrical tradition of southern Europe, once the conveyor of much of Europe's classical folklore, fails to have much resonance any more. The Hungarian song enjoyed little currency at all, attracting just 1 point from its next door neighbour, Romania. This was unsurprising however, given it is the only European language I can think of in which the word for Police is not instantly recognisable (being *Rendorseg*).

For similar reasons, this year's results would seem to show, nearby countries tend to vote relatively highly for one another, either on language or cultural grounds. The Nordic competitors, Norway, Sweden, Finland and Estonia illustrate this. All gave either 10 or 12 points to one of the others: Estonia and Sweden gave both 10 and 12 to others in this close-knit group. Countries of the former Yugoslavia, and central Europe, also tended to support one another, with the Croatian song receiving maximum points from Slovenia and the Former Yugoslav Republic of Macedonia. Outside the protection of historical solidarity, or ties of language, countries such as Romania, Greece, and Slovakia attracted a vote from just one other country. The picture is of a number of Europes clumped around common ethnic and linguistic cultures. A cohesive Europe is still some way off.

Two other scores stand out, in defining this cultural sketch of Europe today. Germany gave Turkey 12 points, and Croatia 10. Whereas Croatia scored generally highly, Turkey scored 15 from all the other countries put together. The fact that Germany has taken large numbers of refugees from both these countries must go some way to explaining these scores. Ties strengthened by ethnic minority despite migration, were revealed in Eurovision this year. At the same time we also get a glimpse of the type of person who will vote after two numbing hours of glitz and singing. Eurovision certainly offers a bandwagon, on which to make a point. Let us hope that it is not because these minorities feel disenfranchised, that they choose to make their point on Eurovision.

*James Barr is Head of Research at the European Fundation*

# A Closer Look at the ECB

*The European Central Bank will be less insulated from political pressures than is usually thought, argues* ***A.H.J.W. van Schijndel****. Lacking democratic ligitimacy, it is doubtful whether EMU would survive a real political crisis.*

Economic and Monetary Union (EMU) starts next year, setting in motion a massive "relocation of politics" towards Europe. The Dutch foreign affairs minister, Mr Hans van Mierlo, argues that we should look on Europe as a sort of kitchen. He says people do not care about kitchen design, they only want tasty food on their plates. It is the effectiveness of policy that counts – *not* which political procedure was followed.

Mr Van Mierlo's pragmatism is a prime example of the anti-democratic spectre now abroad in Europe. That does not augur well. For the very essence of democracy is that it is a procedure designed to create legitimacy and social acceptance. Especially in the event of conflicting interests, democracy pacifies and binds together. This salutary effect is based on the idea of representation: in making and amending their own laws citizens bind themselves.

EMU breaks with this principle. Once and for all, the management of the currency is entrusted to 'experts'. But this is liable to cause enmity and destructive power struggles between member states. Europe is not cloud-cuckoo-land: its real world countries have many divergent interests.

This all the more so because EMU will begin with eleven countries. Consequently, it will be a very diverse club. In line with Mr Van Mierlo's culinary vision, some critics say that the euro amounts to mixing a nice Bordeaux with ordinary table wine.

Unfortunately, the analogy is apt. After all, the value of money and, in particular, exchange rates and long term interest rates, depend on the confidence of world financial markets. The credibility of monetary authorities is therefore of paramount importance. It takes many years for a central bank to establish a reputation.

In Europe the German mark traditionally plays the role of base currency. But the reputation built up by the German Bundesbank over half a century cannot simply be bequeathed to the European Central Bank (ECB). The ECB will have to establish its reputation in its own right.

A central bank's credibility is at stake whenever monetary decisions are made. For this reason it is absolutely crucial that the central bank is united internally. Its unity of purpose and consistency of policies must be ensured. Without this consistency, the markets will set a lower exchange rate and higher long term interest rates than would have been the case otherwise.

Here lies the problem. The heterogeneous composition of EMU makes it all but impossible for the ECB to build up its reputation. Internal divisions are bound to arise between countries which have a high government debt and those whose public finances are better balanced, thereby thwarting consistent and credible policy-making.

At issue are the most important monetary decisions: the fixing of short term interest rates. Short term rates are set by central banks; long term rates (e.g. for mortgages and other bank loans) by financial markets. There is an inverse relationship between the two rates: A consistent policy stance of monetary strictness, i.e. a willingness to *raise* short term interest rates if the economc situation sor equires, leads to lower long term rates – and *vice versa*.

Decisions on short term rates are to be taken by the governing council of the ECB. Members of this council are the bank directors of the ECB as well as the governors of the national central banks. The council consists of 17 members (6 directors and 11 governors). Decisions are taken by simple majority. Governors are obliged to explain their role in ECB decision-making to their national parliaments. Opposing interests will therefore soon manifest themselves in public.

The main conflict stems from the fact that in certain countries public finances are extremely sensitive to changes in short term interest rates because the national debt consists of debt instruments carrying a short term rate. In consequence, governors from countries with high national debts will attempt to delay every short term interest rate increase and to hasten every cut. But in a smoothly run economy, the timing of the use of the 'accelerator' and the 'brake' is critical.

Three factors contribute to internal conflict. First, governors are and will remain *national* civil servants – their loyalty is, first and foremost, tied to their national central bank. After, even for monetary mandarins, as the saying goes: "All politics is local". The same applies to directors of the ECB. At the end of their term of office (4 to 8 years, without eligibility for reappointment) they will usually re-enter the national civil service.

Second, the fact that the ECB has price stability as its primary objective does not offer any guarantee for the soundness of its policies. For the Treaty also stipulates that the ECB must support "the general economic policy in the Community" (article 105 EC), which means promoting growth and employment. Although this objective ranks as secondary, it is still present. As a result, the ECB has a certain room for manoeuvre to balance both objectives. Divergent appreciations of the economic situation in various parts of the EMU-zone are then bound to emerge.

Third, countries with a "soft" budgetary and monetary policy tradition are in the majority in EMU – and therefore also in the ECB. For both political and economic reasons this group consists of Belgium, France, Italy, Luxembourg, Portugal and Spain. In the other camp are Germany, the Netherlands and Austria. Finland and Ireland find themselves somewhere in between. In view of the arithmetic, financial markets will believe that the ECB will accommodate growth objectives, which damages the bank's credibility as an inflation fighter.

The upshot is that these seemingly technical problems result in a currency that is less stable than the one we now have. This is so both internally (in terms of purchasing power) and externally (in its exchange rate with other currencies). In all reasonableness it is no longer possible to maintain that the euro will be as stable a currency as the guilder.

In spite of this our civil servants charged with informing the public do not seem too bothered. In information materials we are told that the euro is good for trade, and that more trade "translates into more employment and more purchasing power. As a result, in the end everybody will gain."

This "trickle down" theory sounds good: there are only winners in the euro game. Yet, the economic effects of the euro for the Netherlands have barely been examined. This alone suggests that the trade benefits will be quite modest.

Not every change means improvement. Ordinary citizens will be facing higher real mortgage rates and less purchasing power from their pensions (unless the latter are indexed for inflation – which is often not the case). But why pay attention to such adverse welfare effects when we have a euro party going on?

**Sophistry**

But even if EMU is an economic liability, one may still consider whether it makes sense politically. We are told that Germany should be tied to Europe and that we have the choice between a European Germany or a German Europe.

This sounds quite profound, but it remains unclear what it really means. Those who advance this view often say it has to do with Germany's geographical position in the centre of Europe. The expressed fear is that one day Germany may be forced to act on its own militarily in order to maintain stability in countries on its Eastern border. This is the dreaded *Alleingang*. In this frame of mind monetary union is, on the one hand, a sovereign remedy to allay the fears of Germany's Eastern neighbours (Germany ties itself to the West), and on the other, a means to ensure that Western Europe stays involved with Germany (in a crisis Europe will come to the aid of Germany).

One quick glance at the map shows that this argument is geopolitical *Quatsch* (which means 'nonsense' in German). Those countries with which Germany shares its Eastern border (Poland, the Czech Republic, and Hungary) are set to join the European Union and NATO within a couple of years. As a matter of fact, there *is* no stability problem in these countries.

The real geopolitical problem is the survival of Belarus and the Ukraine as buffer states between the NATO countries and Russia. This issue concerns the relationship with Russia, which means that it can only be dealt with in close co-operation with the United States. It would be a mistake if the European Union were to try to hande this matter on its own.

This is not to say that there are no political aspects to monetary union, but only that they are of a much more mundane nature than generally thought. In essence, domestic interests are the driving forces behind monetary union. In Germany it is, above all, big business which is interested in a stable European market and – in order to maintain exports outside the euro-zone – in a currency that is not overly strong. And in France the political-administrative élite views EMU as a useful instrument to strengthen France's position on the world stage.

**One quick glance at the map shows that this argument is geopolitical Quatsch**

In this context the power-political aspect of monetary union is clear if we view the European Union as a permanent bargaining arena. In it member states negotiate about (i) the competitive conditions applicable to trade and industry, and (ii) the financing and spending of the European budget.

All bargaining ultimately relates to the conditions for economic survival of member states. Obviously, each member state seeks to optimise these conditions in ways most favourable to it. In this respect, our belief in the virtues of free trade and undistorted competition is not shared by all. Other countries insist on restrictions of imports, subsidies for ailing industries, additional regional aid funds, and so on. Interests almost always collide when it comes to trade and competition. Also, conflicts abound with respect to the European budget. In fact, people in the Netherlands increasingly view Europe's finances as making their country tributary to Brussels.

This brings us to the key question: what impact has EMU on the Dutch negotiating position in Europe? The plain answer is that monetary union weakens our position. This is because the complex monetary construction is susceptible to all manner of political pressures. Monetary union offers countries more opportunities to make their co-operation dependent, in designing EMU-consistent monetary and budgetary policies, on concessions in other areas. The net result is that the Netherlands will be less able to advance its interests in free trade and financially sound policies. Perhaps this aspect was not given due attention in Maastricht.

**What can you do?**

Both from an economic and a political perspective EMU is of tremendous importance. It should therefore be sufficiently robust to survive the heaviest of political storms. But it is very doubtful whether EMU can do so. What will happen if conflicts of interest really emerge, for example in case of a severe economic crisis or a war in the periphery of Europe? Will such storms scatter the monetary armada?

Europe is not a political union. The lack of democratic legitimacy will put immense strain on the monetary construction as soon as political problems arise. Monetary policy measures have enormous effects on matters like interest rates, inflation and employment. This affects citizens in their vital interests. The feeling of being disadvantaged or cheated grows only too quickly when nations seek to administer a common matter in different ways. The odds are that some nations will eventually come to hate Frankfurt's monetary dictates.

It is a pity that such considerations have hardly played a role in public debate in the Netherlands. But what can you do? Our *captains of industry* insist on having the euro because it supposedly promotes trade, and in any event it makes treasury management a bit easier. Deeper analysis on the matter has not been forthcoming from our business leaders.

Of our prominent politicians only the leader of the VVD-Liberals, Frits Bolkestein, has been consistently critical. At a recent meeting of the Netherlands Atlantic Commission the finance spokesman of the Social Democrats, Rick van der Ploeg, even went so far as to warn the Liberals not to provoke big business! A curious comment for a Member of Parliament. What about paying attention to the interests of ordinary citizens?

*A.H.J.W. van Schijndel is a lawyer who practises corporate and EC law in Amsterdam. An earlier version of this article was published in the Dutch newspaper* Het Parool *on the 23rd April, 1998. His article, 'A Dutch Warning' appeared in the March edition of the Journal.*

# The Potential for Europe and the Limits to Union

*Extracts from a speech given by* ***The Rt Hon. William Hague, MP,***
*at INSEAD Business School, Fontainebleau, Tuesday 19th May 1998*

Monsieur Borges, staff and students of INSEAD, thank you for inviting me to Fontainebleau. I come here to address members of my generation – born in peace, enjoying unrivalled prosperity, secure in freedom, proud of our inheritance and anxious to pass it on to our children. I want to talk to you about the potential for Europe and about the limits to European Union.

I cannot think of a better place to make this case. For you are the people with the youth and ambition and talent to go out and conquer the new world of opportunities. INSEAD may be a European institution – but it has a global outlook. Such places are the future. Such people are the future.

The last time I was in INSEAD I was an MBA student. Living in France, studying in Fontainebleau, was one of the most rewarding years of my life. George Doriot, the founder of INSEAD, had a vision of a truly international business school where students from different cultures and different professional backgrounds could come together and learn not just from their teachers but from each other. When I was a student here I was in a class with people from twenty-five different nations. This year's MBA class is made up of students of fifty different nationalities. French, British, American, Korean, Japanese, German, Argentinian, Italian and Indian to name just a few. A truly global community brought together here to learn about competing in global markets. A global community that has an interest in Europe.

I believe the nations of Europe have the potential to seize the great economic opportunities of the new century. And the European Union can be a force for peace, stability and prosperity in an uncertain world.

But I fear that the European Union is in danger; in danger of accepting without debate a political destination agreed forty years ago; in danger of proceeding with political integration not because it is right but because it is said to be inevitable; in danger of living in the past rather than facing up to the future.

There are European politicians who believe that the EU should continue down the path to closer integration. They believe there should be a common European foreign and defence policy. They believe that there should be a common EU criminal justice and immigration policy. They want tax and spending powers taken out of the hands of national exchequers and given to Brussels. And many of them believe our ultimate objective should be the creation of a single European state, and that this is an inevitable destiny.

I believe they are wrong. There is a limit to European political integration. We are near that limit now.

I intend to make three arguments. The first is economic. The European policies that were a natural response to the problems of post-war reconstruction are not necessarily appropriate for the future. In place of the ideas of intervention and regulation we need to create a free and flexible Europe.

My second argument is strategic. The fall of the Berlin Wall has completely changed the challenge facing European states. Bringing prosperity and stability to newly free states is now the most urgent of Europe's tasks.

And the third argument is political. Push political integration too far and accountability and democracy become impossible to sustain.

On 1st January 1999 eleven Western European countries will take a momentous step. They will adopt a single currency between them and accept the authority of a single central bank. But momentous though this step will be, it will create as many problems as it solves. And the most important is the danger that the single currency will lead to an increasingly centralised Europe.

I therefore believe that Europe should not press on towards an unacceptable degree of political union just to make the single currency succeed. I fear that the single currency could push us beyond the limits to Union.

A single thread running through these three arguments is that it is not the critics of the current direction of the European Union who are isolationist, out of date of even anti-European. Rather it is the EU's direction which is in danger of becoming isolationist. It is its post-war assumptions that are increasingly out of date. And it is the danger of integration and the abandonment of our continent's diversity and pluralism that is anti-European.

I shall argue that true internationalism is about the relationship between states rather than their integration into a single state. I shall argue that the nation state is not an outmoded concept, but is the best vessel for true democracy.

I shall argue that the real pro-Europeans, the people who really want to see a peaceful prosperous co-operating Europe, are the opponents of further political union and the supporters of a confident outward looking Europe of nation states.

I shall argue, too, that the favourite observation of integrationists – that technology is shrinking the world and that nation states cannot operate on their own – is in fact a strong argument against an exclusive Western European grouping. 'Little Europe' is as unattractive a vision as 'Little England'. For my country that means that our friendship with English speaking nations remains vital and should be strengthened and our role as a bridge between those nations and the nations of Europe will be of increasing importance.

Our generation should always be grateful to the generation of Europeans and Americans who rebuilt Europe, who restored freedom, who fought the cold war, who built stable democracy, who ensured prosperity, who replaced enmity between states with friendship.

But now it is our turn. Our turn to unite Europe after the Cold War. Our turn to defend freedom and stability now that the familiar landmarks of the post-war era have been removed. Our turn to advance prosperity when economic opportunities and challenges are presenting themselves. Our turn to defend democracy, community and nationhood in a time of uncertainty.

And I do not believe that we can succeed by simply taking the ideas of the post-war generation and applying them to new problems.

We must not allow Europe's future to be driven by an obsession with Europe's past.

*William Hague is Leader of the Conservative Party and MP for Richmond (Yorks).*

# The Rejection of Politics

*by Philippe de Villiers*

The euro is not a political project. It is in fact quite the contrary. It is a project which evacuates politics and tries to make Europe into an apolitical entity, both un-national and un-territorial. The single currency project feeds off a hollow ideology which recommends precisely the rejection of everything which constitutes properly political action: the instruments for political decision making, the principles of political life and the very foundation of the idea of politics itself.

**Rejection of the instruments of political decision making**

Politics has collapsed for having failed to play its role of synthesiser between short term financial and technical quibbles on the one hand, and the diversified needs of different nations on the other.

The arguments in favour of the euro may be technically impeccable but they are unreal and full of contradictions, however seductive they may be.

With "interior" arguments, we are told that the euro will facilitate transactions within the great internal market. This is a very dubious claim, given that Europe is not an optimal currency zone. Because the economic structures of different countries – especially their structures of production and trade – are not homogenous, EMU will increase the probability of "asymmetric shocks".

With "exterior" arguments, we are told that the euro will make Europe strong, in other words that it will enable us to rehabilitate the international monetary system by standing up to the dollar. But here again the argument is unreal. The euro will only be a credible currency if, on the one hand, it is based on an optimal currency zone and backed up by a federal state capable of administering redistribution and, on the other, if it is based on a zone of economic growth. In reality, the march towards the euro imposes restrictions and rigidities which stifle growth.

It is in the name of these unreal arguments that France accepts to be deprived of all its economic powers. It is a real self-mutilation. We are abandoning our exchange rate policy, our interest rate policy and our fiscal and budgetary policy – at the very moment when, because of Maastricht, we are also abandoning all policy of commercial protection for the European Union.

Politics is about adapting to reality. When politics no longer commands, then it is jobs which go down the tubes.

Exchange rates are overvalued, interest rates are kept permanently high in order to sustain the franc, and the tax burden weighs heavier and heavier to make the Maastricht criteria. All this causes lethargy, depression and durable deflation.

**A rejection of the principles of political life**

The introduction of the euro is an attempt, unprecedented in the history of European peoples, to destroy political life. The idea is to rid society of all intervention, of all will, of all design, of all vision, of all political expression, and to try and live without politics.

They want to live without government. The notion of politics has disappeared so much from people's minds that people have started to imagine that an economic and monetary union can function at the European level without a federal state, and even without an economic government. In other words, we have arrived, in the logic of Maastricht's ideology, at the degree zero of politics, at its total destruction. Then, realising that there is a lack of regulation, of arbitrage and of constraint, people have tried successively to invent substitutes for the notion of government. They are as follows:

• A mechanical substitute. The mechanical logic has been taken to its conclusion with the introduction of the "stability pact" in 1997. At the moment when politics has collapsed as a result of the uniform which is suffocating it, an iron corset has been applied in order to keep it standing up.

• A humanoid substitute. This is the "Euro-X", i.e. a sort of informal Council, without powers of expression, wedged in between the ECOFIN Council and the Central Bank in Frankfurt.

They want to live without a constitution. Little by little, our constitution has been emptied of all substance. Just take two examples:

• The text of the "stability pact", signed at Dublin, is utterly incompatible with our constitution. It sets up mechanisms which are much stricter than those provided for by Maastricht. But Article 88-2 of our constitution authorises transfers of sovereignty only if they are explicitly provided for by the Maastricht treaty. The Dublin text is thus perfectly unconstitutional. But who cares?

• The Treaty of Amsterdam provides, in Article F 1, that if a member state violates certain vaguely defined principles – "freedom, democracy, the respect for the rights of man and fundamental liberties" – then the other member states, having voted unanimously (minus the state concerned), can decide by qualified majority to suspend some of the state's rights, including its right to vote, without suspending its obligations. This article means that, on all subjects dealt with in Brussels – including the most important, and including those which are the object of a unanimous vote – the rights of a country can be destroyed at a stroke. The Luxembourg compromise has thus been abolished. The transfers of power which have been ratified by national parliaments, or by popular vote in the different countries, have become elastic.

This text is not in conformity with the constitutional principles of European countries, which generally stipulate that any delegation of power to the European Union must be precise and limited. To admit the opposite means recognising that Brussels enjoys superiority over the nations. This too overturns all our previous conceptions.

They want to live without democracy. A transfer of sovereignty is taking place which will place power in the hands of a network of three institutions which are completely free from democratic control. Three power centres, three secret and distant fortresses will decree the new law: they will dictate their laws and impose their norms. A new type of oligarchy is arising which goes beyond all of the classifications established by Aristotle:

• the commissioners of Brussels, whose powers are considerably reinforced by the Treaty of Amsterdam, in favour of their monopoly on legislative initiative;

• the bankers of Frankfurt in the future Central Bank, whose absolute independence is emphasised by Article 107 of the treaty of Maastricht, which forbids them from accepting or soliciting any instructions from any government of any member state;

• finally, the judges of Luxembourg whose task is to accelerate federalism, and who find the confirmation of their superiority in the Treaty of Amsterdam in an article which has slipped by unnoticed. The article provides for the subordination of all national law, including constitutional law, to Community law, and even to Community jurisprudence.

All this imposes a new European landscape, which is characterised by a weakening of any democracy which is close by, in favour of strengthening an omnipotent and distant technocracy.

**A rejection of the very foundation of the idea of politics**

When one looks at it closely, the monetary Utopia is accompanied by a more profound ideological aim. The idea is to attack the very bedrock of politics, which is the reality of nationhood. In order to do this, the project consists in setting up, within a post-national and post-democratic perspective, a sort of unpolitical entity with no territory, and by dissolving the notions of territory, of people and of national community.

• The notion of territory. We hear now of a "space without frontiers" with the underlying idea that we have to abandon the principle of territoriality, and thus of clearly defined frontiers, even though this principle is consubstantial with the very ideas of sovereignty, of jurisdiction and of social security.

• The notion of people. The single currency pretends to ignore the theory of optimal currency zones, and this is why it will fail. After all, what is an optimal currency zone if not the translation into economic language of the word "people"?

Each people has its own will, its own language, its own demographic structure, its reflexes, cycles, educational habits, its own manner of making things and of being more or less mobile. This presupposes a definite heterogeneity between different peoples, which can under no circumstances be subjected to one single criterion. This is what the euro ignores: peoples, their history and their differences.

• The very idea of nation. All this artificial construction, this "space without frontiers", has chosen for itself a name which is a revealing Freudian slip: "Euroland". It sounds like a theme park. The idea is to abolish all national realities and all history.

This amalgam of nations which are over a thousand years old has no political aim, in the sense that it does not attempt to replace the European nations by a more powerful new great European nation, in which the old nations would be called upon to dissolve themselves. At least then things would be clear. Instead, behind this apolitical construct, the idea is to make nations disappear altogether. There is no attempt to create a new nation to replace them.

The comparison which is often made between the German Zollverein of the last century and the European Union thus seems mistaken. In that project there was indeed a common market and a customs union, but it was the prelude to a complete political union. In EMU, there is not this same political vision.

The Maastricht treaty creates monetary union at the very moment when it abolishes the customs union, i.e. the idea of a community of European producers and consumers. If the idea was to create a new great powerful European nation, then the common external tariff would have been reinforced, not dismantled.

If there is a coherence between the treaties of Marrakech, Schengen, Maastricht, Amsterdam, the Dublin stability pact and the Münster agreement, it is that Euroland should be part of Worldland. The idea is to abolish the national reality and to eliminate politics altogether.

The euro is thus not only a policy of renunciation, it is the renunciation of politics. This is why we must urgently rediscover politics, i.e. the idea that the solution to a technical problem is not necessarily technical, that the solution to an economic, budgetary or social problem is not necessarily economic, budgetary or social. What is required is a political response, which rises above the level at which the question is put. We need to rise to the nation, to the Europe of nations.

*Philippe de Villiers is Member of the French National Assembly for the Vendée, President of the Regional Council of the Vendée, a former minister, a former presidential candidate and a member of the European Foundation's International Advisory Board. This article is adapted from a speech delivered to the Paris Conference on the euro on 4th February 1998. The speeches and interventions of the conference,* "L'Euro de tous les risques", *are published by the think tank Liberté Politique and the publisher François-Xavier de Guibert in Paris at 140 FF.*

## … *news in brief*

**Brussels compromise elicits widespread criticism**

Many analysts, politicians and organisations have attacked the "compromise" between Trichet and Duisenberg. The Chairman of the German CBI, Hans-Olaf Henkel, said it was "a rotten compromise" and said that it would damage the autonomy of the ECB. A leading SPD politician claimed that it violated the Maastricht treaty. The Chairman of the FDP liberals said it was "disappointing" that EMU would begin with a political compromise. Even the President of the European Parliament said that the appointment of the President of the ECB was a "miscarriage". City analysts in London seemed to agree that the French had dealt a severe blow to the independence of the bank and to the credibility of the currency. Meanwhile a spokesman for the SPD Chancellor-candidate, Gerhard Schröder, said that confidence in the euro would be damaged if EMU began with a violation of the treaty. But the law professor Karl Albrecht Schachtschneider, the author of the recent failed appeal against EMU to the German constitutional court, said that there was no chance of a new appeal succeeding against this compromise, which, juridically speaking, was "just about" covered by the treaty.

**Le Pen accuses Chirac of "collaboration"**

At the French National Front's traditional May day parade, Jean-Marie Le Pen attacked the agreement to proceed with EMU. He especially singled out the transfer of the Bank of France's gold reserves to the EMI in Frankfurt for which Maastricht provides (although physically the gold will remain in Paris). "Hitler never dreamed of such a thing and Marshal Pétain never consented to it. But Chirac has done it like a super collaborator", said Le Pen. "The battle against the euro is a battle for the franc, it is a battle for France, for her sovereignty, her independence, her life, her people." He invited all "patriots from all quarters who have been betrayed by unworthy leaders" to "join the Resistance" against the single currency. "We will support all professional and labour organisations which refuse to collaborate in the currency of occupation", he said. "The single currency is not only a betrayal of France, but a betrayal of Europe by integration forced by the world market dominated by the United States. It will be the reign of the 'World Company' and of Big Brother."

# Common Market, Common Currency, Common Sense?

***Jeremy S. Bradshaw** interviews Commission President M. Jacques Santer, as Tony Blair's EU British Presidency concludes.*

There is no disguising the irony of Britain holding the EU presidency at a time when major decisions on monetary union are required. After all, Britain has, even under Euro-friendly Labour, opted to sit on the fence while other member states press ahead with establishing a single currency. And yet, there is another greater irony. Britain, by "not being so involved" observes Commission President Jacques Santer, has helped broker the very deals that participating countries could never have achieved. By doing so it has probably ensured monetary union's successful launch.

Even before it assumed the EU's six month presidency in January 1998, the British had signalled that Tony Blair's government would do everything to help the process of monetary union – even if the UK was too smart or foolish to join the process (at least for the time being). And so behind the scenes British officials have worked ceaselessly to resolved the Franco-German row over the appointment of a head for the new European Central Bank. It has, curiously, even overlooked member states' creative accounting: in March the British presidency was able to endorse the Commission's recommendation that eleven states join the single currency despite the soaring debt of two of those countries. And so now, all member states bar the UK, Denmark, Sweden and Greece are expected to join the single currency next year. The new euro-zone looks set to contain almost 300 million people and account for 19.4 per cent of world GDP and 18.6 per cent of world trade. It will be a remarkable achievement and a tribute, in no small part, to the Commission President, Jacques Santer.

In his quiet, unostentatious way – in contrast to the other Jacques, M. Santer has, it appears, won the EMU battle. This is despite formidable scepticism both in Britain and abroad.

In Germany, 66 per cent of the population remain opposed to the single currency. In the US, senior figures such as Newt Gingrich warn that the single currency will be a disaster for European economies. And even the European Monetary Institute has said that Belgian and Italian debt levels continue to be a source of "ongoing concern". But, despite these and other quibbles, M. Santer feels confident that the EMU bandwagon will reach its destination on time. In doing so his presidency of the European Commission will go down in history as one of the greatest Brussels ever saw. His reward will no doubt be to adorn future euro notes; though it will be tough to imagine his achievement ranking with that of the likes of the Duke of Wellington in the eyes of the British.

Perhaps then it is not surprising to find M. Santer is positively panglossian these days: with hardly an ill word for anybody but perhaps the Turks. The British presidency, he says, has responded well to the "historic challenges" confronting the Union. These included not just preparations for monetary union but the "revolutionary" challenge of preparing for the Union's expansion eastwards. The London European Conference in March, he said, had brought together all candidate countries (with one notable absentee, Turkey) and demonstrated the Union's commitment to enlargement.

But had the British approach to Europe really changed? Was this a New Britain the Commission was witnessing? "No, no. Britain had contributed much to Europe in the past [before Mr. Blair came to power]", said M. Santer. Did Brussels then honestly miss the Tories? Well, countered M. Santer, was it not Mrs Thatcher who had launched the single market programme? Now that was "a most Anglo-Saxon contribution".

As for the European Central Bank, misgivings that the ECB would become a political football were "misplaced", as were concerns that the Bank might – in its eagerness to establish its credibility – pursue too stringent a monetarist policy. No, there was no risk of the Central Bank inducing a recession across Europe. Such concerns were, said the Commission President, totally misplaced. The Bank would be "the best guarantee" of Europe's prosperity. It would "enhance the competitiveness of our industry, strengthen economic development at the European level and so contribute to the process of the deepening of the single market." It was, he seemed to suggest, all perfectly logical. After all, "a common market with a common currency makes common sense."

However, he conceded that enlargement could only work if the Union reformed its institutions. "Even now with 15 member states it is difficult to have an efficient management of our institutions", sighed M. Santer. A "wider" Europe would only be possible if there were first a "deepening" of the Union's institutions. That was why the Commission's blueprint for enlargement, Agenda 2000, had proposed a new intergovernmental conference take place in or after the year 2000. Such an IGC could "focus on those institutional questions overlooked by the Amsterdam Treaty".

In the meantime member states would need to agree what reforms were necessary as regards the common agricultural policy, the Union's budget and regional assistance – all areas overlooked by the Luxembourg summit. However, in the view of the Commission, there was no political will to increase structural funds among member states, particularly the Germans, who were now calling for a rebate on their net contribution of DM 20 million). The Commission's preference, said M. Santer, was to keep the budget ceiling of 1.27% of the Union's GDP until the year 2006 – even if, as it hopes, six new members arrive in 2002.

M. Santer rejected the suggestion that monetary union would require huge fiscal transfers on the scale found in the United States. Comparisons with the US model were flawed, he said, not least "because the US is a federal state and therefore quite different from the one we have." Anyway, he added with a laugh, "the US was much slower than we had been to establish a Central Bank. It took over 70 years to set up the Federal Reserve. The EU is acting much quicker than the US ever did!"

His smile vanished at the mention of Turkey. The Turks' absence at the European Conference in London in early March had incensed EU states – the conference had

only been called in the first place to prove to the Turks that they were part of the European family, even if ranked bottom of the list of twelve applicant countries. Relations with Turkey were now at a very low ebb. But the Turks had, in M. Santer's view, played their cards wrongly. They had clearly misunderstood "the real offer put forward by the European Union at the European Council at Luxembourg in December." The Luxembourg summit had reaffirmed Turkey's eligibility to join the EU provided it fulfilled the criteria. This Turkey had not done. The Turks had failed to grasp that "if you are entering a club you have to respect the rules of the club."

It was nonsense of the Turks to call the EU a "Christian club", said M. Santer. "We have many more mosques here in Europe than there are Christian churches in Turkey." He continued: "The European Union had acted in a fair way." The Commission had itself gone out of its way to accommodate Turkey – for example by entering into a customs union with Turkey, said the Commission President.

Relations with Turkey have not been helped by Turkey's threat to annex the unrecognised northern part of Cyprus if negotiations over enlargement with the Greek half of the island proceeded. The European Union would not allow the Republic of Cyprus's application to be held hostage by the Turks or Turkish Cypriots? "A veto is out of the question", said M. Santer. "It had been agreed in March 1995 to enter negotiations with the Republic of Cyprus – which is recognised by the international community – and this deal had been ratified at several subsequent European Councils. The Cypriot application would therefore continue to proceed – although the EU would work to see how we could contribute to the resolution of the Cyprus situation on the basis of the UN resolutions."

M. Santer sounded a more optimistic note when questioned about the prospects for a common security and foreign policy (CFSP). The European conference, said the Commission President, had shown a "new convergence" among EU member states and the applicant countries. "Candidate countries are very close to our [EU] policy" on a range of foreign policy issues, as witnessed by the endorsement of a common policy on Kosovo. This "closeness" will, he thought, grow as a result of applicant countries' joining NATO, the establishment of a special unit to deal with international crises (as agreed in the Amsterdam Treaty) and as the institutions promoting a CFSP are strengthened.

If there was a cloud on the horizon, it was perhaps Europe's failure to be seen to deliver enough tangible benefits to its citizens, said M. Santer. This though would probably change as a result of the benefits of monetary union. The Union's citizens, said M. Santer, should be more confident about the future. In fifty years time the Union might count 25 or possible 26 countries which, with a population of half a billion, would be double the US and a major player on the international stage. If such a Union were to have its own currency, it would be reserve currency and a force to be reckoned with, along with the dollar, the yen and perhaps the Chinese currency. But that's in 50 years time, he added.

In the meantime some really hard questions remain to be answered.

*Jeremy S. Bradshaw is a solicitor with S.J. Berwin & Co. He was Chairman of the Bow Group 1996–97.*

## *… news in brief*

**More lies**

Here's a good one. "There were no problems between France and Germany at the Brussels summit", said President Chirac. His spokesman added that the relations with Chancellor Kohl remained good, and that the "axis" was functioning smoothly.

**It was all Britain's fault anyway**

Of course, the horsetrading between France, Germany and the Netherlands which ended in such an ugly compromise was … the fault of Britain. This is the opinion of Jacques Delors (speaking on the 9 o'clock news) and of the Luxembourg prime minister, Jean-Claude Juncker, who massively criticised the British prime minister. The manner in which the British presidency had managed the negotiations was "absolutely blameworthy" said Juncker. Tony Blair, the chairman, had totally underestimated the difficulties which lay ahead. Blair had also failed to consult the other member states, confining his preliminary discussions to the French, Germans and Dutch: this had caused the other states enormous frustration, said Juncker, and he added that the British had committed an enormous error of appreciation by thinking that European co-operation could be reduced to that between France and Germany.

Juncker also defended Kohl against the claim that he had given in to French demands. Kohl had successfully resisted the French insistence that Duisenberg announce the date of his resignation in his statement. This, said Juncker, would have been very clearly against the treaty, and Kohl and the Dutch premier, as well as Juncker himself, were hostile to such a flagrant breach of the law. Finally, Juncker said he was "shocked" by the criticism of the compromise, and argued that it was a good solution which respected Duisenberg's free decision.

**No laughing matter**

At his press conference after the Brussels summit, when Jacques Chirac referred in all seriousness to Wim Duisenberg's decision to serve only a 4 year term "for personal reasons", the journalists present just burst out laughing. "Stop laughing", the frustrated President told them. But the only alternative to laughing is presumably to cry.

**Completely bonkers**

Charles Millon, the former French defence minister who was recently elected President of the Regional Council of Rhône-Alpes with the votes of National Front councillors, has given the post of Vice-Chairman of the Cultural Committee to a member of the "pagan" tendency of the National Front. Pierre Vial, 55, a lecturer in history at the University of Lyon, is a founder member of the extreme right-wing think tank GRECE (Research Group for the Study of European Civilisation) of which the philosopher Alain de Benoit is the leading light. Vial, who is influenced by the French SS officer Marc Augier, *alias* Saint-Loup, has written that "to be pagan means to be someone who knows that the only real issue for the last 1000 years has been to know whether one belongs mentally to the peoples of the forest or to that tribe of goat herds which, from its desert home, proclaimed itself the chosen people of a strange god …" Vial also wrote in 1996 that "those Frenchmen who made the "wrong choice" in 1940-44 were simply those who refused to serve the Anglo-Saxons or the Soviets".

**Kohl holed below the water-line**

It is widely believed in Germany that Chancellor Kohl has been holed below the water-line by his apparent weakness faced with French intransigence. He now appears weak abroad as well as at home, and most commentators rule out any chance that he will be re-elected in September.

# BOOK REVIEWS

## New Books from France

*Reviewed by John Laughland*

France is becoming one of Europe's most intellectually fecund centres of Euroscepticism, thanks to the valiant efforts of a number of politicians and publishers.

For a magnificent account of the true historico-psychological background to the Franco-German relationship, readers should turn to Edouard Husson's *L'Europe contre l'amitié Franco-allemande, des malentendus à la discorde,* published by François-Xavier de Guibert in Paris at 100FF. Husson is a young historian who does research at the Centre d'Etudes Germaniques in Strasbourg. Directed by a professor at the Sorbonne, Jean-Paul Bled, who is a contributor to the *European Journal,* the Strasbourg Centre is something of a Euro-realist haven of good sense in a sea of political correctness in France.

Like many of the best Eurosceptics, Husson used to be a believer in the European cause. As a young Giscardian in 1989, he watched German reunification and realised that pious Giscardian banalities simply did not add up. This was the beginning of a decade of intellectual development, which has led him to produce this superb book, which analyses the true motives behind the Franco-German axis and explains why it is bound to collapse.

Husson insists that both the French and German élites are wrong to think they can throw the concept of nation into the dustbin of history. The French, he says, do not believe in the peaceful capacities of the German nation because they have abandoned faith in the French nation themselves. This, of course, means that they have abandoned faith in democracy itself.

Both the French and the Germans, therefore, as Husson magisterially shows, are still in hock to a logic of politics which has been inherited (albeit negatively) from the fascist past. Just as the Nazis and Vichy thought you could have the nation without democracy, so today's pro-Europeans think they can have democracy without the nation. In reality, of course, the two are different sides of the same coin, and you cannot dissociate them without destroying both.

Husson's masterly guide through millennia of French and German history is gripping stuff, and imperative reading for Eurosceptics everywhere. He shows how German history is marked by the incapacity of that country to distinguish between the national federalism which unites its constituent parts, and supranational federalism which seeks to include neighbouring states within the empire.

Husson therefore thinks that modern pro-European Germany has not entirely laid old imperialist ghosts to rest. Chancellor Kohl may boast of having gaily pulled up border posts on the Franco-German border when he was a child, but is this an appropriate response to the cliché of German soldiers gaily pulling up border posts on the Polish border on 1st September 1939? Indeed, says Husson, Kohl ought to be more respectful of borders. He did not recognise the Oder-Neisse line as the border between the new Germany and Poland until 17th July 1990 – six months after reunification had been announced – as if such details did not matter, and he does not hesitate to interfere in internal French politics. In both 1992 and 1997, he gave French voters the benefit of his advice about which way they should cast their ballot.

Husson is convinced that with all these dishonest ulterior motives – the French are terrified of the Germans, but they dare not upset them in public, for fear of losing their place as Europe's brilliant (or not so brilliant) second country – the Franco-German relationship will soon collapse. The longer the necessary crisis is put off, the more acrimonious the break-up will be. But, he says, there will be a break-up for the present "friendship" between Europe's two leading states is, in reality, little but a relationship between suzerain and vassal. How could it be otherwise, when the only think which can make states equal, whether they are weak or strong – national sovereignty – is being contemptuously cast aside as if it were an outdated historical trinket?

A second volume worth consulting is the minutes of a conference held in Paris on 4th February 1998, published by the political think tank, Liberté Politique, and by the publisher François-Xavier de Guibert at 140FF. The meeting, organised by a cross-party group of French deputies and Euro deputies, had to be transferred to a new venue because, while 200 people were expected, 1,300 came. It contains articles by the late Maurice Schumann, the man who used to introduce de Gaulle's broadcasts on the BBC during the war with the ringing words, "Honneur et patrie! Voici le général de Gaulle!"; an interview with Milton Friedman on "The euro's inevitable failure"; and contributions from the other stars in the French Eurosceptic firmament, Georges Berthu, MEP, Jacques Myard, MP, Philippe de Villiers, MEP, the free market economists Pascal Salin, Jean-Jacques Rosa and Florin Aftalion, the historians Paul-Marie Couteaûx and Emmanuel Todd, and the banker and former president of Société Générale , Marc Viénot.

Finally, two books by the indefatigable Georges Berthu, MEP. A member of the Groupe des Nations faction in the European Parliament, Georges Berthu is the author of numerous papers on European integration, as well as of numerous appeals against Maastricht and Amsterdam to various French and European courts. He also launched, with the organisers of the Euro conference, an appeal for a referendum on Amsterdam which necessitates constitutional amendments in France.

His two latest books *Non au traité d'Amsterdam* (No to the Treaty of Amsterdam) and *A Chaque Peuple Sa Monnaie* (To Each People its own Currency). The first is an immensely detailed analysis of the dangers and inanities of the Treaty of Amsterdam (in the latter category lies certainly the elevation of the Declaration on the Protection of Animals to the level of a Protocol, tempered however by a commitment to protecting "religious rites"); the second is a highly professional presentation of all the arguments against a single currency. Both are published by the Groupe des Nations in the European Parliament.

*John Laughland is European Director of the European Foundation.*

# The Convergence of the Bundesbank

*by Professor Roland Vaubel*

In 1992, I published the following prediction: "Because the individual governments in the European Union have an interest in letting EMU start only if their own country is allowed to participate, one cannot count on a minority of states – a hard currency block – entering into the third stage. On the contrary, because only a qualified majority of all member states can decide whether any individual state fulfils the necessary conditions, either a qualified majority of states, or no state at all, will enter the third stage." The qualified majority is just 71%. 71% of 15 states is 11.

Although my prediction seems to be coming true, the reason is slightly wrong. The new British government will vote for the beginning of the third stage of EMU, but it will not join. Accordingly, a monetary union with ten countries – for example without Italy – would be possible. However, it appears that Italy is prepared to trade membership of EMU in exchange for abandoning its opposition to Germany having a permanent seat on the UN security council.

I also predicted in 1992 that the European Council – against the then wishes of the Bundesbank – would not feel itself bound by the convergence criteria, but that it would take a political decision. But now the Bundesbank itself has gone beyond merely taking note of the infractions against the convergence criteria, and has presented an evaluation of unusual subtlety.

Although the Bundesbank council describes the participation in EMU as "arguable in stability policy terms", this does not mean that it approves of it or that it considers it unproblematic – not even from the point of view of stability. It simply grants that, under the present conditions of uncertainty, participation is one of several potentially sensible policies. The Bundesbank council has found much wanting in budgetary convergence but it admits that it may be defensible to proceed all the same. It would – like Pontius Pilate – like to wash its hands of the matter. But has it been clever enough to wriggle out of it?

Much attention has already been concentrated on the striking contradiction between the merciless analysis which the Bundesbank makes of economic convergence in Europe and the evasive evaluation it gave for stability policy. Even more astonishing is the fact that the evaluation – at least in its report – does not depend on the choice of participating countries. Would a monetary union with Greece or with all four Mediterranean countries still be "arguable in stability policy terms"?

The members of the Bundesbank council cannot have been surprised by the fact that their report was widely misinterpreted – intentionally or unintentionally – as an acknowledgement that EMU is harmless, or even as an approval for it. They have themselves – approvingly? – accepted this misunderstanding.

Recent politico-economic research has shown that the monetary policy of independent central banks depends on the partisan composition of the monetary council. This has been demonstrated for the USA and Germany. Between 1949 and 1994, 13 out of 15 observations confirm the hypothesis that the rate at which the German money supply expands increases when the party in power in power in the Federal Government enjoys a majority, as now, on the Bundesbank council at the beginning of the pre-election period, or when, within the pre-election period, the partisan majority changes in the government's favour. This "loyalty hypothesis" may not only apply to monetary policy decisions. In the present case, one must add the fact that nearly all representatives of the opposition are in favour of an early start to EMU for ideological reasons.

The Bundesbank vote may have been exactly what Edmund Stoiber, the Prime Minister of Bavaria, wanted to hear, although I doubt it. But it is certainly not what the German people hoped, expected or needed from their Bundesbank. Pontius Pilate is – and not just in German sermons – more a pathetic than a tragic figure.

In the monetary union, the reputation and the credibility of the Bundesbank will not matter any longer. (The Bundesbank council must have been aware of this.) Both German representatives in the Central Bank Council of the European Central Bank (ECB), with their preference for price level stability, will be on the extreme edge of the spectrum of opinion. The influence of the Bundesbank on the development of Europe's monetary policy will thus be abruptly reduced from 100% to zero.

If the six seats in the ECB directorate are occupied, as is expected, by the three biggest countries and – at least at the beginning – by the next three most populous participating states (Spain, the Netherlands, Belgium), then the "Latin" countries in the ECB's Central Bank Council will even be in a majority of 9 out of 17 seats. For the plan to keep a seat free for Britain has been abandoned. Things are looking bad for the Bundesbank.

Jacques Delors once said, "Not all Germans believe in God, but all of them believe in the Bundesbank". Maybe now all Germans will start believing in God.

*Roland Vaubel is professor of economics at the University of Mannheim and a member of the Academic Advisory Council to the Federal Ministry of Economics.* *This article first appeared in the* Handelsblatt *on 7th April 1998.*

## *… news in brief*

**French National Front tries to recuperate Gaullism**

Bruno Mégret, the number two in the *Front National*, who is the main strategist for steering the party towards political respectability, has said that his party is now the main repository of Gaullist ideas of national independence and greatness. He accused Chirac and his circle of completely abandoning Gaullist ideas, and said that the FN would move to fill the territory which the Gaullists had vacated. Such sentiments are striking because the National Front contains within it many people on the extreme right who traditionally hate de Gaulle more than anyone else, because it was he who abandoned Algeria.

**European Union and Soviet Union**

The European Union is the largest trading partner of the Commonwealth of Independent States. 37% of the exports of the 12 CIS states go to the EU, and 46% of the imports come from it. By comparison, the USA stands for 6.7% of exports from the CIS and 9.7% of imports to it. Among the EU states, Germany is the largest single trading partner, with 11.7% of the CIS's foreign trade.

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# EURODATA

**Focus on democracy**

Strengthening the powers of the European Parliament formed the basis of the Amsterdam Treaty's half-hearted attempt to mend the democratic deficit, and the answer offered by many to Europe's difficulties. Whether any amount of power given to the Parliament will make a difference, is questionable.

The European Parliament has 626 members, representing 370.1 million people. An average of 591,214 people are thus represented by a single MEP. In the UK, an MP represents 88,923 constituents. On a numerical basis, British citizens are six times worse represented in the European Parliament than at Westminster. An MEP can effectively give 3 minutes 48 seconds to each constituent once in every five year term – assuming he does nothing else…

The reality is that MEPs are in no such position to represent their constituents. The distance of Brussels and Strasbourg from many of the constituencies makes a close relationship between an MEP and the people he/she serves difficult. About one sixth of elected members are missing on any one day at the Parliament. Low attendance in the European Parliament at the beginning and end of the week reflects the problem of workload and long distance travel. Up to 15% of the Parliament's decisions are theoretically illegal, because the session is not quorate.

One recent study (by the MEP Sören Wibe) has shown that the European Parliament's proceedings often lack legitimacy: the number of MEPs voting varies substantially from minute to minute, because 'simultaneous' translation is unable to keep up with the speed at which amendments are voted on. The result is that MEPs have to abstain because they cannot understand what is going on. The enlargement of the EU, which will include an even greater variety of languages, will heighten this problem.

Language further inhibits other elements of the European Parliament's workings: when discussing legislation in committee after the translation services have finished for the day, English and French committee members agree to speak one another's language, so that no-one has an unfair

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# The European Foundation

The *Great College Street Group* was formed in October 1992 in order to oppose the Maastricht Treaty. The group, consisting of academics, businessmen, lawyers and economists, provided comprehensive briefs in the campaign to win the arguments in Parliament and in the country. The European Foundation was created after the Maastricht debates. Its task has been to mount a vigorous and constructive campaign in the United Kingdom and throughout Europe for the reform of the EC as a community of independent sovereign states. The Foundation continues to establish links with other like-minded institutes across Europe.

## Objectives

The objectives of the Foundation, set out in its constitution, are as follows:

- to provide a forum for the development of ideas and policies for the furtherance of commerce and democracy in Europe;
- to increase co-operation between independent sovereign states in the European Community and the promotion of the widening and enlargement of that Community to include all applicant European nations;
- to resist by all lawful democratic means all and any moves tending towards the coming into being of a European federal or unitary state and for the furtherance and/or maintenance of such end;

## Activities

The Foundation pursues its objectives by:

- organising meetings and conferences in the UK and in mainland Europe;
- publishing newsletters, periodicals and other material and participating in radio and television broadcasts;
- producing policy papers and briefs;
- monitoring EC developments and the evolution of public opinion and its impact on the political process in the main EC countries;
- liaison with like-minded organisations in other EC and EC applicant countries and elsewhere;
- liaison with trade associations and other professional bodies .affected by EC action and policy.

## The Foundation

The Foundation addresses itself to the general public and to politicians, journalists, academics, students, economists, lawyers, businessmen, trade associations and the City.

It concerns itself with the following main topics:

- industrial and commercial policy;
- economic and monetary matters;
- foreign policy;
- security and defence;
- environmental issues;
- the Common Agricultural Policy;
- the reform of Community institutions;
- the developing world.

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