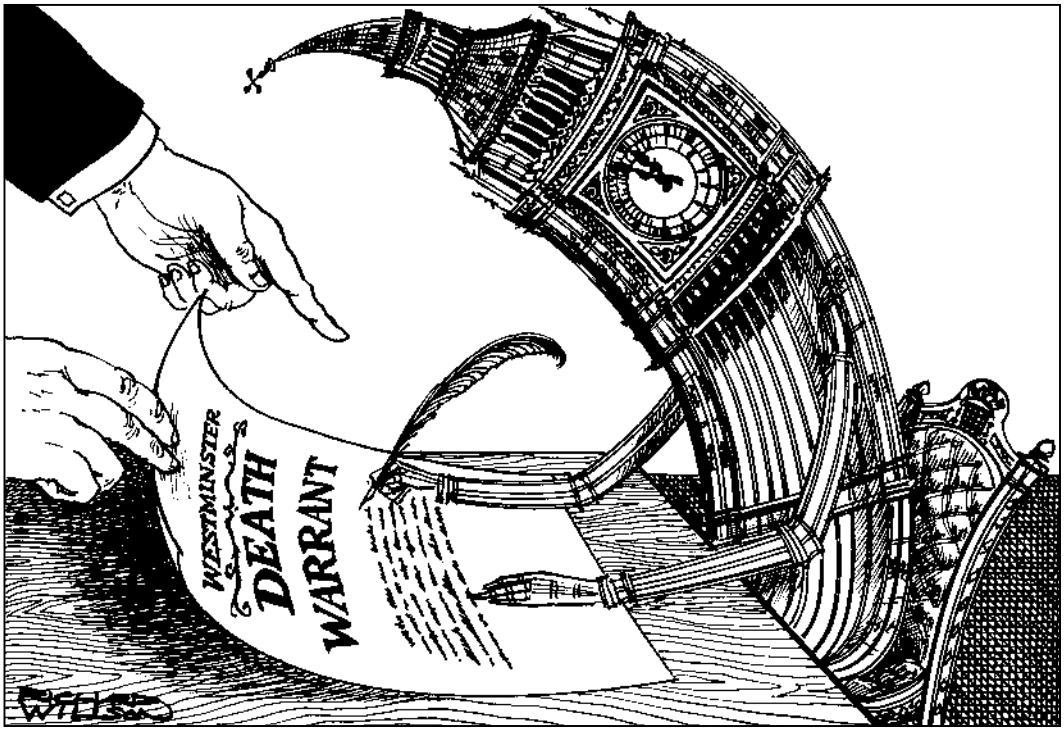
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THE JOURNAL OF THE EUROPEAN FOUNDATION



DANIEL HANNAN, MEP
BRITISH COMPLICITY?

&

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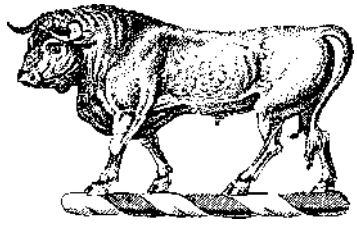
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SOLON

sō'lon, n. a famous lawgiver of Athens (594 b.c.), one of the Seven Sages; a sage; a wisacre.

The House that Jack Built

During the Commons' debate on the EU Constitution, on 16th September, Michael Ancram, Bill Cash and Richard Shepherd got into a spat with Jack Straw over the single most important aspect of the Constitution, its codification of the primacy of EU law. This relates directly to the false allegation of the Prime Minister and Jack Straw that there is no change under the proposed Constitution in the fundamental relationship between the EU and the member states.

After citing the late Lord Denning in the leading case of *Macarthys v Smith*, still the most important case as far as the debate on the dilution of British sovereignty is concerned, Mr Ancram stated:

"at the moment, Parliament has what could be described as a residual sovereignty. The provision in the constitution would abolish it."

Mr Straw replied:

"That is completely not so, and the Rt Hon. Gentleman knows it… Under the terms of this treaty the House can of course repudiate a treaty whenever it wants. Under this treaty … for the first time explicit provision is made whereby this Parliament can legislate to repudiate a treaty… The fact is that all international treaties take primacy over national laws – the system of international law could not function otherwise."

This was an outstanding example of Jack Straw's quality of *chutzpah*, accusing his opposite number of a shameful deceit, before launching into a defence of his position in which he pretended to think the British constitution a completely different animal from the one it is and has always been.

The United Kingdom is a dualist state. This means that it must incorporate treaties into domestic law via Parliament for those treaties to be regarded as taking precedence over existing law in the British courts. Some states, such as Germany, are monist, which means that treaties are automatically incorporated into domestic law when their governments sign them. Britain, however, is dualist.

As a consequence, all international treaties do not take primacy over national laws. Indeed, this is one reason why international law does not function very well. European law is not quite like other forms of international law. It has a court (the European Court of Justice) to which all parties to the EU are accountable. This court has, in its case law, asserted that its judgements must take primacy over the laws of member states, in order to make the system established by treaty function effectively. This assertion has been, in large part, accepted as a political fact by governments and member states' courts, and is one reason why European law has been more effective than international law in general.

The caveat *"in large part"* is important. In the case of *Maastricht*, in 1993, the German Supreme Court stated that it was the ultimate arbiter of law in Germany, and that if a European law were to conflict with a principle of the German Basic Law, established under the federal Constitution of Germany, then the Basic Law would prevail. The English Court of Appeal recently echoed this approach during the Metric Martyrs litigation – even though the UK has no written constitution.

If the primacy of European law were to become a founding principle of a treaty establishing a Constitution for Europe, over which the European Court of Justice (to be renamed 'The Court of Justice') was to have jurisdiction amounting to that of a European supreme court, then the residual sovereignty of the UK, and every other EU member state, would be extinguished. The final arbiter of the very nature of each member state would be not the supreme court of that member state, but the (European) Court of Justice.

Were the constitution to be ratified, the UK would lose its inherent, sovereign right to withdraw from treaties, and be able to do so only under the terms of the European Constitution, as interpreted by the (European) Court of Justice.

The fact that Jack Straw resorts to talking rubbish when this point is raised in the House suggests that he knows he is wrong. Mr Straw is himself a lawyer, but the Government does retain an Attorney-General for the purpose of giving it legal advice. If the Government's purported belief that adopting an EU Constitution will not fundamentally change the British constitution is well founded, it should think back to the Iraq crisis, and publish the Attorney-General's advice on the matter.

Lord Blake: 1916–2003

A tribute from the European Foundation

Robert Blake was an example in many ways. From King Edward VI Grammar School, Norwich, he went up to Magdalen College, Oxford, where he took a first in PPE, despite spending much of his time being engaged in non-academic activities. His pursuit of a career at the Chancery Bar was interrupted by the outbreak of war, whereupon he joined the Royal Artillery. He used his time as a prisoner of war to increase his volume of learning, and was later mentioned in dispatches.

After a brief spell in MI6, he took up a Studentship at Christ Church, where he was politics tutor from 1947 to 1968, Censor (Dean) from 1950 to 1955, and Senior Proctor from 1959 to 1960. During this period, he produced his finest and most original works, including his celebrated biography of Disraeli, although he declined to become a media pundit under the eager tutelage of Lord Beaverbrook.

In 1968, Blake became Provost of Queen's College, and in 1971, Pro-Vice-Chancellor of Oxford. His final ambition was to become Chancellor of the university, but Edward Heath was also standing and, the Conservative vote being split, the honour ended up going to Roy Jenkins.

Fittingly for a Tory intellectual, Blake preferred study to activism. He resisted calls to stand for election to the Commons, rather serving on Oxford City Council from 1957 to 1964 and in the House of Lords following his elevation in 1971. He was, however, unafraid to voice his concerns over what he considered issues of outstanding national importance, turning on many of his fellow academics for their attitude during the Suez Crisis, and later chairing the Campaign for a Referendum on the Maastricht Treaty.

Lord Blake became the leading historian of the Conservative Party, and his comprehensive *History of the Conservative Party from Peel to Thatcher* was a uniquely illuminating text for students of all levels. He was a joint editor of the *Dictionary of National Biography*, President of the Electoral Reform Society, and, in 1989, High Steward of Westminster Abbey. In all his many academic and public roles, he was a man of both intellectual honesty and personal warmth. Even the loss of his wife and of both his legs during his final years did not change this.

The *European Journal* was very privileged to have ranked him among our contributors. One of his last published pieces was an article in last month's issue, calling for Conservatives to unite behind calls for a referendum on the draft European Constitution.

Taking Swedish Lessons

by Annunziata Rees-Mogg

The Swedish result on the euro has glaring implications for the British. Blair has said that it will make no difference to whether he holds a referendum here. He is alone in this view. It is widely accepted that he will not be able to hold a vote this Parliament now that people have seen the Swedish decision on the issue.

Women were far more sceptic than men

There are however, other, equally important lessons to be learnt from Sweden. Who voted, how and why? Women were far more sceptic than men. Whilst the overall results were 56.1% 'No' to 41.8% 'Yes' of an 81.2% turnout, women voted 58% to 40% whereas men were only 52% against and 46% in favour of joining the euro.[†] There is no immediately obvious reason for this. The main one given has been that women do the household shopping and do not want to see price rises. However, we are talking about Sweden. It is one of the most equal societies in the world, the idea that all the women are at home, looking after the children and doing the weekly shopping is out of date.

This argument may go part of the way to explaining the difference, but there is likely to be more to it. Perhaps there is a deeper psychological explanation to be found. Perhaps women are by nature more sceptical of change. If it ain't broke don't fix is a very feminine sentiment.

In Sweden the most likely group to vote 'Nej' were the 18-21 year olds. Only 29% of this group voted in favour of joining the single currency, the lowest of any group.

It is always assumed that the young are the least 'set in their ways', yet in Sweden the most likely group to vote 'Nej' were the 18-21 year olds. Only 29%[†] of this group voted in favour of joining the single currency, the lowest of any group. The 18–30 year old group was the most sceptic if you take larger age brackets. If they are the group most open to change then why did they oppose this change? It is possible this was due to the fact that they will have to live their whole lives with this unproven experiment.

The young could look to France and to Germany and see that the Utopian picture painted by the 'Yes' campaigners was not there. It was not a world of opportunities but a world of low growth and high unemployment. The young, if an informative debate takes place, see that this is a project being run by idealistic old people. They are not convinced that it should be their generation that has to prove whether the untried prototype will be a success or a failure.

In the UK the young are the least likely to vote. However, on all of the issues of the future of this country, it must be remembered who will have to live with the decisions the longest. The Swedish campaign was effective in getting the young voters out. The same must be done here. Talking to my contemporaries (who are within the 18–30 bracket) it is clear that whilst conversations may start with a yawn they tend to end up with in-depth questioning. The young are not disinterested in Europe they are ignorant about it. This is clearly a sweeping generalisation but it is one I have noticed time and time again amongst those young people not working in or around politics and European issues.

If a referendum campaign is to be run on the Constitution or the euro it must be informative; not dogmatic or based on mere assertions

If a referendum campaign is to be run on the Constitution or the euro it must be informative; not dogmatic or based on mere assertions. No section of the electorate wants to be told *"this is good"* by one side and *"this is bad"* by the other. They must be given the information that allows them to make up their own minds on both the single currency and, even more importantly, the European Constitution. Both of these are decisions that have long-term effects. The public only elect a government for a five-year term, not an infinite one.

The public only elect a government for a five-year term, not an infinite one

The Swedish campaign had the Government and press on one side. The opposition were made up of fragmented interest groups with no one real leader. The 'Yes' campaign relied heavily the prime minister, Göran Personn. Different aspects of the 'No' campaign attracted different supporters. This is an important lesson for the British eurosceptics to learn.

According to an exit poll of 10,000 people the main reason for voting 'No' was because of democracy. In at second place was independence. Down in third place was the ability to set interest rate independently. Top of the 'Yes' reasons was the possibility to influence EU, peace in Europe and third was the Swedish economy. If Britain does have a referendum on the euro, this would imply that we should fight it from a democratic rather than economic standpoint.

This democratic standpoint is much more important for a campaign on the Constitution – the fight has to be on democratic principles. The people of Sweden realised that above all they must protect their freedom to make their own decisions, now and in the future. By entering the euro they would have been jeopardising that ability; by signing up to the constitution they would forsake it entirely. The same is true in the UK.

Tony Blair may have said this result will make no difference to how he fights his euro campaign. One thing it should do is make a difference to how those opposed to either single currency or the European Constitution fight their campaigns.

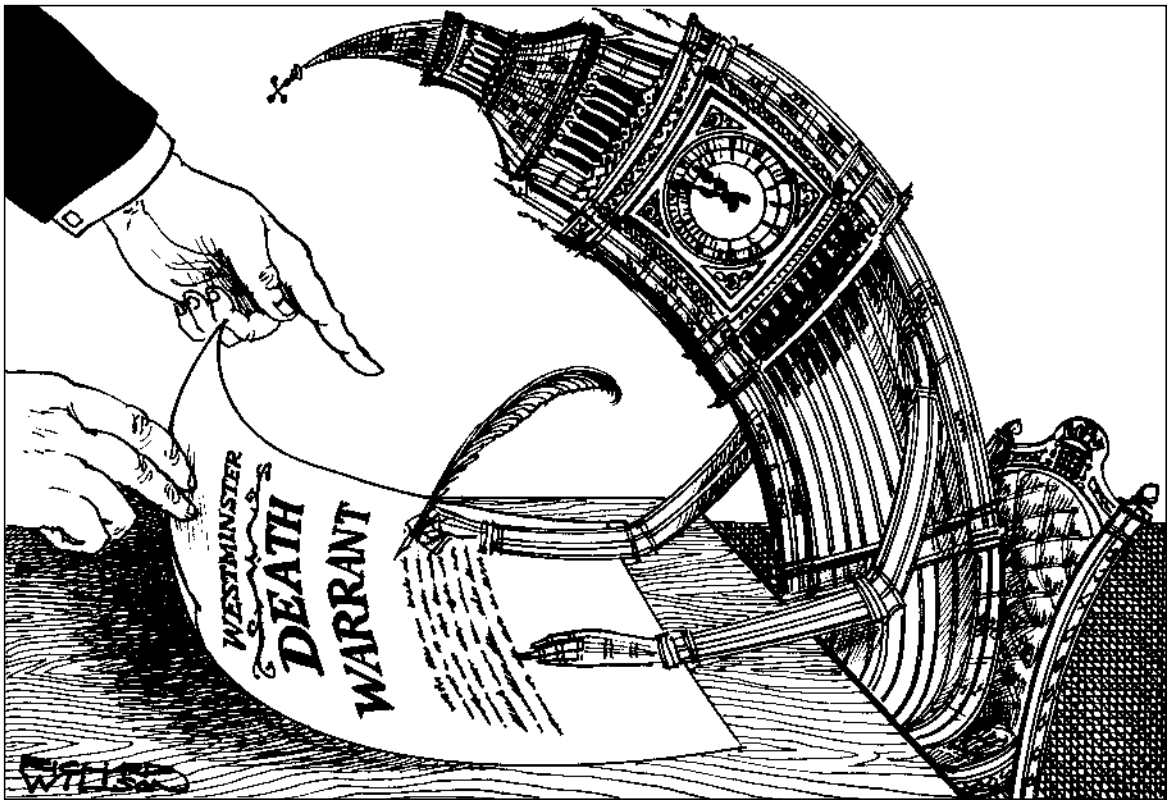
† Source: Gavekal Research, from an exit poll of 10,000 people

Annunziata Rees-Mogg is Editor of the European Journal.

Reasons for Voting 'No'		Reasons for Voting 'Yes'	
Democracy	67.20%	Possibility to influence EU	56.9%
Independence	62.20%	Peace in Europe	56.1%
Set interest rate independently	59.90%	Swedish economy	53.3%
Social welfare	57.70%	Democracy	48.0%
Swedish economy	56.40%	Businesses	46.5%
Prices	51.30%	Employment	39.9%
Employment	46.60%	Social welfare	36.1%
Equality men/women	43.30%	Equality men/women	28.9%
Peace in Europe	39.70%	Prices	28.3%
Possibility to influence EU	28.20%	Independence	21.9%
Businesses	18.80%	Set interest rate independently	17.6%
Refugees/Immigration	18.40%	Refugees/Immigration	15.2%

British Complicity?

by Daniel Hannan, MEP



One of the most striking features of Britain's progressive integration into the EU is that each successive treaty has been ratified by a freely elected Parliament. It is no use blaming Brussels. No foreign power has forced us to sign anything. The fault, as Cassius says to Brutus, is in ourselves that we are underlings.

What makes a sovereign Parliament complicit in its own emasculation? One would have thought that MPs have more at stake than anyone else in the supremacy of their own statutes. Is it not curious that they should repeatedly have voted to hand away their powers?

Curious, perhaps, but not unprecedented. The United Kingdom was born out of the voluntary dissolution of two sovereign legislatures: Scotland's in 1707, and Ireland's in 1801. In both cases, MPs succumbed to a combination of hectoring and bribery to consummate the Act. Many of those who had spoken against the Union were prevailed on to switch sides after being promised peerages or pensions. Some held out for bribes on behalf of their constituents; others were content to take the money themselves.

Could a similar thing be at work today? Perhaps just a little. I don't mean, of course, that the Labour Whips will be sending cheques to MPs who vote against a referendum on the Euro-constitution. Rather, they will be holding out the prospect of promotion, or threatening them with irremediably damaged careers. For those who are too old for such considerations, there may be the hint of a knighthood or a seat in the Lords. Similar things happened to secure the passage of the Maastricht Treaty.

Fifty years ago, the idea that the Houses of Parliament should voluntarily accept a foreign constitution as having superior power to their own would have seemed bizarre and outlandish

Such pressure has always had its place in Parliament, but it is not sufficient to explain what has happened. An MP who does not much care about the European issue might be leaned on to overcome his doubts, but not one who has given the question of Britain's independence real consideration.

No, I think the explanation lies in the general readiness of Parliament to surrender its jurisdiction. Handing powers upwards to Brussels seems much less shocking when powers are simultaneously being handed downwards to regional bureaucracies and sideways to the judiciary. Fifty years ago, the idea that the Houses of Parliament should voluntarily accept a foreign constitution as having superior power to their own would have seemed bizarre and outlandish. Now, though, the whole notion of parliamentary sovereignty has been traduced.

It is virtually the first instinct of MPs, when faced with a difficult problem, to hand it over to a group of independent 'experts'. Should we allow experimentation on human embryos? Let's set up the HFEA.

Should Orangemen be allowed to parade through Drumcree? Let's have a Parades Commission. How exactly should we regulate the City? We won't: we'll set up the Financial Services Authority and ask them to do it. Who will appoint our judges? An independent panel. Who will decide who sits in the Lords? Another independent panel. Are exams being devalued? Let's propose yet another wretched panel to generate yet more regulations.

With each of these decisions, the authority of the Commons is weakened, and the next step towards European federalism becomes easier. Much worse than this, though, our democracy is eroded.

Pundits and politicians are forever agonising about the low-turn out at elections. Some blame the voters for their apathy, others the political parties for failing to engage. Yet there is surely a much simpler explanation. What if people are neither apathetic nor disengaged? What if they have simply reached the view, quite rationally, that it doesn't make much difference whom they vote for, because politicians at all levels have given away their powers to a string of unaccountable agencies, ranging from the European Commission to the police?

It doesn't make much difference whom they vote for, because politicians at all levels have given away their powers to a string of unaccountable agencies

When I was first elected, I saw it as my job to stem the flow of powers from elected MPs to Brussels institutions. I still do. But I have come to realise that the problem goes far deeper that the EU. At home, too, MPs and councillors have been usurped by quangoes. Why bother to vote when the decisions that actually affect you are taken by the Highways Authority, or the Child Support Agency, or the Health and Safety Executive, or the Equal Opportunities Commission, or HM Customs and Excise? My point is not that these organisations are bad (although some of them are). Even if they were all staffed by the wisest, most disinterested public servants in the land, it would still be wrong for them to take executive decisions.

When politicians say that they want to remove something from government control, they do not usually mean, alas, that they want power to pass from state to citizen; they simply mean that elected officials will give way to unelected ones.

It is against this background that we should view our progressive surrenders of power to Brussels. In addressing that problem, we also ought to tackle the democratic deficit at home. For a start, Parliament should reassert its authority in areas which it ought never to have surrendered. We should, for example, pull out of the European Convention on Human Rights, which makes judges rather than politicians responsible for some of the most sensitive matters in public life. We should withdraw from the 1951 Geneva Convention on Refugees on the same grounds. We should put an end to the judicial activism of our courts.

But this is only part of the solution. The sovereignty of parliament, after all, is not an end in itself; it is there to safeguard the sovereignty of the people. Strengthening the House of Commons should be part of a wider programme of establishing democratic accountability. And this has at least as much to do with local government as with Westminster.

Over the past four years in the European Parliament, I have been struck by the fact that every Right-of-Centre party in Europe is seen as a defender of local communities against the state bureaucracy – with the sole exception of the British Conservative Party. Changing that will mean embracing an agenda of radical devolution and direct democracy – an agenda which, for some reason, has tended in Britain to go by default to the far Left.

The Tories should be the party of localism. We should push powers as far down as possible – to the individual where we can, to the town hall where we can't. We should create a proper link between taxation, representation and expenditure at local level. And, where powers do have to remain with the state, we should bring them under democratic control.

Let me give just one example of what I mean. Canvassing in May's local elections, I was struck by a – let us call it an anomaly – in the election literature of all three parties. Across the country, candidates promised to put more police officers on the beat. Yet they must have known that they had no power to do this. The decision over how to deploy police personnel is taken by Chief Constables. The only input that elected councillors have is as a minority voice on the Police Authorities.

Just imagine, though, that we were to place the powers currently exercised by the Police Authorities and the Crown Prosecution Service directly under the control of the largest local party. Elected representatives would then have to decide, for example, whether to prosecute in a Tony Martin-type situation. They, rather than individual police chiefs, would decide whether to prosecute for the possession of cannabis. *And they would stand for re-election on the basis of their record*. Candidates would be able to say to their electors, and mean it, "*vote for us, and instead of spending more money on speed cameras, we will create a dedicated police patrol in such-and-such a village*". I suspect that we would quickly see turnout increasing.

The reason we oppose the accumulation of power in Brussels is that we believe decisions should be taken as closely as possible to the people they affect

What goes for policing goes, *mutatis mutandis*, for health, social security and much else. In pushing for a wholesale decentralisation of powers, we Conservatives would be placing our opposition to the European superstate in its proper setting. The reason we oppose the accumulation of power in Brussels is that we believe decisions should be taken as closely as possible to the people they affect. It's high time we applied that principle to our own country.

Daniel Hannan is a Conservative MEP for South East England, and leads the Conservative candidates list for the 2004 European election.

The 'No' from Sweden was Not Unexpected. The 'No' from Britain will now not even be required.

by Faisal Islam

Given our penchant for all things Swedish, from television weathergirls, mobile phones and national football managers, 'No' might as well mean nail in the coffin of Tony Blair's hopes to take Britain into the euro. The campaign is already reeling from the Chancellor's 'not yet' verdict on the single currency. Britain in Europe, the campaigning group, is in disarray. The collapse in public trust of the Government over the Iraq war is likely to shunt chances of a UK referendum far into the future. In fact, during the war in Iraq, pro-euro campaigners were confident that swift victory would deliver the Prime Minister the political capital to bounce the electorate into voting for the euro. That view seemed hopelessly deluded at the time. It is beyond comical now. Blair has spent seven years of political capital earned with the Tory press, banked for use in a euro referendum, on prosecuting an unpopular war.

But that is politics, and not my area of expertise. What is quite clear, as Lehman Brothers economists have pointed out, is that to synchronise the political and economic climates for euro entry is a Herculean task. And the Swedish referendum has provided the shining example of this. It should be remembered that the Swedes have no phony nostalgia for the krona. All the main parties and newspapers were in favour of the single currency. And even allowing for a sympathy vote following the awful murder of Foreign minister Anna Lindh, the 'Yes' side were aeons away from victory. There are three politico-economic factors that figured in Sweden that are directly applicable in Britain.

First the power of left-wing arguments against the euro was telling. It was the likely interference with the Swedes cradle-to-grave welfare system, because of strict European deficit rules, that really scared voters. Nobody was marching around complaining about semi-socialist superstates in Brussels.

Second, no-one wants to join a class of underperformers. As Sweden was outperforming the Eurozone economy on virtually every measure, common sense suggests there is no hurry to join. Voters simply do not buy into these outlandish, uncertain, and occasionally fictional long-term calculations of how much the euro will benefit them by 2025. They are not persuasive. Even those veiled threats from Ericsons CEO to abandon Sweden in the event of a 'No' vote fell on deaf ears. A vast improvement in the outlook for the Eurozone economy is pre-requisite for winning a 'Yes' vote. In both countries, old arguments made during our own economic underperformance about being saved by a superior European system, have backfired spectacularly.

> Knowing that the euro is off the agenda in this parliament does not mean that the pound has been saved indefinitely

And lastly there is the 'multiple equilibrium' of having two or three opt-outs. If the tests had been passed, and Britain had given a credible commitment to a referendum, this would have impacted upon the Swedish vote. In turn had Sweden voted 'Yes', there would be a better atmosphere for Blair's euro-push. As it happened, the fact that Britain looked like staying out, was a trump card for the antis in Sweden. It completely neutralized the credible argument about being left on the sidelines. Voters are unlikely to get too concerned about being left behind Estonia, Malta and other accession countries.

So is it time for the eurosceptics to crack open the Swedish vodka and toast decades more of the pound sterling? The key problem for the pro-euro side is that they are left with the conundrum of our recent stellar economic performance. As long as that persists, euro membership will be perceived by the electorate to be a delayable luxury.

It would almost require a housing market crash, and an accompanying collapse in sterling to make voters seriously think that the single currency is more of a safe haven than an unnecessary gamble. This seems unlikely under the current Bank of England arrangements, though it is clear that the Banks MPC is not the All-Star team that it once was. But it cannot be ruled out.

Of more immediate importance is Governor Mervyn Kings recent comments over adopting the euro measure of inflation. If the Bank is showing this much resistance to an arcane technical row about statistics, Tony Blair's plans to steer the UK economy into euro waters seem likely to blown even further off course.

But knowing that the euro is off the agenda in this parliament does not mean that the pound has been saved indefinitely. The PM and the Chancellor may simply be playing the long game for that time when the political and economic conditions are synchronized.

The five tests could quite easily be passed fairly rapidly, if required. Much was made of four of the five being failed by chancellor Gordon Brown in his June assessment. Actually only two failed outright. There are effectively only three tests. All that is required, in strict economic terms, is a bit of policy convergence and 'more flexibility'. Clearly these are entirely arbitrary judgements. The Chancellor has not really defined whether *"necessary flexibility"* is required across Europe or just within Britain. And the Prime Minister has indicated that sufficient convergence really only means putting in place policies, not waiting for the statistical results. This nebulous convergence need not have actually occurred for the tests to be passed.

In Sweden the leading anti-euro campaigners say there is one scenario where Sweden should abandon the krona. British entry to the single currency would convert even Rune Andersson, the fiercely anti-euro chairman of Electrolux. *"In order for Britain to join, the Eurozone would have to make significant changes and they could be of such a nature that it could then be interesting for Sweden to join,"* he said.

Abolition of the CAP, the candidature of Mervyn King for ECB President, and allowing the Queens portrait on a euro note, anyone?

Faisal Islam is the Economics Correspondent of the Observer.

Wider Europe - Neighbourhood:
A New Framework for Relations with our Eastern and Southern Neighbours

by Dr Charles Tannock, MEP

The European Commission recently published a paper aimed at bringing some coherence to the EU's relations with its Eastern and Southern neighbours following Enlargement in 2004. It was also meant to achieve a number of desirable objectives such as an increase in economic growth and external trade, and the creation of an enlarged area of political stability through a 'ring of friends' with whom the EU enjoys close, peaceful and co-operative relations. It argues that threats to mutual security through contagious diseases, pollution, people trafficking, organised crime or terrorist networks, will require joint approaches in order to be addressed comprehensively. Levels of inward investment in all the countries covered by the document - Russia, the western Newly Independent States (NIS) of the former Soviet Union and the Euromed group of the Southern Mediterranean are currently low; there needs to be effective and independent judiciaries equipped with the powers to protect property rights. Legal certainty is also clearly necessary everywhere in order both to accelerate economic growth and to help create a stable polity.

The Commission stresses that it wishes to avoid drawing new dividing lines in Europe (although this will inevitably happen) and recognises that a user-friendly system for small cross-border traffic is essential. The aim is to encourage free multiple entry visas (as already agreed by Poland who currently have 6 million crossings with Ukraine for example) and an extensive consular network will be required between the bordering states. Slovakia, since signing the Schengen agreement, in early in 1999, has seen a decline in Ukrainian traffic from 750,000 to 250,000 crossings in the subsequent year. There is a risk of a similar effect with Poland.

The idea is to build on existing Partnership and Co-operation Agreements (PCAs) with Russia, Ukraine and Moldova, develop the proposed EU/Russia Common Economic Space Initiative (CEES), enhance the current Barcelona Process involving the Mediterranean partners and re-examine the very limited relations with Belarus which clearly need enhancing in areas of common interest if reform is to be encouraged in that self-isolated country. It is envisaged that in return for reforms, including the EU's neighbours aligning their legislation with the EU's, they should benefit from the prospect of a stake in the EU's Internal Market and further integration and liberalisation to promote the free movement of persons, goods, services and capital - the so-called 'four freedoms'. In effect everything, bar participation in the institutions. Currently there is no indication that Russia and Belarus want anything more than the PCA concept and in contrast some of the Euromed countries such as the Maghreb (which covers Tunisia, Algeria, Morocco, Libya and Mauritania) are planning their own ambitious 'African Union', which would exclude others like Israel.

The Commission stresses that in order to counteract criticism of the document banding all the EU's neighbours together in an undifferentiated one-size-fits-all policy that the process should not be confused with the issue of EU accession. It goes on to point out that Article 49 of the Treaty on European Union stipulates that any European state may apply to become a member of the EU (which would seemingly apply to Ukraine, and Moldova who, unlike Belarus and Russia, have expressed a definite interest in becoming eventual EU members), whilst accession has already been ruled-out for the non-European Mediterranean partners. However, a separate framework for Ukraine and Moldova will need more explicit acknowledgement to avoid the danger that they might see the process as a way of distancing the EU from their future membership aspirations.

Different stages of reform and economic development also mean that different rates of progress can be expected and the process will involve use of benchmarks and action plans, allowing some countries to move ahead and gain greater benefits by adhering to particular objectives.

The pursuit of stability on the borders of the EU is one which will attract universal support. Also, there is scope for improvement in that the current PCAs grant neither preferential treatment for trade nor a timetable for regulatory approximation. However, many of the freedoms for goods, services and capital already appear to be covered for the Southern Mediterranean countries via the existing or proposed Euromed Association Agreements. Yet one major change would be the additional freedom of movement for persons currently enjoyed by citizens of extremely wealthy countries such as Switzerland through its bilateral agreements, and Norway, Iceland and Lichtenstein through the European Economic Area (EEA). This controversial proposal would appear to conflict with plans announced by the Italian Presidency to limit large-scale immigration into the EU. There are risks, as although the movement of unskilled labour to the EU is unlikely to disadvantage the neighbouring countries, the movement of skilled and educated people will certainly do so as they are 'brain-drained' of the very people they need to develop their economies.

Missing from the proposals are any suggestion that the successful Phare and other pre-accession financial instruments, which have benefited acceding countries so well, be extended. This would need to be combined with the extension of the remit of the European Investment Bank (EIB) to lend at preferential interest rates, to the western, newly independent states (NIS) as a replacement of the current limited Tacis approach, which does not incorporate any private sector economic investment. At present the European Bank for Reconstruction and Development is allegedly financing programmes that violate existing community legislation whereas the EIB would be subject to more political scrutiny by the EU Institutions. The EIB already has a limited mandate to lend in Russia but this needs extending to other neighbours.

We are witnessing an historic process with enlargement but it is now time to open the debate as to where Europe ends and how we can build good and lasting relations with our new neighbours once the final border of the EU is definitively settled.

Dr Charles Tannock, MEP, is UK Conservative Foreign Affairs Spokesman

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France *vs* The Commission

by Annunziata Rees-Mogg

Pedro Solbes is used to rules being broken. He is pleading his innocence over the Eurostat fraud yet he is trying to penalise France for breaking the stability pact requirements. The Commission's spending rules were definitely broken with at least €5 million disappearing to fund lavish lifestyles. The French are definitely disobeying the Stability and Growth Pact's spending limits with a predicted deficit of 3.6% for 2004. Neither of these facts is in dispute. At the heart of both these affairs is Pedro Solbes.

There is no way of proving the exact amount of money that has gone missing in the Eurostat fraud case. All that is known is that it is at least £3.5 million but there is a complete lack of an audit trail and much of the paper work has been 'lost' meaning that the full extent of the fraud will never be identified. What is known is that if there were a chain of command it would lead to four people. At the top of the list, as the President of the Commission, is Romano Prodi. If the Commission were run as a company, then the ultimate responsibility goes to the boss. Next on the list would be Prodi's deputy, Neil Kinnock. Then of course, there is the head of the anti-fraud department, Michaele Schreyer. There is one last person on this list – the man in charge of economic and monetary affairs, which is where we return to Solbes.

Señor Solbes is taking the line that he *"can't be blamed or asked to take responsibility for something [he does] not know about."* And we were all taught that 'ignorance is no defence'. There is a total lack of accountability in the Commission – this would be a perfect time to amend this shortcoming but Prodi has stated that whilst he is taking a zero-tolerance line on fraud that does not mean summary justice.

France is just as guilty of breaking spending rules as those at Eurostat who joined riding clubs and enjoyed good dinners at the taxpayers' expense. Whilst the maximum deficit allowed under the Stability and Growth Pact is 3% the French Government has indicated that it will be 3.6% in the red next year. Unlike the Portuguese the French are not introducing the tough measures required to stick to the Pact's provisions. Solbes is insisting that they be heavily penalised in return for this lack of deference. On the day the French budget was published Solbes said, *"If no measures are announced before the expiry of the deadline of October 3, the Commission will, in line with the [Maastricht] Treaty, activate the next steps of the excessive deficit procedure."*

Why is it that the French are held responsible for their actions yet the Commission is not?

The elected Government of France is not allowed to reflect its electorate's wishes by maintaining its spending and not increasing taxes at a time of low growth. The unelected Commission is allowed to waste European taxpayers' money and ignore that it ever happened. Ignorance really is bliss.

Solbes does not appear to perceive the contrary position he is taking. On the one hand breaking the rules is fine, on the other those responsible are made to pay. Why should an unelected body be less answerable than a democratic one? The new Constitution passes more powers upwards to those in Brussels, to both elected and, even more worryingly, to unelected bodies. This power is taken away from the democratically elected national governments. To do this is totally unacceptable in any circumstances but if the national governments are going to be forced to go against the democratic will of their people whilst the Commission is consistently allowed to get away with it, the situation becomes totally intolerable.

By being involved in both these issues Solbes has done the people of Europe a favour. He has made the dichotomy to obvious to ignore. He has drawn attention to a blight at the very heart of the European institutions; a blight that will spread uncontrollably with the introduction of the Constitution.

Unfortunately, whilst he has unintentionally highlighted it, he has not changed the practice. The Commission needs to be held accountable. The French, along with every other government, need to represent the needs of their people. For eurozone countries, neither of these things is happening. If the UK joins the euro we will be in the same situation. If any country signs the Constitution it will find this problem is repeated in many areas. The Commissioners can get away with it precisely because they are not accountable to an electorate. If they were they would not be re-elected.

The accountability and democracy of the EU institutions is totally lacking. The Constitution exacerbates this situation by taking power upwards. Blair wants this to happen, he must be told that it is not acceptable to his own electorate.

Annunziata Rees-Mogg is Editor of the European Journal.

… news in brief

Eurostat affair threatens Prodi commission

The Eurostat scandal threatens to spin out of control, and many fear (or hope …) that it might engulf and bring down the Prodi Commission. Parallels are already being drawn with the Cresson affair which destroyed the Santer commission in 1999. Romano Prodi is to be cross-examined on 25th September by a committee of the European Parliament about the allegations of fraud within the Commission's statistical body. At least three commissars are under pressure, and may be forced to resign: Michaele Schreyer, the budget commissar; Pedro Solbes, the monetary commissar; and Neil Kinnock, who was supposed to clean up the show. Prodi's own position is regarded as delicate because he had promised *"zero tolerance"* for corruption within the Commission when he became the head of it after the resignation of the ineffectual Jacques "*pousse-café*" Santer. On 25th September, Prodi is expected to provide more information from the anti-fraud office, OLAF. Some of the MEPs who initially seemed to be pushing themselves forward as great anti-corruption campaigners have, in recent days, seemed to back-pedal somewhat: no doubt they know that, when the writing is on the wall, the employees of the various heads of the European hydra need to stick together or else they will hang together. Hans-Gert Pöttering said that it was too early to say who was responsible for what, while Enrique Baron Crespo, the head of the socialist group, said that he was not in favour of a crisis at the end of the European Parliament's legislature. On the other hand, the natural rivalry between the Parliament and the Commission is exacerbated by the fact that all the three commissars who are currently in hot water are left-wingers, while the majority in the Parliament is conservative. [Philippe Ricard, *Le Monde*, 3rd September 2003]

Nuclear Fusion

by Dirk van Heck

It is through laws that empires are made. Common rules unify societies by binding them into a single jurisdiction. When commentators wonder why the 2004 accession countries are being obliged to incorporate the entire *acquis communautaire* of European law into their respective domestic legal systems, the answer is that the extension of jurisdiction is, for the EU, an end in itself.

The nitty-gritty of fusing together legal systems is not something that inspires democratic politicians. The EU's demand for the full incorporation of the *aquis* has not created a eurosceptic backlash within the accession states because its implications will take far longer than a single electoral term to become clear and because they are not well understood by most popular politicians. For them, the comforting rhetoric of *"re-joining the European family"* and integrating with the wealthy countries of western Europe, which were a beacon to those under the heavy hand of the failing Soviet polity in the 1970s and '80s, are more attractive themes.

The implications of fusion are, however, momentous. In England and Wales, the Judicature Act of 1873 fused the jurisdictions of common law and equity on the basis that, in the event of a conflict between the two, the rule of equity was to prevail over the common law. The process of fusion has been working itself out ever since, arguably reaching its high watermark during Lord Denning's tenure as Master of the Rolls, when the Court of Appeal actively used equitable principles to defeat aspects of the common law.

Since the UK's accession to the European Communities in 1972, a new process of legal fusion has been in train, between domestic law and European law

Since the UK's accession to the European Communities in 1972, a new process of legal fusion has been in train, between domestic law and European law. In the event of a conflict of laws, European law trumps domestic law. Here, however, the analogy with the fusion of common law and equity ends, since neither common law nor equity may prevail over an Act of Parliament. A European law however, even if created by the European Court of Justice, will; as demonstrated by the defeat of the Merchant Shipping Act 1988 in the case of *Factortame* (regarding the rights of Spanish fishing vessels in British waters). Furthermore, the jurisdiction of equity was based on ancient maxims rooted in canon law and had always been available to those willing and able to accommodate the law's delay and jump through the procedural hoops. European law, conversely, is a post-war artifice, whose legal bases are re-examined and extended routinely at intergovernmental conferences of the governments of member states. At these conferences, the treaties forming the basis of European law are revised onward and upward, articulating new political realities as well as aspirations that are to be made flesh by governments and the courts.

Many of the countries of eastern Europe have not yet attained a stable and reliable legal system following the upheaval of de-Sovietization, yet they are embarking on the wholesale incorporation of a vast body of law, much of which is not enforced in the member states to which it already applies. In a country in which the rule of law is not well established and in which there are insufficient resources to enforce it effectively, an increase in the volume of law creates not only problems of legal certainty for those who want to obey or enforce the law, but presents opportunities for those who seek to avoid it and necessitates the agents of law enforcement being spread too thinly for them to be effective in enforcing it.

In such a scenario, an invidious process of selective law enforcement ensues – the laws simply cannot all be enforced, and they come too thick and fast to sink into the public consciousness, so inviting prioritisation in enforcement on a political basis (something that has now been going on for years). When enforcement of the law is not practicable, the rule of law regresses from social fact into theory and political rhetoric.

European legislation gets onto the Statute Book by Order in Council, so it is not even aired in Parliament before coming into force. Couple that with the regularity of Treaty revisions and the activism of the European Court of Justice, and the public has no chance of keeping up with changes in the law. This would not matter, as the making of European law is not a democratic process, but for the fact that the laws still bind citizens of the EU.

A further consequence of inadequate domestic scrutiny of legislation is that people come to see laws as ill-conceived or even stupid. A recent example of this in Britain is the EU Animal By-Products Regulation, which came into force in May, banning the burial of dead animals on farmland. This law was conceived of for countries in which the public water supply is close to the surface of the land, and so such disposal of carcasses would constitute a health hazard. In the UK, burial of livestock on the land has been an accepted farming practice for centuries, causing no harm, and its criminalisation is leading to increased costs to already long-suffering farmers. The effect of promoting legal uniformity across the EU for its own sake is that malicious intent is inferred into the unfortunate consequences of the legislation; in this case the inference is that there is an EU conspiracy to destroy British farming.

The habit of inferring such malice from sectional interests involved in the legislative process is greatly strengthened when such malice is for real and is exposed. The parliamentary Labour Party's campaign to ban hunting with hounds is an egregious example: Labour MPs have showed themselves willing to vote down their own government (whilst chanting *"remember the miners"*) over an issue that is of little public concern. In response, The Countryside Alliance has been considering a campaign of civil disobedience, perhaps involving co-ordinated lawbreaking.

This response is hardly surprising. The present legislative process is shot through with problems of accountability, scrutiny, good faith and enforceability. In the face of a tide of legislation they cannot keep up with, from sources which they do not trust, and which is enforced on the basis of political concerns, people lose their respect for the law and obey it only out of fearfulness and personal discretion. A society in which people make their own rules is an anarchy. A society in which the effective rules are made

at the whim of those in power is a tyranny.

Trends towards anarchy and tyranny are not desirable for a stable, cohesive democratic society, yet the response to these trends is to increase the flow of legislation and the number of legislative bodies, in a vicious cycle. The longer the process continues, the greater will be the need for the restoration of order by a strong, unifying, central authority. The steady accretion of power by the European Union suggests that it sees itself in this role, but that is not how it presents itself. As far as its citizens are concerned, the Union is a project designed to ensure peace and prosperity for Europe, yet in the draft European Constitution, it has prepared a manifesto for the transfer of further legislative powers to the highest and least accountable legislative bodies – its own institutions – which, if put into effect, will exacerbate the drift away from the rule of law.

> A society in which people make their own rules is an anarchy. A society in which the effective rules are made at the whim of those in power is a tyranny.

What is needed is a fresh diagnosis of the problems of the way we are governed, resulting in an accountable legislative structure that will address them effectively, by repealing more legislation than it enacts. The EU in its present form is, at least in its capacity as an overbearing legislature, part of the problem, and threatens to become, for future generations, a drastic, authoritarian solution. The heads of government in Europe are unanimous in believing that the EU must change if it is to be effective with 25 members. Unfortunately, the Convention on the Future of Europe has in response produced a plan to expand its legislative remit even as the accession states are struggling to put the EU's existing imperium into effect.

> Of all the existing member states of the EU, the United Kingdom is most capable of showing a lead towards a different kind of Europe

Those eastern European statesmen who fear the implications of European integration fear more keenly the isolation which they perceive to be the alternative. As Czech President Vacalv Klaus said of the Czech Republic's accession plans, *"this is a marriage of convenience, not for love."* The UK should not share this motivation. Of all the existing member states of the EU, the United Kingdom is most capable of showing a lead towards a different kind of Europe. It joined the European Communities relatively late, its first-rate economy retains a national currency and is outperforming the eurozone, and it has a strong strategic alliance with the USA. Britain need not fear the consequences of taking on the nascent European government provided it has a vision for a Europe of democracies which it shares with courage and conviction.

Dirk van Heck is Head of Research at the European Foundation.

… news in brief

Opponents of Euro-constitution meet in Prague

A group of politicians opposed to the draft European constitution drawn up by Valéry Giscard d'Estaing has met in Prague to agree a common position before the Intergovernmental Conference starts next month. Fifteen representatives from small and new member states (or future member states) met in the Czech capital at the invitation of the Czech Government. The participants were: the Czech Republic, Poland, Hungary, Slovakia, Slovenia, Sweden, Finland, Denmark, Austria, Ireland, Greece, Estonia, Lithuania, Latvia and Portugal. The Benelux countries, which have also expressed their reservations about the draft constitution, were also invited but said that they considered it *"inopportune"* to join a specific group at this point. The meeting lasted several hours and its work was pronounced *"positive"* by the Czech government. The fifteen did not agree on a single common position but they did manage to establish which points they do agree on. The biggest areas of agreement concern the strengthening of the power of big countries in the new constitution, and the project of creating a European army, which the fifteen generally consider an unnecessary duplication of the work of Nato. Paris and Berlin have already expressed their concern that the draft constitution will be re-opened in the IGC, and they have done their best to prevent this – faithful as ever to their preference for the work of big unelected committees, like the European Convention, over the opinions of elected governments. When himself in Prague last week, Joschka Fischer, the German foreign minister, warned the smaller countries against questioning the draft constitution. *"Whoever reopens the consensus,"* he said, meaning whoever questions it, *"must be able to re-create it or else we will be in a terrible situation."* The French Prime Minister has similarly said that he wants the IGC to *"go quickly"* – in other words, for it not to contain any substantial discussions. But there is considerable opposition to the draft. Poland, for instance, which is an important medium-sized country, is determined to preserve the powers it gained at Nice, when the new voting arrangements in the Council of Ministers and the European Parliament were painstakingly agreed. That balance of power is changed by Giscard's draft, which proposes to give more power to big countries from 2009 onwards. Poland has an ally in Spain on this issue. Finland is strongly opposed to the idea of having a European president, and it also wants each country to keep its own commissioner, issues on which Austria is a strong ally. [Alexandrine Bouilhet, *Le Figaro*, 2nd September 2003]

Commission accepts European president

In a significant development, the European Commission has announced a U-turn in its policy on the future European constitution. Previously opposed to the notion of electing a 'President of Europe', for fear that such an office would compromise its own pre-eminence over the European legislative process, Brussels has now said that it will accept the 'compromise' outlined in the draft EU constitution drawn up by Valéry Giscard d'Estaing's Convention. This 'compromise' involves the election of a president of Europe for a term of at least 2½ years. The president would be the president of the European Council, which currently rotates between the member states every six months, but his high profile and the fact that he would be in the job for so long means that it is inevitable that the power of the European Council will be strengthened relative to that of the Commission. [*Corriere della sera*, 16th September 2003]

Inward Investment – the Big Lie

by Roger Helmer, MEP

The euro – the EU's single currency – is a massive economic experiment that is spectacularly failing as we watch it. Germany is flirting with deflation and has around four and a half million unemployed – double the UK rate. France has massive unemployment. Italy is dipping into recession.

The European Commission itself has identified seven euroland countries – more than half of them – suffering *"unsustainable demand pressures"* (or inflation, to you and me)

Meantime some of the smaller euroland economies have the opposite problem. Ireland and Portugal have faced unsustainable consumer booms. The European Commission itself has identified seven euroland countries – more than half of them – suffering *"unsustainable demand pressures"* (or inflation, to you and me).

The so-called 'Stability and Growth Pact', which they told us was vital to underpin the euro's credibility, has now been described by EU Commission President Romano Prodi as *"stupid"*. It has delivered neither stability nor growth, and country after country in euroland is rushing to repudiate it.

In the face of this emerging disaster, we have to admire the tenacity of the euro-luvvies, still struggling to make the case for Britain to scrap the pound, as one by one their arguments are knocked down by the dire experience of the euro in practice.

Yet they pretend they have one shot left in their locker. They tell us again and again that, outside the eurozone, Britain is losing inward investment, so growth and jobs are at risk. This argument is false, and they know (or ought to know) that it is false. Let's look at the facts.

Ernst & Young, one of the UK's most respected consultancy and accounting firms, has published its 2003 report on inward investment. It shows a global decline in foreign direct investment, but within that overall decline, Britain is maintaining its dominant share, and doing rather better than euroland.

But the luvvies quote OECD figures, which appear to show a sharp loss in the UK's share, and a sharp increase in Germany's share. So who's right, and what's going on?

This gets a bit technical, but please hang in there, because it's important. There are two kinds of inward investment. Imagine that a US company comes to Britain with £10 million, builds a factory, and hires 200 people. That's what most people count as inward investment. It's a new project that creates business and jobs. And it's what Ernst & Young were counting in their report – new projects.

But technically speaking, company take-over activity is also, sort of, inward investment – for example when Vodaphone (in the UK) bought Mannesman (in Germany). Takeover activity, however, doesn't necessarily create new projects and new jobs – indeed it often involves streamlining and job losses. But it's included in the OECD figures.

So the truth is that, for new projects and new jobs, Britain has stayed in the lead without joining the euro, as the Ernst & Young report proves. But the weak euro during 2001/2 has allowed foreign companies to buy up euroland firms in a bargain-basement fire sale – which is why the OECD's broader inward investment figures show Germany heading the pack.

The euro didn't generate growth and jobs in Germany. Instead the low euro left German companies vulnerable to foreign predators. Not such a good deal after all.

So the inward investment figures provide no comfort for the pro-euro case. On the contrary, if we want growth and jobs in the UK, the Ernst & Young figures prove that we're better off keeping the pound.

If the euro-luvvies don't know this, they ought to. And if they do, they're lying.

Roger Helmer is Conservative MEP for the South Midlands and also a member of the European Foundation Advisory Board.

… news in brief

Europeans blame Americans for WTO collapse

Following the breakdown of the international trade negotiations at Cancún, people are wondering whether the World Trade Organisation has any future. The collapse of the talks, which is being seen as a severe defeat for the European Union, was described by Pascal Lamy, the European commissar for trade, as proof that the WTO was *"a medieval organisation which needs intensive care."* This was apparently a widely shared view. People are still trying to save faced by pretending that the timetable set for the Doha round of negotiations (the end of next year) can still be respected, but this seems unlikely, since at the end of 2004, there is not only the presidential election in America but also the appointment of a new European Commission. Moreover, the head of the WTO, Supachai Panitchpadki, will retire in 2005. Although the president of the European Commission, Romano Prodi, said that there was no point apportioning blame for the collapse, others were not so discreet. *"Who profits from the crime?"* asked one of the negotiators, pointing the finger at the United States. *"Poor countries will certainly not benefit, nor will the European Union, which had already made concessions over the Common Agricultural Policy while the American Farm Bill remains intact."* The negotiating strategy of Pascal Lamy, which consisted in trying to divide Southern countries, was widely seen to be a failure: he had hoped to obtain concessions from them on matters like investment and competition policy in return for changes to agricultural policy. But the Group of 21 Southern countries retained a united front, in spite of the apparent disparities between such huge southern countries as Brazil and India and the smaller states. The defeat for the European Union also consists in the fact that the World Trade Organisation itself comes out of this very badly: Brussels had always supported the Geneva-based organisation, which is now politically weakened. One of the reasons why the Southern countries remained in solidarity with one another is that they perceive the WTO are being excessively dominated by big countries, and even more so by their big corporations. The arguments are likely now to be strengthened of those who say that zones of free trade are preferable to a worldwide multilateral organisation like the WTO. [Laurent Zecchini and Babette Stern, *Le Monde,* 16th September 2003]

EUROFILES

A lesson from history:

From: Freddie Gjertsen <freddiegjertsen@hotmail.com>
To: Giscard d'Estaing
cc: European Journal Readers
Subject: Sound familiar?

I had stared out of that window for seven lazy hours, staring blankly at the interminable rain. A fine light drizzle, bringing opacity to the air and a chill dampness to the body. In the warmth of my office I lounged like a dog for the entire length of that torpid day. No prospects of business, no contact from outside: alone, and waiting. And musing, that surely dogs have their days, and if they do, then I surely must. But then again, the average dog lives to be about ten and the average human lives to be about eighty, which means that when a dog does get its 'dog-day' it only gets three hours… maybe I've had mine…

Yes, I was out of work and bored. That was how I came, well before five o'clock, to be equipped with a glass and a tome, and making myself comfortable. Set to engage in, and what better to divert a bored detective than, a little historical investigation. For want of any adventures to recount, let me relay the fruits of my study.

King Ludwig II of Bavaria was born on April the 25th, 1845 upon the very midnight chime. He was to become one of Europe's most renowned, but in Britain, as with most things European, relatively unknown, builders.

Young Ludwig II suffered from a sheltered and isolated childhood, distanced from his parents (who apparently were caused acute discomfort by his presence) and the rest of the world. Thus, he matured into a troubled youth who struggled to relate to others, especially to women. Deprived of any real childhood he ascended to the Bavarian throne at the age of just 19.

He went on to become an archetypal European autocrat, in the form that survives to this day. He had no desire to govern per se, only to live out his role in the luxury of fantasy, a world secluded from, and inaccessible to, the normal citizen. Within this life of secluded privilege, funded by public-private co-operation (the state topped up his own funds), he devoted his time to a whimsical project; to the creation of obsolete, vastly expensive and impossibly intricate edifices of superficial governance. He chose to build castles in an era when, as structures, they were nothing more than fanciful anachronisms.

He bore another trait common to many European leaders: *He used his position to promote his friends. His entire life's work was devoted to the reverence and comfort Richard Wagner. He had no time for the common man, nor contact with him. He despaired of the elected Parliament and the restrictions they placed upon him and his spending, for he was nothing if not gloriously profligate. As he aged and further enshrouded himself in fantasy, coupled with infuriation at those who denied him the money necessary to realise his dreams, absolute rule became his obsession.*

Absolute rule would allow him to ignore the troublesome interruptions of the people and their government. It would also make funding for his masterwork, and the principle root of his demise, Neuschwanstein castle easier to obtain. This castle was his grandest, but ultimately unrealised, folly. It was to be a private refuge, "sacred and out of reach", a place to escape from realities. A place the voice of the ordinary citizen could never reach.

But before it could be completed Ludwig's excesses became too much for the national government. He was not a fit ruler, and it was decided that he was to be removed before he could perpetrate any acts of lasting damage. Increasingly isolated from the world and from the politics of the day he had become an ever-creeping canker, obsessed with continually increasing his powers and influence. Bavarian politicians despaired to remove him, a constitution had been devised protecting the King from deposition or censure however insidious or inept his conduct. Eventually a practical, but not necessarily principled, scheme was devised. Ludwig was diagnosed insane, and deposed. His acts as ruler, and the known insanity of his brother, made this plausible. However, the diagnosis was far too politically useful to pass without suspicion. Therefore, Ludwig was drowned in highly suspicious circumstances before his genuine state of mind could be ascertained.

Thus a mystery was, and is, preserved: was he, or was he not, genuinely mad? As evening drew on I became wrapt in my books on the King. I did not notice my drink cooling, it was cold; I did not notice the gloom draw around me, it was dark; I did not notice the clock hands rotate, it was midnight. And, searching through material of obscure, but recent, provenance unearthed the following. Apparently the king devised a means of achieving his goal of absolute rule. He determined that he would preside (autocratically as it turned-out) over a select convention who he would then use to, seemingly legitimately, transfer powers from the people and parliamentarians to himself. This process, although not involving them at any stage, would be trumpeted as representative of the will of the demos. The following are instances which may be symptomatic of the king's 'madness' whilst chairing the aforementioned 'convention'.

(1) Despite having no connection with the citizens he purported to govern, excepting his own circle and various lobby groups, 'the king' repeatedly claimed to speak for the masses, even though this was patently not the case.

(2) He was wantonly capricious. When listening to advisors he would claim to be acknowledging their consensus in his dictates, but would frequently ignore their requests and install his own unsupported ideas. For instance, he is renowned for having ignored a request for increased transparency in the workings of government submitted by a massive majority of 200 of his political convention, claiming that their request did not constitute a "consensus". Yet, on his own whim, he installed an edict that his organisation should value the exploration of space.

(3) Despite bitter infighting amongst his convention up until the very last, he proclaimed the document it produced a great and historic success, agreed upon by all. Remaining argument was then drowned out by Beethoven's Ode to Joy.

(4) He drew up a constitution with the aid of a select coterie especially selected to contain no critical voices. Despite the process supposedly being democratic, this method of proceeding meant that a huge percentage of the supposedly represented masses – the sceptics which constitute at least half of several European countries – were not represented in any way.

(5) He was obsessed with a tortoise that he kept upon his desk and used as the subject of a series of hirpling metaphors on progress.

On the basis of this evidence, although never examined by physicians, the populace at large suspect that he was indeed insane. Aided by the directness of thought that the early hours induce, I formed my own conclusions.

LETTERS TO THE EDITOR

From Mr L.G. Holt
Dear Madam,

In his Prague speech, Mr Duncan Smith referred to the *"clarity of the EU's founders"*, but quickly, and rightly, ascribed *"Prosperity"* to NATO. The Conservative Party, he said, does not want to leave the EU: *"We want to make it work"* – after so many decades of benefiting from the founders' clarity! One wonders: *"How long, oh Lord"*, before deciding that it is unworkable, and intrinsically so – and quite unnecessary for the 'sovereign democracies' for whom it has been a growing, and expensive, contradiction.

"The Conservative Party's commitment to the WU", he confirms, (presumably *"come what may"* he offers no escape clause). And that is the problem for the Conservative Party, along with pipe dreams of *"positive vision"*, *"practical vision"*, *"a Europe of free nations"* (refrigerator mountains and dead monk fish). *"For too long the supranationalist agenda of the Old European mindset has been masked"* – but only, e.g., for the Party of, e.g., Maastricht; others have been complaining for decades. One reads the rest of the speech thinking: *"Yes, yes, we know only too well"*. If there is global free trade, what need of an EU Single Market? And do we really need reminding about the CAP, CFP, EU foreign aid and general corruption – over decades?

One waits to see the outcome of 'EU Constitutionalising' – but Mr Duncan Smith offers not a clue as to the Conservative Party's stance if, to judge by 'History', it all goes wrong, viz the Euro and its 'Stability Pact'. Presumably the Conservative Party will just put up with it, as it has since its terms of entry in 1972.

Yours faithfully,

L.G. Holt
Chislehurst, Kent

PS. How odd, to have to go to Prague to tell the British electorate about the EU 'mess'.

From Mr Richard H. Beddall
Dear Madam,

As a Conservative Party member for more than 40 years and a supporter Iain Duncan Smith, I was keen to read in the European Journal his Prague speech 'A New Europe of Democracies' in which he laid out the new Conservative policy on the EU.

Indeed, in view of the unending grief this subject has caused the Conservative Party and that on ratification of the EU constitution which will bring about the end of 25 democracies in Europe, ours included, this made interesting reading. Three pages stood out:

'The Conservative Party's commitment to the European Union is rooted in our commitment to the permanent interests and values of the British people.'

'Let me be clear: The Conservative Party does not want Britain to leave the European Union.'

Iain Duncan Smith also repeats a prophetic warning made by President Klaus.

'He declared that democracy cannot exist in an entity larger than an independent and sovereign state'.

The third quote contradicts the first.

The idea of a new Europe of democracies, if I remember correctly, was first put forward by Bill Cash in a pamphlet entitled 'Associated, not Absorbed'. The idea is noble and farsighted but in my opinion can only come to fruition after the demise of the EU which is inevitable as it is in conflict with both logic and human nature.

I suppose one way to explore the involvement of the Conservative Party and Britain with the European Union is to imagine it to be a long train journey.

In 1972, Britain purchased a ticket at a cost of several billion pounds for a 30 year train journey. The train travelled on a single track to a single destination. Ted, the tour guide told the passengers they were on a trip to the Common Market and it was in their best interests to go there. This was the first of 30 years of lies, indeed the passengers have been told the same story by all the subsequent tour guides. On its journey, the train stopped at numerous stations – the most significant of these were Maastricht, Amsterdam and Nice. At each of these stations the passengers were required to trade some of their inheritance and right to rule themselves in exchange for a bundle of new European laws and regulations. Some of the passengers were not happy so the refreshment trolley went round. On the trolley were a selection of opt outs, rebates and assurances and the passengers were allowed to borrow some of these. They were not told they already owned the refreshments, the trolley and paid the wages of the man that was in charge of the trolley.

Later, it was found that those travelling in business class were choking to death on their unremitting diet of regulations. About this time passengers began to discover the astronomical and unbearable hidden cost of their journey and according to polls, at least half of them wanted to go home.

Two years ago, the Conservative passengers were called on to elect a new guide. The candidates were big hitting popular Ken and shy quiet Iain. The passengers knew that Iain had rebelled at Maastricht station and elected him with a large majority as they thought he would take them home. Much to their chagrin Iain now tells them that it is in their interest to stay on the train.

Shortly, the train will draw in to Constitution station where the passengers will be required to hand over all their remaining inheritance and right to govern themselves. In return they will be given absolutely NOTHING.

The European Union that Britain is a member of is not a New Europe of Democracies and never can be because those on the EU gravy train won't allow it. It's as simple as that. If ever there was an emperor with no clothes it would be the Conservative's European policy.

Would it be possible for Iain Duncan Smith to explain in some detail to the readers of the European Journal why he thinks that continued membership of the EU is in our best interests? According to polls, a growing majority do not agree with him.

How do the Conservatives hope to win the next General Election while parties like UKIP are out there, whose membership are mainly disillusioned Conservatives and who intend to put someone up against every Tory candidate in the UK?

For the Conservative Party the moment of truth has finally arrived. The European Constitution is here. The biggest battle in British peace time history is about to begin.

There are two likely outcomes: The Government will ram it through using the Parliament Act or Blair will be forced to hold a referendum he can't win. Therefore he is very likely to gamble on 'EU in or out'. In either event, the Conservative position on continued membership becomes untenable and indeed invites derision. On the 'Today' programme, Michael Ancram was asked three times "would the Conservative Party advocate withdrawal under these circumstances?". He would not answer. This is not good enough.

I know that as leader Iain Duncan Smith will be keen to answer these questions if only to encourage all those that intend to fight this battle.

Yours faithfully,

Richard H. Beddall
Staffordshire

From Mr John G. R. Rix
Dear Sir,

Are they so Brilliant? – or just Arrogant

Those still advocating that Britain should sign up for the EU Constitution, which is effectively irrevocable without a civil war, are, in fact, asserting they can accurately forecast events far into the future, and that the advantages are so overwhelming that the people of Britain should give up their democratic rights to make our laws.

Not only is this fantastically arrogant, it defies logic, as there is no need to pre-empt the democratic right of our people to make up their own minds as events unfold, using the facts and conditions as they change.

How can they forecast, for instance, that North Sea Oil will not be 'revisited' once we are locked in the European Empire, and declared a 'Common Resource'?

What does Britain loose if it is outside the EU, but co-operates ad hoc in matters of common interest? Doesn't it save £8bn a year or so?

Pro-EU speakers should constantly be asked what their experience of forecasting is, why they think they can judge things better now than other people nearer the time they occur, and why they think they are so clever and certain of their facts that they advocate the ending of effective democracy?

Yours faithfully,

John G.R. Rix
Hampshire

From Mr S.M. Swerling
Dear Madam,

In his encomium to Iain Duncan Smith (Cry God for Iain, England and St George – *European Journal*, August 2003), Sir Oliver Wright exalts the IDS vision of a Europe of co-operating nation states. Within present structures, however, this is a chimera, mere fanciful optimism.

Neither Sir Oliver nor IDS, in his accompanying article based on his Prague speech, seems prepared to recognise the reality – that the agglomeration of powers at the European centre, already achieved through the treaties of Maastricht, Amsterdam and Nice, combined with the *'acquis communautaire'* (which effectively makes repatriation of powers to individual nation states a virtual impossibility) necessitates a major choice for eurosceptics: either Great Britain continues to go along with the European political project leading inexorably, and rapidly, to its abolition as a self-governing nation, or there is movement at speed towards maximising the very strong arguments in favour of Britain's withdrawal from the European Union.

With every week that passes the case for some halfway house becomes less and less credible. As the late Julian Amery often remarked: *"Compromise in detail is always feasible, a compromise with principle is not."*

Yours faithfully,

S.M. Swerling

… news in brief

Eurosceptics confounded in Estonia

Many British Eurosceptics long dreamed that Estonia was an island of euroscepticism in a sea of Europhilia (although this was never the view of the European Foundation's *Digest*). Eurosceptic hopes that the plucky little Baltic state would reject EU membership were resoundingly dashed when the micro-state (about 1 million inhabitants) voted to join the EU by 67% to 33%. Anyone who had actually met the Estonian Eurosceptic leaders could not have been in any doubt about the outcome – they were the proverbial two men and a dog sitting in a bar. But for some reason, in this country, whose economy has been ravaged by the pincer effect of EU dumping and irresponsible 'privatisation' policies, and whose per capita GDP is no more than a few thousand dollars a year, has shone in the eyes of fantasists as a free-market paradise. (Recent figures suggest that the per capita GDP is $6,000, which would put Estonia behind Belarus, the richest of the former Soviet republics, and only just on a par with its poor fellow Baltic states, Latvia and Lithuania.) [*Libération,* 15th September 2003]

Much of the pro-euro propaganda in Estonia was connected with putting the Soviet experience firmly in the past. Various pro-EU figures said that Estonia was now turned firmly towards the West. It was noteworthy, therefore, that the Yes vote in Estonia was warmly welcomed by the Interior Minister of Russia, Boris Gryzlov, who was speaking at a press conference with his Estonian opposite number, Margus Leivo, in Tallinn on 16th September. He referred during his talk to the various agreements on fighting crime, and cross-border travel, which Russia and Estonia have recently signed. [*Radio Free Europe Newsline*, 17th September 2003]

The Estonian government lost no time in encouraging its neighbour, Latvia – the last of the accession countries to vote on EU membership – to vote 'Yes'. The Estonian prime minister joined his Latvian counterpart in the town of Cesis, where a battle for Baltic independence was fought in 1919, to say that a Latvian 'Yes' would mean that country's *"return to Europe"*. It would, he said, *"correct one of the largest mistakes of history."* [*RFE*, 17th September 2003]

Prodi loses his rag

Romano Prodi, the current president of the European Commission and former prime minister of Italy, has given an angry and detailed rebuttal of accusations that he was involved in bribe-taking when Telecom Italia bought the Serbian telecommunications company in 1997 while he was head of the government.

Prodi said that he had *"never been informed in any way, neither directly nor indirectly"* about the acquisition of a stake in Telekom Serbia by Telecom Italia. He reaffirmed his readiness to testify before any enquiry into the matter. Prodi said that he was the victim of *"an extremely violent political campaign"* and that he had been condemned by the mass-media in a totally unfair and unprecedented way. He alluded darkly to the fact that *"the theme of liberty and pluralism in information, and of the relationship between the ownership of mass-media and politics"* needed to be discussed – bureaucratic gobbledegook for saying that the campaign was being orchestrated by the Berlusconi-owned press and TV. Prodi is widely seen as a possible challenger to Berlusconi if he decides to return to Italian politics after leaving the European Commission next year. The Telekom Serbia scandal has hit the highest levels of the Italian state, because the president, Carlo Azeglio Ciampi, was head of the Central Bank at the time. The usual accusations of corruption are made all the more lurid by the allegation that the then president of Serbia, Slobodan Milosevic, used the money from Telecom Italia to finance his 'ethnic cleansing' in Kosovo. [*La Repubblica*, 8th September 2003]

Belgium lets tax-dodgers off the hook

The Belgian government decided on 12th September to grant an amnesty to Belgian tax-payers if they bring back into Belgium funds they illegally placed in Luxembourg for tax-evasion purposes. The tax-dodgers will be taxed only at 9% or 6% if they reinvest the money in property or life assurance. It is hoped that this measure will bring between 500 million and 1 billion euros into the Belgian treasury, although a recent poll showed that only 11% of Belgians would accept these terms. [Jean-Pierre Stroobants, *Le Monde*, 16th September 2003]

FACTS

by Greg Broege and Maureen Zink

1 Blair was urged to change his mind on holding a referendum on the European Constitution by the strongly pro-EU Lord Haskins. The leading Labour peer, one of Blair's key advisors and the first 'red-tape Tsar', has written a pamphlet called *Britain and Europe – yet another moment of truth* in which he says that those committed to being in Europe should *"have the courage and the confidence to put the issue to the British public."* Number 10 has denied that the statement from such a close ally of Blair's will have any affect on the Government's policy on a referendum on the Constitution.

Yorkshire Post, 18 September 2003

2 The UK, US and eurozone have been cutting interest rates in attempts to bolster their struggling economies. This has led to some inflation but very little growth. Inflation in the latest annual inflation figures (July) is at 2.9% in the UK, 2.1% in the US and 1.9% in the eurozone. But growth in all three areas has been poor. The second quarter saw just 0.3% growth in the UK, 0.8% in the US and the eurozone has seen no growth at all.

The Times, 1 September 2003

3 An unexpected economic downturn in France pushed the entire eurozone economy into the red for the second quarter of the year. The French economy shrank by 0.3% between April and June: corporate investment fell; household consumption dropped by 0.2% on the quarter; and exports came under pressure because of the recent rise of the euro. France's poor performance helped cause the eurozone's output to fall by 0.1% for the second quarter. According to recent statistics only Spain has escaped the fall out suffered by main economies of the single currency.

Times Online, 21 August 2003

4 The Estonian electorate voted in favour of joining the European Union. The 'Yes' side won the referendum by a majority of 66.9% to 33.1%. Estonia will be one of the smallest EU states following accession, with a population of just 1.4 million. 850,000 Estonians are of legal voting age and turnout was 63%.

Financial Times, 15 September 2003

5 Anna Diamantopoulou, European Commissioner for Employment and Social Affairs, is concerned about the status of women in both economic and political decision making processes. On the political side she noted that women still represent less than 20% of the parliamentarians in seven of the fifteen EU member states. In the eurozone, figures show that women's gross earnings are 16% less than men's. Also men are twice as likely to be in managerial positions and three times as likely to have directorships than women.

europa.eu.it, 12 September 2003

6 Portugal has the worst record for ozone depleting chemicals in the EU. Portugal pumps out 1.5 tonnes per day of CFCs – an ozone depleting substance once commonly found in fridges and air conditioning units. The environmental NGO Quercus claims that 99.5% of Portuguese air-conditioning and refrigerator units have not had the CFCs removed. According to the Portuguese Institute of Meteorology stratospheric ozone has reduced by 3.3% in the last decade, a reduction, which the group says increases the chances of skin cancer and cataracts.

euobserver.com, 16 September 2003

7 The Swedish people have voted overwhelmingly to reject the euro and keep the krona as their currency. With all votes counted, the final result was 56.1 – 41.8 in favour of remaining outside the euro. The turnout was very high at 81.2 per cent – only slightly lower than the 1994 referendum on EU membership, in which 83.3 per cent voted. The question Swedes were asked was, *"Do you think Sweden should adopt the euro as its currency?"* Overall 3.2 million Swedes said 'No' to this question, compared to 2.3 million who voted in favour.

euobserver.com, 14 September 2003

8 Few nations embraced the mobile phone with quite such alacrity as Italy did. The Italians so love chatting that they shot to near the top of international tables of comparative statistics on mobile 'phone use. This year, the rate of subscriptions as a proportion of the population may exceed 90%. Italians of all classes and ages own a *telfonino*. A recent survey found that more than half of children aged between nine and ten have one.

economist.com 16 September 2003

9 Tony Blair has already agreed to break one of his so called 'red-lines' published in the Government's white paper which was published on 9 September. In a summit with Chirac and Schröder on Saturday 20 September he agreed with their proposals for a united defence force capable of acting independently of NATO. The white paper, entitled *A Constitutional Treaty for the EU: The British Approach to the European Union Intergovernmental Conference 2003*, stated that, *"We will not agree to anything which is contradictory to, or would replace, the security guarantee established through NATO."*

Daily Telegraph, 22 September 2003

How the ECB must be Reformed to Become Fully Effective

By Martin Essex

The European Central Bank's record since it was established in June 1998 has been a fairly good one, judging it solely by its success in keeping eurozone inflation just under the 2.0% target ceiling it set itself. At times inflation has been higher and at times it has been much lower. Soon, it is likely to be lower still – but the record so far has not been bad.

However, the growth performance of the eurozone since that date has been dismal. Economic growth rose from 2.8% in 1999 to 3.5% in 2000 but then fell to 1.5% in 2001 and to just 0.8% in 2002. It is likely to be even lower this year, at around 0.3%, and to reach just 0.5% in 2004. If this is right, then for four years in succession growth will be below its "trend" rate – the growth rate sustainable long-term without causing an increase in inflation.

In other words, the ECB has manifestly failed to offset the economic downturn and, in that most important sense, it has not been a successful central bank.

Since 1999 the ECB has brought down interest rates by less than either the Federal Reserve or the Bank of England, though it has been more active than the UK recently.

Moreover, long rates have stayed high despite lower short rates, indicating that the financial markets are not confident of the ability of the ECB to keep inflation low, and therefore short rates low, in the medium term – perhaps because of concerns about its structure, and the behaviour of its council, detailed later in this article.

The ECB's performance has been a poor one too in terms of transparency and accountability. Its failure to publish minutes of its Governing Council meetings, or to record the votes on monetary decisions at those meetings, has made the decision-making process opaque. Indeed, it is not even clear whether votes are taken – we are told, simply, that a consensus emerges.

The system of preparing the financial markets for rate changes, by hinting at them in speeches prior to meetings, gives the impression that decisions are taken ahead of the official gatherings, and there is a lack of accountability to national or European institutions.

For these reasons, major changes will be needed if the system is to work efficiently after EU enlargement next May, and this article is designed as a blueprint for change – though, alas, not one likely to be adopted.

The ECB's Twin-Pillar Monetary Policy Strategy

The Bank's twin-pillar monetary policy strategy, focusing on the money supply as well as inflation, has not been a success. The broad (M3) measure of eurozone money supply has been growing faster than the ECB's 4.5% target for the past two years and by around 7% year-on-year for much of that time.

However, this has had little impact on inflationary pressures because the increasing *supply* of money has been matched by an increased *demand* for money as funds that were previously invested in shares have been moved into short-term money market instruments and bank deposits as confidence in shares has fallen. There have now been indications that this pillar has been downgraded in importance by the ECB – rightly, in this writer's view – though this is denied by the Bank.

The money supply target has not caused the ECB to make bad decisions on interest rates – but it would have if the Bank had not ignored it. Having a money supply target panders to those people still in thrall to ersatz monetarism and has an adverse impact on inflation expectations and damages the Bank's credibility. The ECB should be leading economic thinking not following it, and ECB reform should therefore include a formal decision to regard the money supply as simply one of a number of economic variables to be taken into account when setting monetary policy.

Against this background, the ECB has focused on the second pillar, inflation – and a target that virtually guarantees deflation in Germany. A eurozone inflation target of 2% effectively requires a German inflation rate of 0.5%–1.0% to counterbalance the higher inflation rates in the faster-growing countries.

The chances of falling into a deflationary spiral from such a low starting point are clearly greater than if inflation were higher. And worse still, the admittance of new accession countries, all with above average inflation rates, to the eurozone some time after 2006, following their accession to the European Union next year, could leave the implied target for German inflation at zero or even negative.

There can be little doubt that deflation in Germany is on its way, and the euro's recent strength has made deflation more likely in the eurozone as a whole.

The inflation target has caused the Bank to keep interest rates higher than required in order to keep GDP growth close to its trend rate. Therefore, this is another area that requires reform.

Little comfort can be drawn from the apparent relaxation of the inflation target that followed the ECB's decision to leave rates unchanged in May. The ECB said that *"in the pursuit of price stability it will aim to maintain inflation rates close to 2% over the medium term*", having previously described the 2% level as a ceiling.

However, this was undermined by a decision to keep unchanged the existing definition of price stability – defined as *"a year-on-year increase in the harmonised index of consumer prices (HICP) for the euro area of below 2%"*. And it was undermined further by Mr Otmar Issing, the ECB's chief economist, who told a press conference that *"close to 2% is not a change, it is a clarification of what we have done so far"*. While these verbal gymnastics presumably reflect differences of opinion among ECB policymakers, there is seemingly little recognition that deflation is a possibility.

This writer's reading of the quotes above is that the ECB will now aim to keep inflation just below 2%, probably between 1.7% and 1.9%, a target which will continue to be unsuitable for Germany. If so, there has been no change to a symmetrical target and no increase in the target. In other words, the target remains one-sided - there is no specified mid-point and no specified lower bound.

Given that, it is also unclear whether less attention will be paid in future to money supply growth, clarity has not been achieved; indeed not much has changed – which is very disappointing.

Recommendations

This analysis suggests that the following changes should be made:

First, the inflation target should be set by an outside body, such as the European Council of heads of state and government, the Council for Economic and Financial Affairs (Ecofin) or the European Parliament's Committee on Economic and Monetary Affairs.

Second, the target should be symmetrical. In the UK, a symmetrical target for the RPIX measure of inflation of 2.5% (plus or minus one percentage point) has worked well and it is likely that, in the eurozone, a symmetrical target for the HICP measure would work well too.

At times of high inflation, an asymmetrical target that regards an overshoot as more worrying than an undershoot is arguably preferable. At times like the present, when the risk of deflation is greater, a target that regards an undershoot as more worrying than an overshoot is arguably preferable. However, as long as the target is set high enough, policymakers should regard undershoots and overshoots as equally damaging.

It is also useful to set a timeframe for the achievement of the target. Expressions such as *"over the medium term"* are too vague to be useful and a more precise period, such as two years, should be specified, despite the difficulty of forecasting inflation exactly two years ahead.

Having a two-year forecasting horizon, as the Bank of England does in practise, means that policymakers 'see-through' shocks. For the ECB, this is particularly important as it has to deal with asymmetric shocks, which affect different countries differently, as well as common shocks, which affect all equally.

Third, the new (or 'clarified') inflation target is too low and a target of, say, 2.5% or even 3.0% (plus or minus 1.0%) would reduce the risk of deflation in Germany while still curbing it in the existing eurozone countries with historically high inflation rates. This could be raised again when the accession countries adopt the currency, to accommodate their higher inflation rates.

Fourth, the monetary framework should make some allowance for economic growth. Inflation targeting has generally been a success in those countries that have adopted it, and there is no reason for a change in the ECB's remit away from inflation targeting. However, a central bank's policy should also be aimed at stimulating economic growth and employment, as long as these aims are not inconsistent with the inflation target.

While it might not be a good idea to target GDP growth specifically, a broader remit would be welcome – such as that of the US Federal Open Market Committee, where *"policy decisions are undertaken to foster the long-run objectives of price stability and sustainable economic growth."*

This would be rather better than the current mandate to maintain price stability and to *"support the general economic policies in the Community and act in accordance with the principles of an open market economy"* only if this is consistent with the primary objective.

Fifth, drop the money supply target altogether.

The Structure of the Bank

Turning to the structure of the ECB, the voting rules of the Governing Council clearly need to be amended to take account of eurozone enlargement. The Council is now made up of the six members of the Executive Board plus the governor or president of each of the 12 central banks of the countries that have adopted the euro. With 18 members, the Council is already too large to be efficient. To have increased the number by 10 to 28 to accommodate the governors of the central banks of the accession countries would have made decision-making all but impossible.

The system of rotating votes after enlargement, agreed by the European Council, goes some way towards resolving this problem by reducing the Council from 28 to a maximum of 21.

However, the effect of the new Council voting structure, which will come into effect as soon as the number of eurozone states exceeds 15, will be to reduce the representation of the largest EU nations and of the Executive Board, although not to the extent it would have been reduced had the rules not been changed at all. It is therefore likely that monetary policy decisions agreed by the new Council could still be unsuitable for the eurozone as a whole.

One alternative solution to the problems caused by enlargement would be to weight the votes by population, as well as by the size of each country's GDP and banking system as currently proposed. Another, which would be better, would be to give each of the largest countries (Germany, France, Italy, Spain and the UK, if the UK were to adopt the euro) a permanent vote to increase the chances of decisions being taken in the interests of monetary stability in the eurozone overall.

Both these solutions would reduce the impact of any bias caused by each national central bank governor voting in the interest of his or her own country, rather than in the interest of the eurozone. In other words, the small countries would not be able to outvote the large ones. A workable alternative would be to increase the size of the Executive Board to half the total, though this might not eliminate totally the potential for regional bias.

A fourth alternative would be to appoint a committee of independent experts – mostly economists – to decide monetary policy, as in the UK. Even this solution might not totally eliminate the regional bias problem, given that the eurozone is a less homogenous area than the UK and the independence of even an outside expert from national bias cannot be guaranteed.

However, it is still the best solution and would work well if the committee members were mandated to act in the interest of the eurozone as a whole and told that they would lose their reputations if they were found to be voting on narrow, national considerations. Decisions should be taken on the basis of a simple majority as the current requirement of consensus means that the ECB can be slow to respond to the need for changes in monetary policy.

It would be best if these members were appointed by the European Council or Ecofin, subject to scrutiny and veto by a committee of the European Parliament. They would not be national representatives, would have no national allegiances and would not even, necessarily, be citizens of eurozone countries. If this meant that some eurozone nations were not represented on the ECB Council, then so be it.

If the present system is maintained, it is important that ECB Council members should be as independent as possible. Here too, the best option would be for the European Council or Ecofin to nominate Executive Board members but for these appointments to be subject to confirmation and veto by the European Parliament's Committee on Economic and Monetary Affairs.

This would replace the present opaque system in which it is unclear how members are appointed.

The perception that a deal was made between France and Germany involving the replacement of Mr Wim Duisenberg by Mr Jean-Claude Trichet mid-way through the former's term of office has damaged both men and the institution of ECB president.

Scrutiny by the European Parliament, and the potential for veto by it, would reduce the risks of a repetition. There is less value in scrutiny by national parliaments as the Executive Board should be seen as being above narrow national self-interest.

Transparency

The ECB's current communications strategy is very poor and in desperate need of change. At its heart is the monthly press conference, chaired by Mr Duisenberg, following each interest rate decision. This provides little information and there is often a worrying lack of clarity in his remarks. The editorials in the ECB's monthly bulletins are equally bland, and the staff inflation projections are published only twice a year. We are left to watch the newswires for comments by Governing Council members in the days after meetings for pointers to their current thinking as they prepare the markets for an interest rate change.

This is a very poor substitute for publishing full minutes of each meeting, including a record of votes cast, and identifying the individuals concerned – as in the UK, the US and Japan.

The concern that, if the Governing Council members' votes are recorded, they could come under pressure from their national governments to vote in the interest of their individual countries rather than the eurozone as a whole is understandable. However, such problems could be overcome by stressing that any attempt to influence voting by national governments or pressure groups would be totally unacceptable in a multi-national organisation – as it is at the IMF and World Bank. This problem would be overcome by having a committee of independent experts and such a change would enhance the credibility of the ECB by stressing its independence from national influences.

On the interaction between the ECB and the national central banks, there appears to be a good working relationship between the various banks' economists in the field of economic forecasting. While this is welcome, it does reduce the diversity of economic views available from official sources.

Accountability

The ECB's independence and its consensual nature require that it be open and accountable, and the onus on achieving this lies with the European Parliament's Committee on Economic and Monetary Affairs, and its quarterly hearings of ECB testimony. On occasions, the question and answer sessions following Mr Duisenberg's testimony have appeared to be quite bad-tempered in places and lacking in serious content. There sometimes seems to be some doubt about whether the ECB President is taking the MEPs' points seriously.

It is crucial that Mr Duisenberg and his successor, Mr Trichet, be called to account for ECB decisions, questioned firmly and persuaded to rethink strategy if necessary.

However, this is not an argument for national parliaments questioning ECB staff because they could be pressurised into acting in the national interest rather than the interest of the eurozone as a whole.

The reverse of this coin is that the ECB spends too much time criticising national governments' fiscal policies and this is inappropriate.

Conclusion

Faced with criticisms such as these, the ECB insists that the weakness of the eurozone economy in recent years has had little to do with a lack of demand.

Instead, it says, the problem lies with governments that have not been prepared to embark on difficult programmes of structural reform and have been too willing to spend borrowed money.

This means that the reforms outlined are unlikely to be adopted any time soon – though calls from politicians for easier monetary policy have grown louder recently, and it is the politicians who ultimately make the decisions on structural matters.

It is also true that the model outlined above is uncomfortably close to that of the Bank of England's Monetary Policy Committee. That, however, is no reason to dismiss it. On the contrary, the UK model is generally agreed to be the best in the world, so why not adapt it to suit the eurozone?

As the ECB has rethought both its strategy and its structure only recently, there is little chance that all these recommendations to be accepted.

However, if no further changes are made, the structure to be put in place after enlargement will be so unwieldy that decision-making will be Byzantine in its complexity. As for the recent rethink on strategy, the result was a damp squib – and confusing too.

Further reform therefore remains necessary – to strengthen the eurozone economy, build up confidence in the institution in the financial markets and improve consumer sentiment.

Without such confidence-building measures, the ECB will continue to be a source of problems for the eurozone and will recognise and implement solutions only slowly and half-heartedly. Regrettably, this is what is likely to happen.

Martin Essex is senior economist at the consultancy Capital Economics.

… news in brief

'No doubt' about euro army HQ next year

The Belgian Prime Minister, Guy Verhofstadt, has said that *"there is no doubt"* that a military headquarters for the European Union will be in place by 2004. He said that the EU's new military HQ would definitely be set up at Tervuren, a suburb of Brussels, despite the British proposal to station the EU's HQ within NATO headquarters in Mons. [*Agence France Presse*, 2nd September 2003]

His proposal is designed precisely to counter the British proposal. According to one NATO officer, *"Our present working arrangements are in fact what the British are proposing."* There are, indeed, ten officers from an EU staff group working at Mons, and they take part in the weekly planning meetings of the Atlantic alliance anyway, within the framework of the military operation known as 'Concordia' which is currently under way in Macedonia. Tony Blair's 'Food for Thought' paper, which was presented to all fifteen member states as the basis for discussion, is therefore in reality, *"nothing but the formalisation of this ad hoc arrangement,"* according to a NATO source. EU sources see the Blair paper as *"a test balloon"* in which the British government is trying to reconcile its European and Atlantic commitments. It is also a counter-reaction - albeit a slightly delayed one – to the meeting held in Tervuren on 29th April between four EU states (France, Germany, Belgium and Luxembourg) at which the intention was declared to create a European *"defence"* (i.e. military) union. It is now expected that the Blair paper will form the basis for the discussions between the 25 defence ministers from present and future EU states who are meeting on the invitation of the Italian EU presidency to discuss security policy. [Katja Riddersbusch, *Die Welt*, 27th August 2003]

The Maastricht Rebellion and the Origins of the European Foundation

The first European Journal *was being finalised this time ten years ago.* ***Sara Rainwater*** *has recently finished a detailed paper on the origins and efficacy of the European Foundation. Here the first instalment of her work is reproduced.*

Currently Shadow Attorney General and Shadow Secretary of State for Constitutional Affairs, Bill Cash has placed the issue of Europe at the centre of his political career. He has been on the House of Commons European Select Committee since 1985 and served as chairman of the Backbench Committee of European Affairs from 1988 to 1991, at which point he was ousted in the beginning months of the Maastricht Rebellion in favour of a more pro-European member. Hugo Young, author of *This Blessed Plot,* notes that Cash *"prided himself on his Euro-awareness from a legal point of view"* and he became known throughout Westminster as one of the foremost experts on the EU, a reputation he continues to proudly uphold today. However, his scepticism of integration was an evolutionary process. He openly admits to voting yes in the 1975 referendum and yes again to the SEA in 1985. But it was after he was told to *"not worry his little head about it [Europe]"* that he began to seriously question the effects of integration on British national sovereignty and Parliament. In the lead up to Maastricht, Cash continued his work on the European question, writing numerous articles and pamphlets on the topic. When Major came back from the IGC, Cash felt that the negative implications that integration (as structured in the Treaty on European Union) held for Britain could no longer be ignored.

It is known as the Maastricht Rebellion, a year of what John Major calls in his autobiography *"gruesome trench warfare"* whereby a group of backbench rebel MPs began the struggle of their political lifetimes. It started with the proposal of the European Communities (Amendment) Bill, further referred to here by its colloquial name the Maastricht Bill, strategically launched straight after the May 1992 general election. Member States throughout the EU were in a similar process of treaty ratification, and it was in Denmark where the trouble began. Held in June of that year, the first Danish Referendum produced, much to the enjoyment of British eurosceptic MPs, a 'No' vote. This gave the Maastricht rebels the fuel for which they were looking. In her book *The Bastards,* Teresa Gorman calls it a *"terrific morale booster"* and from this point they were able to pick up the pace of their struggle against Maastricht. The response was rapid, with signatures gathered for a Fresh Start early day motion (EDM). This urged the Government to make a fresh start on its European policy and to postpone the Maastricht Bill Committee Stage. Eighty-nine Conservative MPs signed the first EDM, twenty-two of whom had opposed the Bill's second reading. In September, a second Fresh Start EDM called for withdrawal from the Exchange Rate Mechanism (ERM); subsequently the 'Fresh Start' group of Conservative MPs was formed to co-ordinate the backbench opposition.

Within the ranks of the Maastricht rebels were numerous figures, Iain Duncan Smith, Bernard Jenkin, Teresa Gorman, and Michael Spicer to name but a few. But it was Bill Cash who took up the challenge of defeating Maastricht with especially ardent force. It was in a Westminster property donated by Lord McAlpine where Cash and his colleagues began their own personal crusade against the Major Government in October 1992. The activities coming from this location ended up forming one of the largest segments of the overall rebellion. The Great College Street Group, as it was to become known, dug in for a long and arduous battle developing over Maastricht, and received generous amounts of aid, both financially and intellectually, for their cause. The leaders of the group wanted what Cash calls an *"ultra-efficient"* organisation able to produce quality analysis of the potential effects of Maastricht-style integration. Members included lawyers, businessmen, academics and economists, a wide spectrum designed to substantiating their anti-Maastricht argument. Comprehensive briefs were provided to MPs debating in the Commons on Great College Street's behalf, lending the ability to argue all night if necessary (which happened on many occasions during the ratification process). The group never lacked outside support as well. William Sitwell, personal assistant to Bill Cash at Great College Street, says that *"you always felt you were getting nods from those in the Cabinet, even though they couldn't be with you,"* and the transparency of the campaign drew in support from all Eurosceptics of all political hues.

They led a highly visible, educated campaign, with camera crews planted outside their headquarters on most mornings of the rebellion. They also worked along side the Maastricht Referendum Campaign and other opposition groups in an effort to maximise their efficacy. David Matthews, who wrote an article on the origins of the European Foundation in 1993, remarks, *"During the Byzantine process of ratification Great College Street was a focus of attention and source of information for the media and a vent for the frustrations of thousands … to Sir Edward Heath it was a 'House of Horrors'."* Indeed, Great College Street had become a thorn in the Government's side.

Both sides of the debate fought well, but eventually the rebels' aforementioned tactics ultimately failed. In the end, the Government won out, but not without consequence. The Paving Motion designed to carry the Maastricht Bill through passed by a mere three votes (319 to 316) on 4 November 1992; the Bill limped on through the ratification process. The *Daily Mail* concluded, *"In the end it came down to cunning whispers, the flattering power of patronage - and brute force [on the part of the Whips]."* The Maastricht Treaty became law on 20 July 1993, awaiting a vote on the Social Chapter, which was subsequently defeated two days later. This forced Major to call a vote of confidence, at which point many rebels MPs, including Cash, found themselves in an uncomfortable situation: vote against the Government and win the fight over Maastricht or risk the Conservatives losing power? Ultimately, the risk was too dangerous, and on the day of the confidence vote Cash led the rebels in their proclamation of support for the Government.

The later events of the ratification process, most notably the vote of confidence scenario, placed those at Great College Street at a crossroads. The group was eventually left with no other alternative but to give in to the pressures of Downing Street. After a diligent campaign, the 'bastards' threw in the towel. But this did not stop Cash. After the Maastricht fiasco was over, he took his efforts to Pall Mall, renaming the organisation the European Foundation.

The heir of Great College Street was designed 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"*. Although Great College Street never saw its ultimate goal achieved, that of defeating the Maastricht Bill, the organisation had placed a great deal of pressure on the Government. Cash felt it only appropriate to continue the important work started there in the form of the new think-tank. The Foundation was not to be the only outlet in the Eurosceptic fight, but what Cash terms an *"essential adjunct"*. Pro-EU Maurice Fraser of the London School of Economics further notes that it was *"no surprise"* such an organisation was founded. He sees other eurosceptic organisations such as the Bruges Group as more campaign-oriented; not a think-tank *per se*. Thus, the Foundation has become a disseminator of information, having established what Fraser calls a *"quasi-academic"* basis for eurosceptics.

The Purpose

Since its beginning, the European Foundation's stated policy has been one of 'yes to European trade, no to European government,' and it has consistently advocated reform of the EU. In its mission statement, the Foundation sets forth the following objectives:

- To further European commerce and democracy;
- To renegotiate the Amsterdam and Maastricht Treaties;
- To argue against the creation of a European army;
- The widening and enlargement of the Community to include all applicant nations but only if they do not have to adopt the *acquis communautaire* in the process;
- To resist the coming into being of a European federal or unitary state;
- To campaign against Britain adopting the euro; and
- Monitoring EC developments and the evolution of public opinion.

Over the past decade, these objectives have served as a guideline for the Foundation's activity, and have developed along with the evolution of the EU.

The Foundation has set out several avenues to further the above objectives. The first is through the regular publication of the *European Journal*, an accumulation of articles on European issues by some of the most well known Eurorealists including David Heathcoat-Amory and Sir Oliver Wright. The secondary publication, the *European Foundation Intelligence Digest* is published fortnightly. The purpose of these publications is primarily to provide sources of information for media, policymakers and other interested parties. In his research on UK and French EU opposition groups, Simon Usherwood notes that the Journal *"is still one of the major non-web-based channels of communication in the British anti-EU community."*

The Foundation has also led the debate on several key European issues, most recently the Convention on the Future of Europe. Commenting on the Convention and the Foundation's coverage of it, former editor of *The Times* Lord Rees-Mogg notes, *"the Journal has followed the convention in greater detail than any other periodical I have read."* Cash feels the Foundation has been 'ahead of the game' on the debate over the Convention and the draft Constitution, warning of the implications for Britain long before other opposition groups.

… to be continued.

Part 2, which focuses on the efficacy of the organisation, will be published in the next issue of the Journal.

Sara Rainwater has recently finished her European Studies MSc at the London School of Economics. Her dissertation was entitled 'Divisions within: The Maastricht Rebellion and the Creation of the European Foundation'.

… news in brief

Commission wants one country one vote

The European Commission is determined to bring its influence to bear on the Intergovernmental Conference which starts work on 4th October in Rome, and which is to put the finishing touches to the European constitution. Romano Prodi and Michel Barnier, who represented the Commission on the European Convention, have explained that there are still some important outstanding issues, even though they have been warned against unravelling the work of the Convention by trying to change significant things in the IGC. The main point about which they are concerned is that each country should have a commissar, something which is not in the draft constitution produced by the convention. In its current form, the new constitution provides for only fifteen commissars with full voting rights. This would leave seven countries with no voting rights in the Commission. Romano Prodi has strongly criticised the idea that some commissars could have voting rights and others not. *"Such a system cannot work,"* he has said. For him, all countries should be equal within the Commission. Mr. Prodi is also hostile to the concept of a president of the European Council being elected: this, he fears, will erode the traditional pre-eminence of the Commission over EU decision- and law-making. [Philippe Ricard, *Le Monde*, 29th August 2003]

Dutch government announces belt-tightening

The government of the Netherlands has said that it must introducing a drastic 'savings programme"' (i.e. spend less and tax more) in order to clear up the state finances. Queen Beatrix, in a speech read out in the name of the government, announced that the Netherlands were suffering from an economic and financial crisis as gross domestic product had dropped by 0.5% in the second quarter of 2003.

She said, *"We must strengthen economic structures and we must fundamentally reform our social security system. Nearly all citizens will have less money to spend next year."* A *"change in the whole culture"* was necessary, she said, in order to make things better in the long term. Cuts will be made in the social security system, in health, and higher contributions to both these will be demanded from citizens in the form of taxes. Defence spending is also to be cut. Early retirement schemes are to go, and payments made to people who claim to be unable to work (a very big scam in the Netherlands) are also to be cut back. Unemployment is expected to rise in the Netherlands to 7% next year, putting that country back near the upper level of EU jobless figures, whereas it had previously (in the 1990s) been one of Europe's showcase countries, with an official unemployment rate hovering around 5%. *Die Welt*, 17th September 2003]

BOOK REVIEWS

La Convention vers le super-Etat?

Published by F-X de Guibert, Paris, 2003, 19 euros.

Reviewed by Lionel Bell

It is sometimes said, perhaps rather wishfully, that France is the ultimate ally of this country against the supranational ambitions of imperial Brussels. It is the only major ancient nation on the Continent and it is difficult to imagine France, given its history, subsiding easily into the reduced condition of one of the former countries making up the EU. On the other hand from across the Channel the French do look like a crew of hard-faced men who have done well out of the EU. It is gratifying, therefore, to find in this little book evidence of the powerful continuation of national sentiment among our neighbours.

It is the record of a seminar conducted in February 2003 by French Members of the European Parliament belonging to the *Mouvement pour la France*. At that date only the reports of working groups of the Convention were available for criticism in a number of areas and they duly get it. The ten contributors address a wide variety of subjects and between them offer an illuminating insight into some aspects of the French mindset. 'Know thine enemy' is a truism; we should do well to remind ourselves that it is just as valuable to get to know your allies. Particularly when, as in this case, they are operating from within the heart of the enemy camp.

Georges Berthu, who is evidently the promoter of the enterprise, appears twice. In his description of the evolution of the Convention he notes a couple of failed attempts to guide it onto a sensible track; the first being his own proposal in the European Parliament that Intergovernmental Conferences should deal only with measures put before them by national parliaments, while the second, attributed to unspecified Britons, would have elevated respect for national sovereignty into a basic principle of the EU. His second contribution is to analyse in broad terms the advantages and disadvantages of the proposal for a Constitution, something which, despite the routine denials of its promoters, could be brought into real life only by attaching it to a superstate. For them such a political union is the overwhelming advantage of the Constitution; they simply do not like to talk about it in public.

Among the other contributions there is a positive gasconnade from Aymeric Chauprade, who notes, quite correctly, that the EU cannot be made into a vehicle for French world power. His reason, however, that the majority of EU members are Atlanticist rather conflicts with the impression one has of fairly widespread visceral anti-Americanism on the Continent. The answer he propounds, which is that France really is a world power by virtue of its diplomacy, may safely be left to the verdict of events.

Much of the other material on the Convention/Constitution will be reasonably familiar to readers of the *European Journal*, albeit seen from different perspectives, but the item on regions presented by Elizabeth Montfort is of particular interest in the light of current controversy in England. She is herself a member of the present regional council in the Auvergne as well as of the European Parliament, but sees that it is anti-national sentiment in Brussels that leads the institutions there to develop an offensive in favour of direct links to regions. It is her view that such links, which are in the interests neither of Europe nor of the regions, should not exist. If the British government is sincere in its denial of any EU connection in its regional policy it could perfectly well prohibit local authorities, including the proposed regions, from making such links. She goes so far as to recommend that the EU Committee of the Regions be abolished.

Philippe de Villiers, leader of the MPF, provides an overview in which he perceives, among other things, a certain schizophrenia in the French government. At the time (February) it was taking a hard national line at the UN over Iraq while accepting tamely in Brussels an EU Foreign Minister and a single foreign policy. De Villiers has a towering vision of France, quite at odds with Tony Blair's construction of a euro-atlantic bridge to the USA. He welcomes the opportunity of a referendum and the final section of this work may be seen as offering a challenge for precisely that exercise. It enunciates a new set of principles for a fundamental Treaty between the peoples of Europe, for a new form of co-operation that respects the sovereignties of national democracies and puts formal limits on the transfer of powers to European Union institutions. This is a document that could well play a wider role as the Convention's proceedings percolate further into the public consciousness.

Lionel Bell is the author of The Throw that Failed*, vice-chairman of the Campaign for an Independent Britain and secretary of the Anti-Maastricht Alliance. He also edited* Handshakes not Handcuffs.

… news in brief

Fischer fluffs it

The smart money is apparently no longer on the chances of Joschka Fischer becoming the first EU foreign minister. Instead, two other people are being talked about as more likely to get the job: George Papandreou, the 51 year-old American-born Greek foreign minister who is a graduate of the LSE and Harvard; and Javier Solana, the man who currently occupies the post of High Representative for Common Foreign and Security Policy. His term ends in 2004 but some are suggesting that it be extended until 2006, when the new constitution is supposed to come into force, at which point he could switch to the new job. There is also speculation about how the Commission will be constituted: normally, a new Commission would be elected next year and serve until 2009. But EU sources say that it is *"quite possible"* that the EU governments would appoint a new Commission in 2004 for a period of only 2 years, so that a new Commission could be appointed in 2006. The point is that the new EU foreign minister is, according to the draft constitution, also supposed to be the commissar for foreign relations, i.e. the jobs currently done by Javier Solana and Chris Patten are to be fused into one. [Katja Riddersbusch, *Die Welt,* 30th August 2003]

Bruges Group Advertisement

The End of the American Era: US Foreign Policy and the Geopolitics of the Twenty-First Century,

by **Charles A Kupchan**, Alfred A. Knopf, New York, 2003, £17.50, ISBN 0-375-41215-8

Reviewed by ***Dirk van Heck***

Charles Kupchan is an academic who served on the American National Security Council during the first Clinton administration. His book offers an erudite and persuasive model of grand strategy for the United States to pursue during the *"unipolar moment"* that it is currently experiencing in global affairs.

Kupchan begins with a critical analysis of books on geopolitics published since the end of the Cold War, and concludes that none have been sufficiently subtle in their analysis to serve as a basis for American strategy. Kupchan concurs with Jaques Chirac's view that, over time, multipolarity is inevitable and that the EU (and perhaps others) will rise to become a challenger to the US. His central argument is that the US should learn from the success of the British Empire in defending its hegemony on the basis of a coherent grand strategy, whilst laying the groundwork for up-and-coming centres of power to take up a greater role in global affairs.

Kupchan's discussion of the American experience of foreign affairs gives a detailed and compelling history of this aspect of American policy. He traces the strands of idealistic and isolationist tendency in American foreign policy, and the bases of their domestic support, from the Founding Fathers to the present day, concluding by bemoaning the extent to which American partisan politics has gained a hold over foreign policy, with the effect of inhibiting the adoption of a coherent strategy. The solution, he believes, lies in reviving training in the traditional disciplines of geopolitics, and investing in the US diplomatic corps to create a new generation of American foreign policymakers united around a strategy consensus.

At present, Kupchan argues, the US oscillates between bouts of unilateral intervention and a preoccupation with retrenchment abroad and homeland defence. The 'War on Terror' only serves to exacerbate this trend and distort the bigger picture. What is needed is a consistent effort to work through supranational institutions and to mould them in American interests whilst the US maintains its hegemonic position.

An idea that appears to have particularly fascinated previous reviewers of this book is Kupchan's parallel between the division of the Roman Empire in the Fourth Century and the splintering of 'the west' into North America and the EU. The principle objection to this is that the emergence of Byzantium and Rome as separate poles of power was the result of the fracturing of a single polity, whereas 'the west' was only ever a notion based on an essentially defensive military alliance. Roman bifurcation is not an apt historical parallel to European integration.

It is not only Kupchan's analysis of the past that suffers from notions that, whilst intuitively appealing, break down on closer inspection. Whilst criticising American policy-makers for their ignorance of Europe, Kupchan's own understanding of the future of Europe appears to buy into the EU's official line by assuming that the pooling of sovereignty in Europe will result in a Union which surpasses the United States. In particular, he suggests that the European social market economy will rise to challenge American-style capitalism as an economic model – against all evidence to the contrary. It also seems very doubtful that the EU's global clout will increase considerably, since the problems of creating a common foreign and security policy among nation states appear increasingly insurmountable (although, to be fair to Kupchan, more so since the publication of the book). It is, perhaps, ironic that a technocratic political class operating on the basis of consensus exists in the EU, but is unlikely ever to have the opportunity to practice a geopolitical grand strategy, whilst in the US, there is a need for such a strategy, but high politics are too democratic, in that they are heavily influenced by domestic public opinion, for the precondition of a consensus to emerge.

Kupchan's final chapter, entitled 'The Rebirth of History', postulates a theory of historical change based on the breakdown in the legitimacy of social and political institutions that follows a change in the principle mode of production in a society. He analyses previous epochal changes on the basis of this theory, and speculates as to what the consequences of the opening of the 'digital age' might be. It is a brilliant exposition, and the book is worth having just so that you can read it.

Among the many books on geopolitics that have been published in the aftermath of the terrorist attacks of 11th September 2001, this ranks as one of the most factually detailed and analytically dense, but I wonder whether it is as useful a tool of government as its author intends it to be. Kupchan is of course right to say that all empires pass away – I think, however, that the United States has a little while longer to make its mistakes.

Dirk van Heck is Head of Research at the European Foundation.

… news in brief

Europeans and Americans differ on Iran

A Brussels-based think-tank, the European Policy Centre, led by the veteran pro-euro campaigner, John Palmer, has said that Iran is an important economic and political partner for the EU. He was thus distancing himself from the more aggressive tone adopted recently towards Iran by the United States, which this month successfully pushed for a resolution by the International Atomic Energy Agency instructing Iran to sign and ratify an additional protocol to the Non-Proliferation Treaty by the end of October. Iran, Palmer said, *"is a country of immense culture, potentially a very important economic and political partner of the EU."* He stressed the success of the 'reform' movement there, as well as Iran's strategic importance and influence in the Middle East. He added that cooperation with Iran was essential for advancing the cause of peace in Israel-Palestine, and said that the EU did not and should not agree with the American branding of the Islamic Republic as part of the *"axis of evil"*. Palmer also said, *"The Europeans have been critical of the illegal occupation of Palestinian lands, they have criticised the Israeli policy of political assassinations, they have criticised the Israeli attempt to create an apartheid wall."* [*Tehran Times*, 15th September 2003]

A History of Rome

by Matthew Glanville



Photo c/o APT-Rome

Rome originally grew up from a series of dismal villages around a series of hills surrounding the lowest crossing point of the Tiber. Whatever myths the Romans later created about Romulus and Remus raping Sabine women, the early history of Rome is obscure. Recorded history and the earliest stone buildings in the Forum or on the Capitoline arrive in the 6th century BC when Rome came under Etruscan rule. The Etruscans were a more civilized people and introduced Temples, palaces, drains and all the other accoutrements of civilized life.

Tiring of Etruscan rule the Romans rose up in 509 BC and threw out the Etruscan dynasty of the Tarquins. Having rejected the institution of monarchy the Romans then went through 400 years of various forms of allegedly democratic or republican governments before deciding that monarchy had been right after all. After a series of civil wars Augustus (Julius Caesar's adopted son) finally managed to set up a dictatorship that with the title of emperor survived almost 500 years. Rome prospered under the emperors before a series of incompetent rulers and marauding barbarians saw Rome sacked in 410 and then several more times in the 6th century.

Had it not been for Rome's vital role in the early history of Christianity the city might well have lapsed into obscurity at this point. Having been fought over and besieged five times in a little over a hundred years the city was largely deserted. From the 6th through to the 15th century Rome lacked any political or economic role and survived by emphasizing its role as the home of the Papacy. Following Charlemagne's coronation in 800 Rome became increasingly involved in the politics of Northern Europe. Though monarchs lavished attention on the see of St Peter, their care and interest dragged the Papacy and Rome into eight hundred years of political intrigue and warfare. High (or low) points included attacks on the city by the Normans in 1048, the removal by the French of the Papal See to Avignon in the 14th century, and the sack of Rome in 1527 by the Spanish.

The 16th and early 17th centuries marked a high point in the cultural history of Rome. Among others Michelangelo, Bramante, Raphael and Cellini in the 16th and Bernini and Boromini in the 17th century were employed by an increasingly wealthy Papacy to embellish Catholicism within the city. By the middle of the 18th century to the pilgrims were added the Grand Tourists who excited by Rome's classical past flocked to the city and were shocked by how squalid it all was compared to the glories of Ancient Rome.

Though it survived as a city-state, largely under Vatican rule, Rome hardly prospered between the middle of the 17th and the late 19th century. It was only following Italian unification in 1870 that Rome's fortunes started to pick up. The city was made the capital of the new state of Italy by royalists. It remained the capital of the constitutional monarchy until 1922 when Mussolini marched on the city and became prime minister. The suburb he created to the southwest of the city still survives and is a unique monument to his disturbing creed of fascism. To the northwest of the city the unique position of the Vatican was recognized and codified in 1929. The Lateran Treaty created the modern Vatican state and finally separated Rome the city from its ambiguous political relationship with the Papacy.

Following the deposition of Mussolini and the end of the Second World War economic growth and relative political stability has seen Rome's population expand massively into a series of unattractive suburbs. However the centre of the city between the Colosseum and Castel San Angelo remains the most historically evocative and beautiful of all European capitals.

Matthew Glanville works for the European Research Group.

For more information on Rome:
Rome Tourism Board, www.romaturismo.it
Tel. 06 36004399

ACCOMODATION

Monti Residence *
Good value for money. This hotel is situated in one of the oldest, most characteristic parts of Ancient Rome, a few metres from the Colosseum, Trevi Fountain and main line Station. Roman Holidays is a family owned and managed hotel, so it is its top priority to guarantee an excellent service and cleanliness.
Single: €80 per person, per night
Double: €95 per person, per night
Ripa Hotel **
Design is found in every corner of the Ripa Hotel from the rooms to the furniture to the restaurant. It was conceived out of a project dedicated to light and transparency. Its innovative style, both rational and existential, encompasses Ripa's modern concept of hospitality: the philosophy of complete relaxation. It also boasts a strategic position in Rome's oldest and most colourful quarter, Trastevere.
Executive Double: €200 Deluxe Double: €350
Hotel de Russie ***
Via del Babuino 9, 00187 Rome
Tel: + 39 06 328881 Fax: +39 06 32888888
www.hotelderussie.it
'Rome's most stylish retreat', this Rocco Forte hotel is located in the heart of the city between the Spanish steps and the Piazza del Popolo. Reopened in 2000 after a complete refurbishment, this stylish hotel boasts immaculate rooms, restaurant, and bar, as well as impeccable service. A must for the luxurious traveller.
Double rooms: €580-780 Suites: € 1,000-2,300

GETTING THERE

All major carriers and discount airlines fly into Rome from London. Fares vary widely.
Easy Jet- Reservations on 0870 600 00 06 or at www.easyjet.com
London Stansted to Rome Ciampino
£50-100)
Alitalia- Reservations on 0870 544 8259 or at www.alitalia.co.uk
From all London airports (£100-200)

SHOPPING

When in Rome, also shop! Feeling indulgent? Try Dolce e Gabbana, Fendi, Versace, Armani, Gucci, Prada, Valentino or the numerous other designer boutiques located around the Piazza di Spagna. On a budget? Try out one of the markets or outlet stores, where cheaper prices are sure to be found.

Porta Portese Get ready to bargain at Rome's biggest and best-known flea market held every Sunday until around 1pm in the area extending south from the Porta Portese to Piazza Ippolito Nievo. There is new to old, bags to bikes, clothes to furniture. Watch out for pickpockets.
Borgo Pariol Tel 06 855 27 73, Via Tirso 14 (off Via Salaria near Piazza Buenos Aires). Specialises in original mint-condition jewellery and accessories from the 1950s onwards including brooches, cigarette cases and watches (not at bargain prices). Silverware, paintings, antique lamps and old gramophones are also on sale. It is held the first three weekends of the month (9am to 8pm Saturday and Sunday).
Grandi Firme Tel 06 397 23 169, Via Germanico 8. Close to the Vatican Museums you'll find an unassuming outlet where you can stock up on designer bags, luggage, ties, belts, scarves, umbrellas, shoes and similar items at lower warehouse prices.

SIGHTS

The Christian Catacombes
Tel 06 4465610/Fax 06 4467625, Via Napoleone III 1. www.vatican.va/romancuria
Places of burial and worship of the early Christians, whose most ancient nuclei date from the 2nd century, they were created along the edges of the consular roads outside of the city walls. At present the upkeep and management of all Roman Christians catacombs are under the care of the Pontificia Commissione di Archeologia Sacra. Choose from one of six different sights, each costing €5.
Vatican Museums
Tel 06 69 88 49 47/Fax 06 69 88 50 61, Viale Vaticano. www.vatican.va
One of the most important museum complexes in the world, it is divided into numerous splendidly arranged sections containing masterpieces by the greatest artists, collected or commissioned by Popes down through the centuries and at the end is the Sistine Chapel. Closed Sundays, except for the last Sunday of each month (when admission is free), unless it falls at Easter, on June 29, or on December 25 and 26 and other holidays, so check before going. €10, concessions €7.
The following sights won't burn a hole in your pocket - they're free: Roman Forum; Pantheon; Views from the Pincio, the Gianicolo and the Capitoline; Trevi Fountain; Bocca della Verità; St Peter's Basilica; Every church in Rome; Walking through Villa Borghese or Villa Pamphilj parks.

EATING

When in Rome, eat as the Romans. There is never a lack of good food in this city. And don't forget, after indulging in a delicious Roman meal, head for the nearest *gelateria* to round off the meal, followed by a *digestive.*
Da Gino € Tel 06 687 34 34, Vìcolo Rosini 4 (off Via del Campo Marzio near Piazza del Parlamento). A trattoria of the old school with old-fashioned prices, always full and popular with politicians and journalists, especially at lunchtime. Closed Sundays.
Al 34 €€ Tel 06 679 50 91, Via Mario de'Fiori 34. Combines Roman cooking with regional dishes from throughout Italy. It is consistently good and very popular so booking is essential. It is closed on Monday. Try the rigatoni with pajata or the spaghetti with courgettes. For those with a really large appetite, a *menu degustazione* (gourmand's menu) is also available.
Sans Souci €€€ Tel 06 4201 4510, Via Sicilia 20 Rome. An Italian-International menu greets the clientele, often consisting of diplomats and politicians, at this restaurant located near Via Veneto. Excellent food with an extensive wine list. Possibly one of the best restaurants in Rome.
San Crispino € Tel 06 67 93 924, Via della Panetteria, 42 (near the Trevi Fountain). The *New York Times* declared San Crispino's the best gelato in Rome. You can decide for yourself. Their specialty is a honey vanilla flavor. Very sweet, quite heavenly.

GOING OUT

Alien Tel 06 841 22 12, Via Velletri 13. One of Rome's hot spots. The decor is like a set from a science-fiction film and there are dancers on raised platforms. The music is a mix of house, techno and hip-hop, although one of the two dance areas also features l970s and '80s revivals.
Teatro dell' Opera Tel 06 481 60 255 or toll free 800 01 66 65, fax 06 488 17 55, Piazza Beniamino Gigli. The opera season here starts in December and continues until June. Tickets are expensive, even the cheaper upper balcony seats. First-night performances cost more.
Bar della Pace Tel 06 686 12 16, Via della Pace 5 (near Piazza Navona) Take some serious attitude with you to this bar, which is drowning in ivy and has a superb wood-panelled interior. It's a classically trendy place for the 'in' crowd, and as good for an early-evening aperitif outside in summer as for a leisurely nightcap inside in winter.

CHUNNEL VISION

Behind the Veto

by Dr Lee Rotherham

One could hardly expect less symbolism in that greenhouse of signs – the glass deadnought home of Brussels MEPs. National delegates to the Convention on the Future of Europe were being directed, along with their suitcases, staff, hopes, and preconceptions, to the Spinelli building.

The latter certainly found themselves swiftly fuelled. Not only were their offices in an Asimov construct named after the most famous Italian federalist in history, but they were on Floor 5.5: the fifth and a half floor.

Coming from the home of Victor Horta, it jarred. Like an out-take from *Being John Malkovitch*, you half expected to pop inside Romano Prodis' pate, then fifteen minutes later plummet to reality by a turnpike just outside of Ghent.

Yet this architectural surrealism set an appropriate backdrop to the pantomine in play. Giscard's Convention had meant to be grounded on the Laeken Declaration. At an EU summit in 2001, Heads of Government had established a mandate that was partly practical, dealing with tidying up the nitty gritty of Communities management, but philosophical too. Above all else, they wanted to regenerate the trust of the ordinary European citizen; to restore confidence in the Brussels construct after a series of scandals, rejected referenda and electoral indifference. In short, "*to bring Europe closer to its citizens*".

They failed.

Today, the Foreign Office is drawing their lines in the sand. They are rather less grand than those of Popilius twenty three hundred years ago. So much of the field has already been ceded that it is impossible to win much back.

The Convention has been a slow retreat for the British Government. On occasions where a counteroffensive did take place, such as taking the ultimate aim of a "*common defence*" out of the Treaty, these bald successes were soon reversed. Similarly with the hollow and meaningless victory of removing the word "*federal*" from the first draft – as soon as he saw it, veteran Danish delegate Jens-Peter Bonde immediately predicted that it would swiftly fall, and be touted as a British triumph. The same went for dropping "*ever-closer Union*", which has now moved to the protocol on the eurozone countries, leaving "*united ever more closely*" in its stead. These were hollow triumphs, federal litter left purely for show.

Too much energy was frittered away on Peter Hain's pet project of a President for the Council: a shortsighted attempt to boost the role of that body as other institutions were finding their own prestige increased (the Euro group, for instance, now has a permanent and scarcely-noticed President, while the Commission was as ever paddling its own pedalo). But the cost of winning contentious support to bolster a further EU institution – and one that increasingly operates by qualified majority at that – will prove to be high elsewhere.

The federalist salami slicing machine has been constantly active. A majority of the Conventions delegates were integrationist. Of course, there were the MEPs – a coordinated lot on the whole, as you might expect for a group playing on their home turf. Then there were the two Commissioners, who enjoyed disproportionate influence by also sitting on the governing Praesidium. Of the applicant delegates, it has been fairly suggested that many thought throughout that, in the light of the accession negotiations, silence was a national virtue. And of the rest, some were idealists, some personally ambitious in the new Europe, but many simply accidental federalists. One individual for instance might believe that the new continental order required EU border guards. If that meant teaming up with someone who thought there should be an EU football team, and another with designs on an elected overall EU President, then so be it. It was up to the Praesidium to absorb what they could from this cattle market and discard what would evidently be vetoed.

So the Governments red line inker has been wobbling like a Turkish earthquake detector, as items pop on and off the agenda, and more serious threats supersede those before. Priorities and tactics have shifted. The very term 'constitution', once anathema to the Foreign Secretary, merely became a description of what was already the case. At the same time, once it became clear that the mood was to incorporate the Charter of Fundamental Rights (once promised to be no more actionable than the *Beano*), the British Government threatened to veto unless limiting clauses were added – and woe betide anyone during these months who suggested that these 'horizontal clauses' would prove as ineffective as the subsidiarity principle in halting integration, even if no one had a clue how they would operate. So, red lines faded, as others thickened with possibilities or became dotted. And now we find ourselves at the plimsoll line of democracy, where the forces of diplomatic nature have already resolved what is to be submerged.

So, on his flight to Poland, Tony Blair – stung by newspaper revelations of what the Convention actually contained – exploded. The Constitution would not force people to drive on the right, he fumed (as if anyone had claimed that it would). He was on more shaky ground on articles on the EU threat to North Sea reserves and to the UK occupation of a UN Security Council seat, both established in the Giscard copy.

As for the "*passerelle*", or bridge: mere inference of a veto even today. Its origin remains a mystery. It was parachuted into the text without the Plenary even suggesting it; a one-way system for governments to cede vetos without a new treaty, parliamentary endorsement, or referendum. Perhaps a light bulb appeared over Giscard's head one day as he wandered over the Konstantinos Karamanlis passerelle near the Convention Hall, and he remembered his fellow head of state, with his Denis Healey eyebrows and penchant for ditching the veto. Perhaps again he likes a tease. Passerelle also means 'gangplank'.

Todays veto lines are a travesty. Where is the restoration of fisheries to national control? Where the revolution in the CAP, the veto for national parliaments, an EU Whistleblowers' Charter, and the axing of the 97,000 pages of *acquis communautaire*? This Convention could have achieved so much: it could have created a European banner under which everyone could happily cooperate, free of the sinews of an amphibian federalism.

The Laeken Mandate has been betrayed. We need only one red line, and that goes right through the lot.

Dr Lee Rotherham was an advisor on the Convention.

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.

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