

# United States Policy on European Integration – An understandable but strategic error since 1990

by Bill Cash, MP



## 1 - Introduction

Whilst entirely understanding how it came about in the first place, there is an overwhelming case for the United States government and Congress to review its policy towards EU integration. The situation that prevailed between 1945 and 1990 has now significantly changed since the ending of the Cold War, the rise of globalisation and the development of European government from the Maastricht Treaty onwards, as exemplified most recently by the attempt to implement a Constitution for the European Union. This Constitution would give legal superiority over the Constitutions of the individual nation states of Europe, including those of specific allies of the US. This would therefore constrain the freedom of those allies, such as the United Kingdom, where their individual economic, security and foreign policy would differ from that of the Union as a whole in respect to the United States.

Churchill certainly would not have countenanced such an undemocratic European Constitution, nor the existing Treaties upon which the Constitution has been built since 1990. Tony Blair, whatever his stalwart alliance with the United States, has wrongly promoted this undemocratic Constitution; his appreciation of US objectives must surely not exonerate his support for the failures of the European integrationist project.

In his speech on 21 March on foreign policy, Blair, failed to mention European integration at all and there is now an eerie silence within the Conservative Party on the fundamentals of European integration, except from those failed past leadership contenders Kenneth Clarke and Michael Heseltine who are virulently against the Bush/Blair policy on Iraq and who simultaneously are fervently in favour of European integration and the European Constitution. This is illustrative of the problem facing the United States, which is that enthusiastic support by the US for

Tony Blair's policy on European integration is shared by those who are most critical of US foreign policy. These are strange bedfellows indeed.

America, for her part, has vital trade, defence, and foreign policy interests in Europe. It is therefore in her own national interest to encourage the reversal of the European Union's accelerating drive towards a social democrat, protectionist United States of Europe, which is cluttered with policies harmful to US business and investment and which have led to unsustainable over-regulation, low growth and high unemployment in the eurozone. At the same time, it remains important for America to encourage free trade in and with Europe. In short, America's policy should be *yes to European trade; no to European government*.

This is by no means the first time the US has had to evaluate its assumptions towards Europe. As early as 1823, President James Monroe issued the Monroe Doctrine, which sought to define America's relationship with European countries. President Franklin Roosevelt was again forced to assess America's connection with Europe when considering the potential impact of Nazi Germany on his country. In his speech, *The Arsenal of Democracy*, made in December 1940, Roosevelt debated the extent of future US military intervention based upon the situation unfolding in Europe and concluded that, "*never before since Jamestown and Plymouth Rock has our civilisation been in such danger as now.*"<sup>1</sup>

History has shown that the US and Europe cannot live in isolation. Once again, the time has come for the US to reappraise its relationship with Europe and make fundamental decisions as to the way in which the US endorses developments in the European Union, particularly as they have such a profound impact on the US and the world as a whole.

## 2 - American Myths about European Integration

A number of renowned American commentators have greatly influenced US policy on Europe. They have significantly reinforced the assumptions upon which the State Department has established European policy since 1945. From the First and Second World Wars, through to Marshall Aid, the Cold War, Kosovo and most recently the Balkans, America has consistently shown herself willing to expend her wealth, and even her citizens' lives, to bring peace to Europe. Indeed, given the Second World War and the vital contribution made by the United States to the Allied success against Nazi Germany, it was utterly understandable that American policy after the War would seek to avoid a repetition of the circumstances that gave rise to the conflict.

The view of the State Department has been – at least since John Foster Dulles and Robert Kennedy – that the best way to achieve peace in Europe is by uniting Europe. This explains why the US has long supported and encouraged the European Union – but what type of European Union? Times and circumstances have changed, and deepening European integration is now having negative consequences for vital US interests.

The reason for this is straightforward. What used to be the European Community has been evolving into a European government since the Maastricht Treaty in 1992, the Amsterdam Treaty in 1997, the Nice Treaty in 2003, and the proposed EU Constitution – a government pursuing policies that depart from the historical attachment of the UK and the US to the principles of free trade, democracy, and the Atlantic Alliance. The eventual aim of many European leaders is a United States of Europe with one currency, one body of law, one supreme court, one flag, one anthem, one defence policy, and one frontier. But the basic framework of European government is embedded in the existing European Treaties, which are failing. A number of pro-integrationists have even admitted this. The European Reform Forum (ERF), which took evidence from a number of leading politicians, businessmen, economists, lawyers, historians, academics and administrators from all sides of the debate during Blair's presidency of the EU, proved this. British Ministers for Europe, Denis MacShane, MP, and Keith Vaz, MP, both conceded that there were fundamental problems with the EU, as did the likes of former EU Commissioner, Lord Dahren-dorf, and Tony Blair's former Economics Advisor, Derek Scott.<sup>2</sup>

The American policy of promoting greater unity in Europe can be traced back to the aftermath of the First World War, Woodrow Wilson and the League of Nations and the Kellogg-Briand Pact of 1928. Furthermore Churchill himself proposed a policy of European unity in Zurich in 1946, although this was not intended to absorb the United Kingdom into a European Union as is commonly alleged. By the end of Churchill's premiership in the 1950s, as Roy Jenkins (his distinguished biographer) clearly indicated, Churchill was not in favour of Britain being politically integrated into Europe, but preferred a looser association.

The myth that Churchill would have approved of, for example, the Maastricht Treaty is mirrored by myths generated by many commentators, including those from the United States. There is, however, no doubt that the United States was enthusiastic that Britain should join the European Economic Community (EEC) as Britain disengaged from Empire, and because the United States saw Britain as its staunchest ally in Europe. This made sense from many points of view whilst the Community was primarily

economic, but once it entrenched itself in European government through the Maastricht Treaty, the picture, and therefore US policy, should have changed. These events were mirrored on the ground by differences between Britain and France in the context of policy towards America and the Soviet Union. Hence, Howard Macmillan applied to join the EEC in 1961, partly to retain American support for the British nuclear deterrent and to prevent France from leading Europe. The idea of Franco-German reconciliation, important as that was and remains, has in this context become a problem rather than the solution.

Specific American commentators have missed the point on the European Union. In *The European Dream*, Jeremy Rifkin argues that in the globalised world, authority no longer lies with the nation state but institutions, which supersede sovereign state prerogatives. In the context of a world where "geographic boundaries of all sorts are loosening or disappearing altogether," Rifkin praises the European system where Member States retain just a "modicum of sovereignty" compared to US, whose government is hardening its notions of sovereignty in "contradistinction to everything going on around it."<sup>3</sup> Rifkin goes on to cite Francis Fukuyama, who writes that, "Americans ... tend not to see any source of democratic legitimacy higher than the nation state."<sup>4</sup> In sum, Rifkin and Fukuyama discredit the need for democratic accountability in a globalised world by praising the decline of national sovereignty in the EU's Member States and criticising America's reluctance to cede any sovereignty to unelected higher powers. The reason why Americans invest all their sovereignty in the nation state is because there *is* no democratic source of legitimacy higher than their democratically elected, directly accountable government.

Democratic accountability is the essence of any nation state. It must be traceable to direct questioning; the person who is questioned – who has taken a decision or is about to take a decision – is obliged in public to answer for the policy he or she has devised before it has taken effect. If or when the devised policy goes wrong, it must be possible to hold the person directly responsible for their actions. This system is simply not applicable to the EU or the UN, or in any of these much vaunted supranational and international institutions. This is particularly so where the assumption is made that the supranational route is better or has become more necessary in a world now deeply infused with global communications and the internet. Rifkin's assumptions reduce democratic accountability. This needs to be enhanced in our new world, which needs more of the democratic nation state than less. His thesis goes in exactly the wrong direction.

In *Democracy in Europe*, Larry Siedentop discusses the issue of democracy and sovereignty in a different light. Siedentop contends that the key reason behind America's support for greater EU integration is the "appeal for solidarity in working for the spread of liberal democracy. That is a better interpretation of the American wish for Europe to speak with a single voice."<sup>5</sup> Siedentop appears to have completely misunderstood the idea of democratic accountability as described above. The ideas of democracy and an integrated Europe are contradictory. It is impossible for Siedentop to claim that further political integration of Europe will lead to the spread of 'liberal democracy'.

Rifkin also places huge emphasis on the reformed nature of Europeans. He argues that human nature is indeed able to change,

evidenced by what Europe has 'achieved' since the end of the Second World War. This includes the end of the Cold War, which is extraordinary as it was NATO that was truly responsible for this.<sup>6</sup> Furthermore, with events such as the rejection of the EU Constitution, disputes over the EU budget and Common Agricultural Policy, and the rise of economic nationalism and protectionism, tensions within the EU have never been so high. Apparently the 'European Dream' is one of "inclusivity not autonomy."<sup>7</sup> If this is really the case then why is the whole European project driven by a Franco-German axis of power, with the French advocating greater political integration in order to dilute the power of Germany, which increased dramatically following the implementation of the Treaty of Nice in 2003, as outlined in section four below.<sup>8</sup>

The bibliographies of the books of those such as Rifkin and Siedentop indicate that they are deeply influenced by the politicians and think tanks in Europe who have spectacularly failed to get the judgments on the European question right. There is precious little evidence that they have read or followed the arguments of those who have made the correct judgments and predictions and the same would seem to apply to the State Department. It seems as if there has been a triumph of hope over experience. This would not matter if what was at stake was not so serious, as the former Cabinet Minister and now Conservative Foreign Affairs spokesman in the House of Lords, the Rt Hon. Lord David Howell, indicated in his evidence to the ERF on democracy and European integration:

*"I make a preliminary observation that this is the most important matter that I have ever been engaged in for well over 40 years in politics and in five political careers. . . . The stakes are enormous and the need for clarity and a right way forward is immense, and the penalties for getting it wrong are vast."*<sup>9</sup>

In the widely acclaimed book, *Paradise and Power*, which certainly contains seminal thinking, Robert Kagan, too, misses the point of the dangers of a failing European Union. He, too, quotes copiously from the works of Charles Grant and Robert Cooper. Both Grant and Cooper are known to be close to Prime Minister Tony Blair. He also quotes from Europhile proponents of the European Constitution, Lord Christopher Patten, Romano Prodi and Joschka Fischer. Kagan recognises that there are difficulties in European integration, but there is no recognition that he has taken on board that those who have the best credentials are those in the Euro-sceptic think tanks who have consistently proved their point on such issues as the collapse of the Exchange Rate Mechanism, the eurozone's low growth and high unemployment, the failure of the Stability and Growth Pact, the collapse of the aspirations for the European Constitution, and the failure of the EU3 in relation to Iran to name but a few. This is hardly a prescription for paradise.

America is increasingly being forced to adopt a policy of "going it alone."<sup>10</sup> This is not, however, due to the "cowboy diplomacy"<sup>11</sup> of the Bush administration, as Rifkin contends, but the fact that, since the Second World War, the US has invested too heavily into the wrong kind of EU system in the false belief it was stabilising the continent. However, the problem in the EU as it stands is now greater than the initial proposed solution. As a result, America has found it necessary to 'go it alone' over global issues such as the Kyoto Protocol and the Anti-Ballistic Missile Treaty. The EU has supported and developed these initiatives, which are now detrimental to US interests.

America's obsession with the need to perpetuate the myth that EU integration is a positive development has meant the US has

ended up supporting EU initiatives – such as the EU3's failed negotiations with Iran – which inevitably end up with the US bailing the EU out. Kagan praises the qualities that make up the European strategic culture: "the emphasis on negotiation, diplomacy and commercial ties, on international law over the use of force, on seduction over coercion, on multilateralism over unilateralism."<sup>12</sup> He even goes so far as to state that it is "America's power and its willingness to exercise that power . . . that constitute a threat to Europe's new sense of mission."<sup>13</sup> The Europeans simply do not have a cohesive sense of national interest nor the political will to deliver the fundamentals of any foreign or defence policy. The EU also gets confused by the intrusions of European Human Rights legislation into foreign affairs and basically demonstrates the fact that Huntington is right when he refers to the 'clash of civilisations'.

In a nutshell, Europe and America, which historically have more in common in terms of genealogical roots (and in the case of the United Kingdom common values back to *Magna Carta*), are now witnessing a cultural divergence. Kagan is right in emphasising the differences between Europe and the USA, but what is missing in his analysis is the explanation of how the institutional arrangements in each fundamentally differ. The US, like the UK, insists on democracy and accountability; the European Union, on the other hand, is intrinsically undemocratic and unaccountable. It is ironic that under the influence of Tony Blair, not to mention the Europhile commentators who favour European integration, the United States government has been persuaded to continue to promote the undemocratic, unaccountable European model, which is alien to US traditions. This model is invariably working against American interests such as over Iraq and in the foreign policy, defence and economic spheres as illustrated below.

Developments in European integration, which have been driven by the Treaties, are negatively impacting the United States in several ways:

1. As most European political leaders admit freely, the Franco-German alliance is the motor of European integration. This alliance becomes more entrenched as majority voting displaces the veto in the arena of European government decision-making, and as the countries that disagree with France and Germany are either outvoted or forced in their own (perceived) national interest to bow to such predominant neighbours.
2. EU foreign, defence, trade, economic, and energy policies depart significantly from US interests. Protectionism; intransigence at World Trade Organisation talks; negotiations with countries such as Iran, Palestine, Russia and China over issues ranging from aid to energy; support of flawed international Treaties such as Kyoto; and the EU's relentless drive towards greater political integration are all working to undermine and compromise US global interests.
3. The potential savings to the US of Europe establishing its own defence forces are outweighed by the damage that those forces – through the trade and foreign policies that they would underwrite – would inflict upon US interests, especially with regards to the North Atlantic Treaty Organization.
4. The US-UK special relationship is being seriously affected by integrationist projects. Britain has good reason to repudiate projects such as the Single European Currency, a Common European Foreign and Security Policy, or from ratifying the EU Constitutional Treaty – all of which have in any case failed – to protect this relationship.

### 3 - Anti-Americanism

Despite America's past contribution to European democracy and security, anti-Americanism remains short-sighted and ungrateful. The real problem that generates anti-Americanism in Europe is that there are real differences, which stem from a resentment of America's actual power and its conviction to get things done. The European Union on the other hand, which is increasingly weak willed and vacillating, postures without results.

Unfortunately, there is a failure by leading US commentators to grapple with reality, as discussed above; there is a tendency to support European culture rather than US determination. This is not to say that America is always right, but that the EU is invariably weak. This will not be improved by further European integration. Integration and, for example, the EU Constitution will simply exacerbate the internal contradictions within the European legal framework and the compression chamber will eventually implode.

Anti-Americanism is not an abstract sentiment. According to the 2005 Pew Global Attitudes poll, *"Even though the image of the United States has improved slightly in some parts of the world over the past year, this country's global approval ratings trail well behind those of other leading nations."*<sup>14</sup> The US favourability rating was 55 per cent or below in Great Britain, France, Germany, Spain and the Netherlands.<sup>15</sup>

When respondents of the Pew poll were asked whether their negative view on America was due to President Bush in particular or just America in general, the overwhelming majority in Europe voted for the former. For instance, 76 per cent of Spaniards, 65 per cent of Germans and 63 per cent of French placed blame on the President; only 14 per cent of Spaniards blamed America in general.<sup>16</sup>

In a recent article in *The European Journal*, Jeremy Bradshaw investigates the factors behind this rise in anti-American sentiment amongst Europeans.<sup>17</sup> Bradshaw believes contempt for democracy, cultural racism and resentment of America's economic prowess lie at the heart of European anti-Americanism. Another main factor is much more simple – anti-Americanism has become dangerously fashionable in Europe. 'Sam-bashing' is now chic and everyone from the media, politicians and intellectuals right down to the man on the street are partaking.

President George W. Bush has been demonised by his critics. He has been depicted as a 'typical Texan cowboy', quick to use the trigger, ignorant of the outside world, a unilateralist with no interest in the consequences of his actions for Europe or the rest of the world. This anti-Bushism has led unequivocally to the rise in anti-Americanism, particularly on the European continent.

Whilst anti-Bushism may help explain this latest bout of anti-Americanism, it would be unfair to place the blame on the President. The burden must be shared with the Europeans, many of whom have harboured a longstanding (if not at times conveniently concealed) jealousy of their so-called 'friend' across the pond.

Three major policy areas – the Kyoto Protocol, the Iraq War and the need for an EU Constitution – highlight the extent to which anti-American sentiment has been popularised in the EU. The US must understand that anti-Americanism is no longer an abstract idea, but one that is beginning to significantly influence policy-making within the European Union.

#### The Kyoto Protocol<sup>18</sup>

The European Union is one of the foremost advocates of the Kyoto Protocol on global warming. President Bush has fallen victim to

constant criticism over his decision not to send the Kyoto Protocol to the US Senate for ratification. However, this is not the first time Washington has shown reluctance over the Treaty. Bill Clinton, President when Kyoto was negotiated, hailed it as a *"huge first step"* in the effort to combat global warming and former Vice-President Al Gore, who was often the Clinton administration's point person on environmental affairs, signed the Treaty in November 1998. Nonetheless, this was a purely symbolic gesture; it quickly became apparent that the Clinton administration was not prepared to implement Kyoto's stipulations. Gore subsequently declared, *"As we said from the very beginning, we will not submit this agreement for ratification until key developing nations participate in this effort... This is a global problem that will require a global solution."*<sup>19</sup> Gore, of course, was primarily referring to developing giants India and China.

President Bush later reiterated the Clinton administration's sentiments:

*"This is a challenge that requires a 100 per cent effort; ours, and the rest of the world's. The world's second largest emitter of greenhouse gases is China. Yet China was entirely exempted from the requirements of the Kyoto Protocol. India and Germany are among the top emitters. Yet India was also exempt from Kyoto... America's unwillingness to embrace a flawed treaty should not be read by our friends and allies as any abdication of responsibility."*<sup>20</sup>

EU leaders have been able to overlook the fact that Australia also refused to ratify the Protocol, but they have not been able to extend such magnanimity to the US. Bush's critics are disinclined to admit that the US might actually be correct in its support for alternative environmental policies, such as the Asia Pacific Partnership on Clean Development and Climate, which include developing nations. Nor have they made much of the fact that many individual states, such as California, and local administrations in cities and towns across America have pledged to institute Kyoto-style limits on greenhouse gas emissions on their own accord.

#### Iraq War and its Consequences

The US and the EU failed to reach an agreement or compromise over the decision to go to war against Iraq. Philip H. Gordon from the Industrial College of the Armed Forces at the National Defence University argues that France has long opposed a bi-polar or even unipolar world and saw the Iraq War as a way in which Europe could play a key global role, with France at the centre.<sup>21</sup> French President Jacques Chirac actively moved to take leadership of a vast coalition within the EU to counterbalance the US. Chirac provided a cover for many countries that would otherwise have not stood up to President Bush and in this way made a second UN resolution impossible. Speaking at an emergency EU summit on Iraq in 2003, Chirac gave his opinion of those prospective EU members who had supported the war:

*"These countries are very rude and rather reckless of the danger of aligning themselves too quickly with the Americans. If they wanted to diminish their chances of joining the EU, they couldn't have chosen a better way."*<sup>22</sup>

In the world of *realpolitik*, the fact that there has been an attempt both by President Chirac and German Chancellor Angela Merkel to patch up differences over Iraq should not be seen to have fundamentally changed the strategic differences that exist.

Hostility over the issue still remains. During the recent 'Sound of

Europe' conference held in Salzburg in January 2006, left-wing Swiss-German newspaper editor, Roger de Weck, invited the President of Latvia to agree that the new Member States posed a danger to EU unity, as they were too pro-American. The Latvian President, Vaira Vike-Freiberga, in turn declined to agree and instead delivered an impressive speech berating current Old Europe-New Europe divisions over the Iraq war:

*"I am amazed by the speed with which Europe has forgotten that it was rescued during World War Two when America entered the fight. The contribution of the trans-Atlantic link to European security is something that Europeans have long taken for granted... The trans-Atlantic link is intrinsic ... the idea that we have somehow two systems that are inimical, I find extraordinarily strange."*<sup>23</sup>

Following an article in the *New York Times*, which claimed secret CIA camps existed in Europe, the European Parliament decided to launch its own 46-Member inquiry into *"the alleged illegal transfer of detainees and the suspected existence of secret CIA detention facilities in the European Union and candidate countries."*<sup>24</sup> The Vice-Chairman of the Committee, Baroness Sarah Ludford MEP (who is a Europhile Liberal Democrat), recently urged senior US officials to

face hearings in the EU and called specifically on Vice-President Dick Cheney to testify before EU officials. A member of the Committee, British MEP Roger Helmer, who also sits on the European Foundation's Advisory Board, believes that the main purpose of the Committee is to give the *"strong anti-American sentiments in parts of the European Parliament a stick with which to beat the US."*<sup>25</sup> Speaking to the press, Mr Helmer argued:

*"I am sure that Dick Cheney will treat Ludford's remarks with the contempt they deserve. This Committee is likely to show [the European] Parliament's strong anti-American tendency in a poor light."*<sup>26</sup>

### The EU Constitution

A number of EU leaders justify the need for a Constitution in anti-American terms. The Prime Minister of Luxembourg, Jean-Claude Juncker, openly stated in April 2005 that the Constitution would not be stopped if a country voted against it in a referendum, as the rejection of the Constitution would serve to increase America's global power. This view is widespread among the EU's most vociferous supporters, particularly in France, Belgium and Germany.<sup>27</sup>

## 4 - Franco-German Motor Driving Integration

The new German Chancellor, Angela Merkel, is talking one language with America and another with Jacques Chirac. Merkel's election will not change the basis of the German-US relationship, as established under Gerhard Schröder. Indeed, Merkel has reiterated the traditional German view that the EU must revolve around a Franco-German axis. In Merkel's own words, *"Germany and France, with their notions about the social market economy and globalisation, should be driving forces."*<sup>28</sup> It is essential to note that, irrespective of the diplomatic words by Angela Merkel on her recent visit to the US in January of this year, there are serious strategic differences between the coalition in Germany, which includes the Social Democrats in critical posts in the German administration, and the United States. Merkel's repeated pledge to prioritise reviving the Constitution when Germany takes over the EU rotating presidency in January 2007 demonstrates her commitment to greater political integration with the ultimate aim of a federal Europe.

The US should take warning from problems thrown up by the previous Schröder-Chirac alliance – one which made it virtually impossible for the US to build support for the Iraq War. Although on the outside Merkel claims to support America's continued efforts in Iraq, Germany's recent decision to release convicted terrorist Mohammad Ali Hammadi to Lebanon raises serious questions about Germany's commitments to the war on terror. Whilst Merkel's relationship with Chirac may not be as intimate as Schröder's, those in the US should not expect a sudden rapprochement between America and Germany either.

For years, leading EU politicians have attacked the US. In 1997, former German Chancellor Helmut Schmidt made clear the motivation in Berlin and Paris behind European integration: to create a superpower capable of challenging the United States. Schmidt stated,

*"[The] European Union will have the political, economic, and financial weight to exert an influence on global affairs equal to that of the superpowers. This perception is gaining ground among the leaders of the EU, and it provides an additional strategic motivation for*

*European integration."*<sup>29</sup>

It was only natural that during the Cold War West Germany maintained a close relationship with the US, since Germany's security ultimately rested more on the US than on its European allies. Because of this basic strategic reality, consecutive French leaders have never succeeded in enticing Germany away from the US entirely. However, Chancellor Schmidt showed his support for the Franco-German alliance when he stated,

*"[Post-Cold War] Germany will remain part of the [NATO] alliance, but European integration – further development of the EU and close co-operation with France – is increasingly important. The US must understand that in the next century Germany will not automatically take its side in disputes between Washington and Paris."*<sup>30</sup>

Following the end of the Cold War, Germany realised that political power within the EU could only be gained by forging a strong alliance with France at the expense of the UK and US. In return for the political weight that Germany then gained from French support, Germany had to be willing to accept France's dislike of the US. Former German Chancellor, Helmut Kohl, realised that the only way to influence decision-making in the EU was to take this path.

The Nice Treaty – which came into force in 2003 – only served to strengthen Germany's ability to push the EU in the direction it favours, and represented a fundamental, but largely overlooked, geopolitical shift in the balance of power and in the 'tectonic plates' of Europe. The controversy surrounding the ratification of Nice only serves to prove this. Small states quickly realised they would be the main losers under Nice. Ireland – which was the only country where a referendum on the issue was held – rejected the Treaty in 2001. It is highly likely that had other small states been allowed the choice, they also would have rejected it. This is due to the influence that larger countries, especially Germany, gained from the new system of double majority voting which was introduced at Nice. Double majority voting introduced a new clause stating that if a

Member State was unhappy with the outcome of a vote in the Council of Ministers taken under Qualified Majority, it could request a further vote to ensure the Council decision represented at least 62 per cent of the population of the Union as a whole. Whilst this was intended to act as a safeguard for states with small populations, it actually increased the power of Germany, as it means that Germany and two other large countries such as France and Italy, are able to block anything they like. Smaller states, in contrast need a greater alliance of states to produce the same result and even Britain needs the support of more than two countries to oppose undesirable decisions. In this sense, commentators were right to call former German Chancellor Gerhard Schröder, the 'victor of Nice'.

## 5 - Threat to Free trade

The current wave of protectionism engulfing Europe demonstrates that the EU has objectives and assumptions that it insists on delivering through the Court of Justice and through Commission-led initiatives such as the Stability and Growth Pact. These measures do not work, and when they do not work, the European framework implodes and the rule of law is ignored. Nothing could be less satisfactory for stability, order and accountability. The fact is that the EU is trying to force-feed countries to do things they simply aren't prepared to do. This is proving to be a huge source of internal instability, which is bad for US investment.

In light of the huge economic advances of countries such as India and China, it is more crucial than ever to ensure the continued liberalisation of international trade. This is especially true of US-EU trade, given the importance of America's investment and commercial flows with Europe. The EU and the US are leading players in international world trade; they are each other's single largest trading partner in goods and services and each other's most important source and destination for foreign direct investment.

In 2004, EU imports of goods and services from the US totalled \$288 billion, or 24.9 per cent of total US exports. EU exports of goods and services to the US were \$391 billion, or 22.2 per cent of total US imports.<sup>32</sup> In the other direction, US imports from the EU totalled 15.3 per cent of total EU exports and US exports to the EU were 24.2 per cent of total EU imports.<sup>33</sup> In addition, EU direct investment into the US was \$48.2 billion and US direct investment into the EU totalled \$83.8 billion.<sup>34</sup>

The transatlantic economic relationship is of vital importance for the United Kingdom in particular. In 2004-2005, the UK recorded its highest ever number of inward investment projects. This figure stood at 1006, a 31 per cent rise from the 2003 to 2004 period. The US comprised the greatest share of investment with 466 projects, making it the largest investor in the UK. There are now around 14,000 American investors in the UK.<sup>35</sup> It is clear from these figures that the UK and the US share an enormous mutual trade partnership – one that should not and cannot be jeopardised.

### EU protectionism

EU protectionism is part of a wider problem of the European landscape, namely the failure of the European economic project, which includes the Lisbon Agenda. Far from achieving its objectives, the Agenda is characterised by low wages, low growth and high unemployment in the eurozone, two issues that played a primary role in the rejection of the European Constitution. The fact is that the European economic policies do not work.

A broader point on the voting issue is that as the EU develops, federalising reforms and the development of enhanced cooperation (where a subset of EU Member States can forge ahead with integration) will ensure that fewer and fewer of its decisions require unanimity among its Member States. The whole structure of regionalisation policy, with grants, subsidies and financial inducement, encourages deeper dependence on the undemocratic and unaccountable institutional structure of the European Union. This will ironically generate greater instability than the money transfers between Old and New Europe might suggest. The situation is compounded by the monumental irregularities and fraud demonstrated by the Court of Auditors report which amounts to no less than €613,808,438.<sup>31</sup>

At this moment in time, Europe is facing the worst instance of economic nationalism since 1914. An intense fear of globalisation is impacting most decisions in Europe, to the extent that the much-vaunted European Single Market is being rapidly undermined by countries such as France and Spain, who are desperate to shield their national markets from foreign competition. Over recent months, both France and Spain have moved to protect national energy companies from high-profile takeover bids by other EU-based businesses. The Commission has written to France asking for an explanation of the government's role in merging Gaz de France with Suez, the Franco-Belgian power and water company, as the French government blocked the takeover of Suez by Italian rival Enel. Spain is also being examined over its attempts to halt the takeover of national energy company Endesa by rival E.ON of Germany, who have formally asked the Commission to approve its bid of the Spanish company. Brussels is preparing to file a case against Poland for demanding that Italian bank, UniCredit, divest the Polish holdings of its recently acquired subsidiary, HVB Group of Germany.

A further example of the rising tide of protectionism can be seen in the numerous examples of anti-dumping measures that are being imposed against countries such as China, Vietnam, Thailand and Malaysia. This came to light in July 2005 when the EU Trade Commissioner Peter Mandelson became embroiled in 'bra-wars' with China after slapping tariffs and quotas onto levels of EU imports of Chinese textiles. Following this came the 'shoe-wars' in February 2006 and the 'plastic-bag' wars and 'furniture-wars' that engulf the EU today. Once again, it is being left to EU officials to decide whether to impose anti-dumping duties on leather shoes made in China and Vietnam, plastic bags made in Thailand and Malaysia and furniture from China.

Economically destructive EU interventionism takes many other forms. Consider, for instance, the following:

- Foreign firms (even other EU firms) are forbidden from running certain companies and even whole classes of companies within many EU Member States. France, for example, bans foreigners from running "strategic companies" – a category including all of her major banks.<sup>36</sup> In Belgium, national law requires that cranes used on construction sites must be inspected every three months by the local *Control Technique* and companies based in other Member States cannot operate without having their machinery inspected locally. In Portugal, building permits cannot be granted to companies which are not registered in Portugal and foreign companies wishing to obtain a building permit are forced to hire a

Portuguese engineer with Portuguese certification.<sup>37</sup> However, when push comes to shove it is clear that the EU will give way to a common interest as opposed to a US one. For example, US PepsiCo was blocked from acquiring French *Orangina* by France, but was eventually sold to the British group *Cadbury Schweppes* in September 2001.

- Talks aimed at creating an EU-NAFTA trade deal collapsed due to French fears of 'US dumping'. France remains hostile to such a deal ever being concluded. The US continues to see the unparalleled benefits of such a deal evidenced by the resolution submitted to Congress in April 2005 by Congressman David Dreier of California, "expressing the sense of Congress relating to a free trade agreement between the United States and the European Union."<sup>38</sup>
- Rampant EU protectionism comes cloaked as trading standards regulations. One of numerous such examples includes the EU ban on US hormone treated beef. The EU also organised the opposition of 166 countries to the US-led Miami Group of grain producers.
- From 1998 to 2004 the EU Commission imposed a ban on certain genetically modified crops, including corn, soy and cotton, on scientific grounds that it was unclear whether GMOs harmed human health. The EU said it needed the block to allow it to gather data and find out how best to update GMO rules. Although the ban was lifted in 2004, a number of Member States including Greece, Austria, France, Italy and Luxembourg continue to ban GMOs as a 2001 EU law provides for case by case approval for the release of individual GMO products into the EU's Common Market. Decisions are reached on the basis of safety checks by national authorities and the European Food Standards Agency; the Commission then rules on which GMOs can be imported on the basis of these recommendations. This flawed system allows the EU to legislate against any GMOs they choose, as recommendations are from internal sources. In February 2006, the World Trade Organization (WTO) was forced to intervene in the matter following complaints from the US that they were being discriminated against. The US produces almost half of the world's GMO products and has huge corporate interests through companies such as Monsanto and Dow Chemical. It would seem that US scepticism is justified as earlier in 2006, in a typical show of defiance, the Commission stated that in spite of a highly critical report by the WTO, its policy on GMOs will remain unchanged.<sup>39</sup>

### Legal and regulatory burdens on business

Excessive levels of legal and regulatory burdens within the EU work against both European and American interests. The advantages of America trading in Europe, particularly in light of the new opportunities in China and India, are lessened to an even greater extent by social legislation, which permeates the European economic environment. Numerous examples of how this is occurring are put forth in a pamphlet I co-authored with Bill Jamieson, *The Strangulation of Britain and British Business: Europe in our daily lives*.<sup>40</sup> For example, the Working Time Directive regulates the maximum hours employees are allowed to work and creates new employees' rights. The UK's Data Protection Act, based on the Data Protection Directive, subjects businesses and employees to fines if rules on data protection are breached; the UK's Employment Act of 2002 provides for rights such as 26 weeks of paid maternity leave, increased payments and two weeks of paid paternity leave.<sup>41</sup>

At the time of writing, thousands of students are rioting in France, protesting against regulations that would allow employers

to sack workers under the age of 26 in their first two years of employment without giving a reason. In an article in *The Sunday Times*, former Chief Economist at the US Department of Labour, Diana Furchtgott-Roth, argues that, "What they [French protestors] don't seem to realise is that additional labour market flexibility would actually help young people, who now have an unemployment rate of 22 per cent, to get a job."<sup>42</sup> Furchtgott goes on to criticise measures – favoured by countries such as France, Germany and Italy – to reduce economic inequality, such as the elimination of low-wage jobs through unemployment benefits. By taking measures such as this, EU Member States are attempting to undo the effects of the EU's legal and regulatory burdens. The problem is they can't get rid of it except by repealing EU legislation. People simply don't understand this. The pivotal reason why the European economy has low growth/high unemployment is that the EU prevents countries from repealing damaging legislation.

### The EU's irrational 'competition policy'

Increasingly, the EU is using the cloak of anti-trust activity as a way of implementing an anti-US industrial policy.

The current dispute between Microsoft and the EU Commission has been dragging on since 1998. In March 2004 the Commission concluded, "*Microsoft Corporation broke European Union competition law by leveraging its near monopoly in the market for PC operating systems onto the market for work group server operating systems for media players.*"<sup>43</sup> The Commission demanded that Microsoft, among other things, disclose complete and accurate interface documentation which would allow non-Microsoft servers to gain full inter-operability with Windows PCs and servers. Unsurprisingly, Microsoft's appeal to the EU's Court of First Instance was rejected in December 2004, following further requirements in November 2005 for Microsoft to comply with the Commission's demands, with the extra prospect of a €2 million daily fine until they agreed to do so.

In January 2006, Microsoft went a step further and announced the decision to license all the Microsoft Windows Server source code for the technologies covered by the Commission's decision of March 2004. Microsoft stated cynically, "*We have now come to the conclusion that the only way to be certain of satisfying the Commission's demands is to go beyond the 2004 decision and offer a license to the source code of the Windows operating system.*"<sup>44</sup> Furthermore, it is now apparent that the Commission, for all its grand claims, failed to read the 75-page report (which Microsoft wrote at the behest of the Commission) in its haste to attack Microsoft's compliance. This is in spite of the fact that the report has been analysed by two independent expert software engineers in Germany and the UK, both of whom agree "*that the current operability information as provided by Microsoft meets current industry standards, particularly in such a complex domain.*"<sup>45</sup> In reply to this, the Commission petulantly retorted with, "*It is of course the European Commission that will decide whether Microsoft is compliant with the March 2004 decision, and not Microsoft.*"<sup>46</sup> The hypocrisy on behalf of the Commission is staggering here. They made huge demands upon Microsoft, which Microsoft then not only met but bettered; in return the Commission ignored key information and denied Microsoft due process in defending itself.<sup>47</sup>

This case should act as a clear message to those in the US with significant business interests in the EU. The Commission will regulate on any such case where large foreign corporate involvement looks set to threaten or undermine EU interests. For

example, although the recent Mittal Steel takeover bid for Arcelor does not concern the US directly, the US should take note of various reactions to the €18.6 billion hostile takeover bid by oil tycoon billionaire, Lakshmi Mittal. Luxembourg's government in particular pledged to position its 5.6 per cent share in Arcelor against Mittal's offer. Jean-Claude Juncker, Luxembourg's Prime Minister, has also called for new legislation to be implemented, which will protect domestic companies from foreign takeovers.<sup>48</sup> Of greater concern, Europe's leading business lobby group has claimed the Mittal case demonstrates the need for stronger EU political leadership to oversee such takeover bids. UNICE, which represents over 20 million businesses, cited the Constitutional Treaty as something that would have "strengthened governance at European level."<sup>49</sup> This is exactly the kind of development the US needs to prevent at all costs. The EU Commission is highly biased against foreign competition already, but with greater political involvement in corporate takeover battles, the US will find its interests increasingly legislated against.

It is generally believed that the General Electric–Honeywell case in 2001 was a landmark ruling on the part of the Commission, which set in stone the EU's defensive attitude towards competition, as it stands today. In July 2001 the EU Commission vetoed the General Electric–Honeywell merger on the basis that the new group would enjoy a dominant position in the EU. The move was supposed to be the crowning deal for GE's CEO, Jack Welch, who postponed his retirement to oversee the merger. According to John Grimley,

*"Welch's experience highlights the Byzantine nature of the EU regulatory process and the need for American business people to understand the grave dangers they face when dealing with the EU."<sup>50</sup>*

When analysing later anti-trust examples, it becomes clear that the GE–Honeywell ruling clearly influenced future actions on EU merger regulations, as the Commission's decision marked the first time the EU killed a merger which had already been approved by Washington. Immediately following GE–Honeywell came the \$1.53 billion Tetra Laval SA merger, which was the fifth to be axed during 2001, if one includes GE–Honeywell. The others were on 31 January between SCA and Metsa Tissue, two Nordic paper manufacturers; 10 October between Schneider Electric SA and Legrand SA, two French makers of electrical equipment; and 17 October between

CVC Capital Partners Group, a British buyout firm, and German fibre-maker Lenzig AG. *"The EU blocked only 13 mergers in the previous decade, and the unprecedented burst of activity has drawn increasing criticism from some business leaders,"* says Grimley, an American citizen and European Foundation Advisory Board Member who advises US companies on the growing risks of mergers and acquisitions in London.

## Services Directive

The Directive on Services in the Internal Market was a key opportunity for the EU to embrace competitiveness by enforcing ideas such as the 'Country of Origin' principle. However, by the time the Bill passed through the European Parliament in February of this year, it had been so watered down with amendments that rather than opening up the EU's internal markets as intended, it will actually do more harm to businesses by creating even greater burdensome legislation. As the Director General of the Confederation of Swedish Enterprise, Urban Bäckström, argued,

*"The purpose of the EU Services Directive is to overcome lasting and unjustified obstacles. Protectionist measures... are not compatible with the internal market, competitiveness, growth and the creation of sustainable jobs."<sup>51</sup>*

British interests in particular have been severely compromised by the ratification of the Services Directive. One needs to question why the British Conservative Party was unable to have a greater impact over the final outcome of the vote. As long as Conservative MEPs continue to be trapped in the European People's Party (EPP), they will be unable to influence the 'Old Europe' leadership of the group. Indeed, it was a British Conservative MEP, Malcolm Harbour, who was appointed Shadow Rapporteur to oversee the Directive through the Committee Stage, but Harbour was forced to compromise his pro-market views due to 'Old Europe's' influence within the EPP. British Conservative MEP Chris Heaton-Harris described the ludicrous situation thus: *"We Conservatives had a "key position" but had to give up influence because of it."<sup>52</sup>* Only by pulling out of the EPP and forming a new group in the European Parliament can Britain hope to release itself from what is essentially a group dominated by German Christian Democrats. This would put Britain in a much more advantageous position in relation to aiding American interests in Europe.

# 6 - Threat to World Economic Order

## World Trade Organization – Doha Round

The Doha Round of World Trade Organization negotiations aims to lower barriers to trade around the world, with a focus on liberalising trade for developing countries. Talks have hung over divides between rich, developed countries and major developing countries. Agricultural protectionism on the part of the EU has proved the most significant issue upon which agreement has been hardest to negotiate. The EU's intransigence was seen most clearly and recently at the sixth round of the talks held in Hong Kong in December 2005.

Agriculture is certainly the most sensitive issue in the Doha Round – the economic mainstay for many developing countries – and the EU has found itself isolated and criticised by its trading partners over its Common Agricultural Policy (CAP), which heavily subsidises EU farmers at the expense of the developing world.

Prior to the Hong Kong meeting, the US showed admirable initiative in October when it declared it was *"ready to eliminate all tariffs, subsidies and other barriers to free flow of goods and services as others do the same."* Ronald Stewart-Brown, Director of the Trade Policy Research Centre, analysed Washington's proposals in the *European Journal*. Under the proposals, the sensitive product loophole would be limited to 1 per cent of total dutiable tariff lines, compared to the EU's 8 per cent; the US would reduce its Amber Box ceiling – the most trade-distorting category of domestic support – by 60 per cent provided the EU reduced its much higher Amber Box ceiling by 83 per cent; the Blue Box cap – which covers direct payments to farmers to limit production – would be reduced to 2.5 per cent of agricultural production value. Total trade distorting support would be reduced by 53 per cent for the US and 75 per cent for the EU.<sup>53</sup> Although these proposals appear to be kinder to the US, when accounting for current ceilings the EU

would have higher final proposed ceilings than the US.

The EU's proposals were positively lame in comparison. It argued that the limited CAP reforms implemented in 2002 actually represent a 70 per cent reduction in its aggregate Amber and Blue Box spending and refused to accept the principle as agreed by all other parties that sensitive product tariff-quotas should be related to EU domestic consumption. Stewart-Brown describes the situation thus:

*"One country only stood in the way of substantial progress at Hong Kong. The monolithic intransigence of the EU's negotiating team under Trade Commissioner Peter Mandelson and Agriculture Commissioner Mariann Fischer Boel on the key issue of agriculture was awe inspiring."*<sup>54</sup>

Those in the US should be drawn to the importance of one single word from the above quotation – "country". Stewart-Brown clearly explains why he refers to the EU as a country here, as he notes, "by comparison with Seattle and Cancun, the EU at Hong Kong was placing striking new emphasis on presenting a single unitary face to the rest of the world."<sup>55</sup> Those who have supported political integration of the EU now have clear and irrefutable evidence of the damage it has had, and will continue to have, on US interests. Individual Member States are unable to act unilaterally within the negotiations and suffered embarrassment at the EU's irrationality and selfishness, or in the case of Germany and France, pride at its obstinacy. As the French press reported following the meeting, the way the Europeans acted at Hong Kong was a "triumph of unity and reason" that reflected "a very good working out of the French and German couple."<sup>56</sup> The US in return is reduced to frustration and incomprehension as to why the EU refuses to accept their proposals. The greater its integration, the more confident the EU becomes in refusing others in order to bolster its self-interests.

## International Aid

The EU also showed alarming inflexibility over its distortion of food aid issues at the Doha Round. The food aid issue has become central to trade negotiations, as food producers in developing countries believe that the CAP prevents developing countries from competing in world markets. According to Andrew Natsios, administrator of the US Agency for International Development, since 1995 EU food aid has plummeted from about 4 million metric tonnes annually to 1.5 million. This is in contrast to the US contribution, which has remained at 4 million metric tonnes.<sup>57</sup> The EU's practice of using cash to make purchases in regional markets also drives international prices up, which has the potential to impoverish developing countries further. In a recent speech, US Treasury Secretary John Snow argued that, "Trade liberalisation is essential to enhancing global growth and poverty reduction, and we cannot allow that to fail."<sup>58</sup>

However, Mr Snow and other US leaders must understand the protectionist mindset of the EU, which is doing so much to distort world economic orders. At the St George's House Annual Review, Professor Timothy Garton-Ash analysed the European contribution to international social justice. Garton-Ash used Oxfam's *Double Standards Index* (the EU is top of this list due to its trade interventions and agricultural subsidies) to demonstrate the extent of the EU's attitude to trade and aid: "In 2000, the average EU subsidy to the average EU cow was \$913; what we gave in aid for each human being in sub-Saharan Africa was \$8 per head. \$913 for a cow, \$8 for an African person."<sup>59</sup> It is time for the US to ask itself whether it wants to continue supporting an integrationist programme which has produced such skewed attitudes.

## Pensions and Health Care Crisis

A recent report by the Economic Policy Committee and European Commission on the EU's pension provisions exposed the full extent of the current pensions crisis within the EU. The report analysed age-related expenditure projections covering pensions, healthcare, education and unemployment transfers for the 25 Member States (EU25) for the period 2005 to 2050.<sup>60</sup> The report concluded that the fiscal impact of ageing would be substantial in all Member States, with effects accelerating as of 2010, when the post-war 'baby boom' generation are forecast to go into retirement. The main premise of the report was that the annual potential growth rate for the EU25 would fall steadily over the next 40 years due to a reduced working population in proportion to the percentage of retired workers, which in turn will lead to increased spending in public pensions and public health care expenditure.

The key findings of the report can be summarised thus:

- Europe's population will be older in 2050, with a much smaller working age population. This is due to fertility rates remaining below the natural replacement rate and continuous increases in life expectancy. The working age population (15 to 64) is projected to drop by 16 per cent from 2005 to 2050, but the retirement population aged 65+ will rise by a massive 77 per cent. Europe will go from having four to only two persons of working age for every elderly citizen.
- Potential GDP will decline due to decreased numbers of employed persons. For the original 15 Member States (EU15), the annual average potential GDP growth rate will fall from 2.2 per cent in the period 2004 to 2010; 1.8 per cent in the period 2011 to 2030; and 1.3 per cent in the period 2031 to 2050. For the ten new Member States (EU10), the forecast is worse, with GDP falling from 4.3 per cent in 2004 to 2010; 3 per cent in 2011 to 2030; and to just 0.9 per cent from 2031 to 2050.
- Public spending on pensions will rise significantly. Only one in five Member States will decrease levels of public spending due to recently implemented pension reforms. In nine Member States the increase is predicted to be over five percentage points of GDP.
- Ageing populations will also lead to increased public spending on healthcare, which on average, are expected to rise by some 1.5 per cent of GDP by 2050. EU10 countries may face a particular challenge in managing their health care systems given their low level expenditure on health care.<sup>61</sup>

The large projected increases in public expenditure due to pensions and healthcare call into question the financial sustainability of pension systems in the EU, as well as the long-term economic stability of the EU – especially the eurozone. Former Dutch EU Commissioner, Fritz Bolkestein, recently claimed that the pressures of ageing would put severe strain on public finances and the euro over the next ten years. Mr Bolkestein said, "In my view the long-term chances of survival of the euro should be questioned."<sup>62</sup> It is also unclear as to how Member States will manage increasing levels of public expenditure without borrowing and so increasing their budget deficits, thereby breaching the Stability and Growth Pact.

*The Times* analysed the extent of the crisis in the UK and concluded the cost of the government's underfunded liabilities for state workers' pensions is almost £1,000 billion, nearly double the official estimate, which stood at £530 billion in March 2005.<sup>63</sup> The situation in the UK and EU mirrors that in the US, as discussed by Peter G. Peterson in *Will America Grow Up Before It Grows Old? How the Coming Social Security Crisis Threatens You, Your Family, and*

*Your Country.* Peterson analyses the looming fiscal crisis that he believes faces the United States in the first half of this century when the baby-boom generation retires, leaving only the much smaller baby-bust generation at work to keep the country's Social Security coffers full.<sup>64</sup> Peterson predicts that by 2040 the average worker will hand over 35 to 55 per cent of each paycheque for Social Security and Medicare, compared with 17 per cent in 1995.

### Implications for America

American corporations are hugely exposed through their investments in Europe, and, as this paper has demonstrated, this is especially the case with the United Kingdom. Most European

countries are running huge public schemes that will eventually implode or have to be dismantled some way or another. The United States will be hit in at least two related ways:

- Huge tax rises will cripple the EU economy, in the process slashing the value of US investments, negatively impacting exports and leading to a global economic slowdown.
- The EU may try to compel Britain to bail out its social security system, jeopardising the UK's current economic success. This would almost certainly force British firms to engage in a huge sell off of their American assets and a large scaling back of their investments in the country, at an important cost in terms of American jobs.

## 7 - Internal Contradictions

The European Union is rife with numerous inherent internal tensions – social, economic and political – which completely undermine key US beliefs in democracy and accountability.

### The Euro

Chief among the EU's economic tensions are the problems associated with the European Single Currency – the euro – which was launched on 1 January 2002. The problem is that to integrate an economy effectively one must insulate it against economic shocks. Economists agree that such insulation comes in the form of one or more of the following:

- Exchange rate flexibility;
- Wage and price flexibility;
- Interest rate flexibility;
- Labour mobility;
- Fiscal transfers from the centre to disadvantaged regions; and
- Political Union.

As Willard Butcher, former CEO of Chase Manhattan Bank, observed, members of the European Single Currency share single rates of exchange and interest, little labour mobility, and stifling wage and price regulation.<sup>65</sup> Members of the eurozone therefore, writes Butcher, enjoy very little insulation against economic shock, unlike the states of the USA. Without such insulation, the eurozone must instead rely only on fiscal transfers at the federal level to iron out economic imbalances between them.

Yet, at the present time, fiscal transfers within the EU are dangerously low. To insulate against economic shock, fiscal transfers would have to rise well above that spent in the US if it is to compensate for the lack of alternate factors such as labour mobility and wage/price flexibility. The result will be a European government spending unfeasibly large amounts of its citizens' money in an attempt to paper over the cracks between its component economies. This is a typical example of how arguments for integration produce opposite results.

### Stability and Growth Pact

The Stability and Growth Pact (SGP) – which was set up in 1997 to enforce budgetary discipline in the eurozone countries – rules that budget deficits should be below 3 per cent of nations' annual GDP and that national debt must be limited to 60 per cent of GDP. Failure to observe this is supposed to lead to the imposition of sanctions by the Commission on errant Member States. Portugal breached the pact as early as 2000, France and Germany followed suite in 2002,

Greece in 2004 and most recently Italy in 2005. However, when push comes to shove sanctions have not followed, and countries such as France have retaliated defensively against criticism. When challenged about France's rising deficit, Former Prime Minister, Jean-Pierre Raffarin, retorted that his job was to *"fight unemployment"* not *"to produce accounting equations ... so that some office or other in some country or other is satisfied."*<sup>66</sup>

Former European Commissioner Lord Doherty described the situation thus:

*"Just look at the German public debt in relation to the Stability Pact and common currency. No one would dream of applying the pact if the German government said they did not want it. That is an extreme, but telling example of how the Union is essentially understood to be an instrument of national policy in many continental countries rather than as a new authority that overrides national policy... When it does, as has been shown in recent judgements by the European Court, there is an outcry..."*<sup>67</sup>

### Undemocratic System

The European Union is systemically undemocratic and, under the existing Treaties, was intended to be so. The EU is undemocratic because not only is EU legislation exclusively put forward by the unelected Commission, but also majority voting, which covers a vast swathe of European legislation is made binding on the Member States and overrides the will of the voters in general elections in those countries. Imagine that the US was governed by the majority vote of other countries? The idea is absurd.

Author and journalist, Frederick Forsyth, discusses the issue of democratic accountability when giving evidence to the ERF in July 2005. Lord Waddington asked the question:

*"What sort of root-and-branch reform do you have in mind? Would you start with the Commission which pretends to be the government of Europe, without having democratic mandate?"*

To which Mr Forsyth replied,

*"That is true. That is the way in which it was devised. That was the way – certainly back in 1972 – when the then Prime Minister, Mr Edward Heath, agreed to concede all the powers that was necessary. I do not think that he revealed to us quite what he was conceding..."*<sup>68</sup>

The stated aim of Jean Monnet, the chief architect of European integration, was to create government by technocrat in a continent where, he felt, politicians had failed so badly. As Monnet stated himself,

*"Europe's nations should be guided towards a super state without their people understanding what is happening. This can be accomplished by successive steps each disguised as having an*

*economic purpose, but which will eventually and irreversibly lead to federation.*<sup>69</sup>

Monnet, like present European leaders, presumably gave little thought to the fact that genuine democracy – that is, government by the people rather than by unelected officials – should be, but is not, the solution to, rather than the cause, of Europe's ills.

The members of one of the EU's most important institutions, the European Commission, are not only unelected, but are almost totally unaccountable to their notional counterweight, the European Parliament. Indeed, as European analyst Lindsay Jenkins argued in evidence which she gave to the ERF on democracy and

accountability in the European Union:

*"Unelected Commissioners and civil servants owing their allegiance not to their own nations, but to the European Union and a Parliament with extremely limited powers, which is elected by proportional representation and controlled by European Union-wide parties, exemplify the EU's aim. That aim was updated in the preamble to the Treaty of Nice as the process of ever closer union, which ends with one country and one state."*<sup>70</sup>

Increasingly, the European elites are detaching themselves from the peoples of Europe. It is certainly not 'anti-European' to point this out and to speak out in favour of true democracy.

## 8 - Threat to NATO

History has a tendency to repeat itself. Experience over the past 190 years has shown that in terms of national security, Britain's strongest allies have been English-speaking nations – namely the US. More recently the North Atlantic Treaty Organization (NATO) has served as a cornerstone, providing a point of reference for the EU and the US over issues of defence and foreign policy.

The St Malo agreement made in December 1998 between Tony Blair and Jacques Chirac succeeded in tipping the balance previously set by NATO, by allowing the EU *"the capacity for autonomous action, backed by credible military forces."* In so doing, Mr Blair turned his back on the 'special relationship' with the US by allying the UK with a country that has sought to undermine NATO and US influence in Europe since the end of the Second World War. Since St Malo the EU has pursued a separate defence policy to rival that of NATO and the US. The European Defence and Security Policy (EDSP) and the European Rapid Reaction Force (EURRF) are both landmark creations. The EURRF is a transnational force managed by the EU itself as opposed to individual Member States. According to the Petersburg rules, it goes beyond the usual EU defence duties of providing humanitarian, rescue and peacekeeping and peacemaking (to include joint disarmament) operations, and now provides military advice, assistance tasks and post conflict stabilisation with the possibility to provide assistance in the fight against terrorism. In this way, the EURRF represents a full-time military command structure, entirely separate from that of NATO. Prior to George W. Bush's visit to the EU in February 2005, former German Chancellor Gerhard Schröder made no pretences about German attitudes to NATO when he said that, *"NATO is no longer the primary venue where transatlantic partners discuss and co-ordinate strategies."*<sup>71</sup>

Indeed, the true nature of EU defence policy has only recently become clear. Geoffrey Van Orden MEP argues in his paper, *The False Attractions of EU Defence Policy and the need to rethink NATO*, that:

*"The EU defence policy adds nothing to military capabilities. It should be seen for what it is – a key part of the process of European political integration, intruding into the most sensitive areas of national sovereignty, undermining NATO and widening the gap between the US and Europe."*<sup>72</sup>

### US Attitudes

It is crucial the US realises, in the words of former Chief of the UK Defence Staff, General the Lord Guthrie of Craigiebank, that ESDP is not viewed by the EU as *"a partnership so much as a counterbalance"* to the US.<sup>73</sup>

Again, it is interesting here to consider Robert Kagan's thesis in

*Paradise and Power* in order to understand how the relationship between the US and EU should work in terms of defence policy.<sup>74</sup> Kagan argues that the US has tended to conduct itself in terms of 'hard power' in foreign affairs and the EU in terms of 'soft power'. The EU3's failure to curb Iran's nuclear ambitions is a good example amongst many where the soft power approach hits the deck. As Van Orden argued in a recent article in the *Financial Times*, both NATO and the EU have their own clear but separate roles to play in crisis management – military operations should be left exclusively to NATO, but the EU can be useful in offering trade incentives, humanitarian aid and development programmes.<sup>75</sup> In other words, NATO and the EU can, with serious reservations, complement, not compete, with each other. This point was emphasised by the Rt Hon. Lord David Owen, co-founder and former leader of the Social Democratic Party in the UK, during oral evidence given to the ERF. He argues:

*"I do want the EU to have a peacekeeping role... and the European Union has to consider different views. There is a wish for a soft role and I can live with that, as long as it does not damage NATO, but the present structures are perilously close to damaging NATO. If we had gone for the EU Constitution, we would have moved right across to damage NATO."*<sup>76</sup>

The crucial difference between NATO and the EDSP is that whilst NATO should act as the authoritative hard power, the EU can occupy a differing position, provided it does not get in the way of decisive action where it is needed and does not appease or cave in to threats or pressure. The UK and certain other Member States do not make this mistake, but other Member States and the EU as a whole are all too prone to do so. This is a serious matter affecting vital US national interests.

In an article in *Foreign Affairs* as part of the 2000 US Presidential election campaign, Condoleezza Rice wrote, *"The United States has an interest in shaping the European defence identity – welcoming a greater European military capability as long as it is in the context of NATO."*<sup>77</sup> The Center for Strategic and International Studies (CSIS), an American based think tank, recently completed a yearlong study into how greater European defence integration might be achieved, based evidently on the assumption that a separate EU defence force is required. The CSIS report, *European Defence Integration*, stated: *"...integration is essential to ensure that the composite European force posture is ultimately greater than the sum of its parts. In the near term, [Member] States must seek out new opportunities for integration with their European partners."*<sup>78</sup> Although these two examples in no way speak for America as a whole, they certainly represent a wider belief of a portion of both the general public as well as those in office. The vaunted aspirations for European defence are simply not matched

by financial commitment nor on their ground combat ability.

America rightly regards Turkey as an essential strategic ally within NATO, given the crises in the Middle East. Turkey represents a bridge between East and West. However, there is an absolute determination by some not to allow Turkey to become part of the European Union. Despite the secular nature of Turkey's government and despite it having made some 700 legislative changes to its constitutional laws, the problem of economic migration, low wages and the fear of Islamic fundamentalism in Turkey has accentuated objections from the likes of Giscard d'Estang and others.

In a recent meeting I had with Turkish MPs, when the question was raised as to whether a European Union of associated Member States might be a preferred option, as compared to the current integrationist project with an over-arching EU constitutional primacy enforced by the Court of Justice, it was made clear that associated status was supported. An associated status adopted by all EU Member States would make it easier for Turkey to become part of a European entity. This in itself would be an important reason for the US to encourage the European Union becoming a looser association of Member States. It would be disastrous if Turkey became effectively a European province within the EU and then reverted to a fully Islamic state governed by Sharia law, which could not co-exist with the legal framework of the EU and the European Court of Justice.

### Defence Expenditure and Burden Sharing

European nations have been making drastic cuts in their defence expenditure. By devoting on average only 1.9 per cent of GDP to defence over the years 2001 to 2004, European members of NATO have been effectively 'free-riding' upon US defence expenditure.<sup>79</sup> In contrast to this, whilst there is not a dedicated EDSP budget within the EU general budget, spending on the EDSP has still risen significantly over the past two years and is projected to increase further in 2007. In 2005, the CFSP budget reached €62 million, and €102 million has already been set aside for 2006. It has been suggested that the CFSP budget should be increased to €300 million in 2007.

A further example of the EU's reluctance to share the defence burden with the US can be seen in the current situation in Afghanistan. Following the Laeken European Council Meeting in December 2001, an unseemly row broke out amongst EU leaders regarding future levels of contribution to NATO's mission. Whilst the then Belgian Foreign Minister, Louis Michel, declared all 15 Member States would contribute a force of 3,000 to 4,000 troops to Afghanistan, other EU figures such as former German Foreign Minister, Joschka Fischer, claimed the issue was not one for the EU, but the UN Security Council. Five years down the line, a number of Member States have been awkward in adhering to their initial pledges. When the US indicated its desire to withdraw some of its 20,000 troops based in Afghanistan and replace them with NATO's International Security Assistance Force (ISAF) in 2005, several NATO members, namely France, Germany and Spain, expressed concerns over the use of ISAF troops in combat situations. Indeed France indicated it would consider vetoing any integration of US-led forces and NATO-led forces under one command.

### Procurement of Armaments and Weaponry

As a direct result of the increasing gap in defence expenditure by the US and European allies, few European armed forces are able to

operate effectively alongside US forces. This is precisely the situation that leading US officials were hoping to avoid. In 2000 as part of the Presidential election campaign, Robert B. Zoellick wrote in *Foreign Affairs*, "In critical areas, US allies in Europe ... can share significant burdens and make major contributions. In order to fight together their forces must be interoperable."<sup>80</sup>

General the Lord Guthrie raised this point when giving evidence to the ERF:

*"The British were probably the only people capable of being embedded within an American force in the first Gulf War. We can just about do it now, but it is becoming harder and harder because the gap between the Americans and the Europeans is becoming greater because of their weapons systems and procurement."*<sup>81</sup>

Indeed, it is an issue of great current concern. Europe's lack of research and technology funding has ensured that not only the EU as a whole, but individual Member States who have proven themselves US allies – such as the UK and Poland – are being forced to lower their standards. Thus they have found themselves struggling to maintain the capability to serve alongside the US military.

It is now being suggested that all EU Member States should apply 'European Preference' when procuring defence equipment. This is an absurd policy which would force countries (such as the UK, who have agreements with the US) to settle for military equipment which is not only below US standards, but more expensive to produce. It would also throw current essential joint projects such as the UK-US Joint Striker Fighter into doubt. At a recent Parliamentary Defence Committee, Mike Turner, Chief Executive of BAE Systems, implied that getting the US to share sensitive military know-how with the UK could offer more promise than collaborative research across Europe.<sup>82</sup> The EU's air-to-air missile, the Meteor, which is currently under construction, is costing £1.4 billion to build. The same product could have been purchased ready-made from the US for just £500 million. In a further twist, the seeker, which is at the heart of the missile, is made by the French who have total design authority and complete intellectual rights to it. The radar and logic system is also made by the French. The motor, which is a unique design, is made by the Germans, who have total design control over it.<sup>83</sup>

The US should also be wary of the EU's global satellite navigations system, Galileo, which has been set up by the EU as an alternative to the US Global Positioning System (GPS). The EU's official stance is that Galileo is intended for civilian use only. However, Michele Alliot-Marie, the French Foreign Defence Minister, has openly stated the EU intends to use Galileo for military purposes. China has poured large amounts of funding into the system. Dr Richard North strongly believes this is further evidence Galileo could and will be used for military purposes. He argues, "why would China spend €400 million on the system when it is free to use the American Navstar System if it did not intend it to have a military application?"<sup>84</sup> As the EU's relationship with China grows stronger, the threat of potential technology leakage from the EU to China will increase. It will thus become more problematic for the US to share information with its strategic European allies. This has serious implications for the US-UK relationship, as North predicts this will lead to "the problems of US-UK cooperation ... being exacerbated further."<sup>85</sup>

The EDSP is merely another piece in the jigsaw of a United States of Europe. The clear ambition of European federalists, namely in France and Germany, is for the EU as a whole – rather than

individual Member States – to become a single partner of the US within the NATO alliance. As long as the US not only supports, but actively promotes EU integration, they will lose their key allies in Europe. Had the EU Constitution been ratified prior to the outbreak of war in Iraq, America's allies in Europe would have been completely hamstrung and it would have been impossible for the UK to support the US in its actions. History shows the UK as America's most reliable partner; the UK is more likely to support the US than any other European country and vice versa. In supporting further EU integration, and therefore ESDP, the US is putting this partnership under pressure.

## Terrorism

In today's world, domestic security can only be ensured in the context of global security. Terrorism is an international threat, which to varying degrees affects all nations. The response to terrorism must therefore be international and transatlantic cooperation is fundamental.

The UK has shown itself as a repeated ally of the US in the war against terror. This was recognised by the US in the 2004 State Department report, *Patterns of Global Terrorism*.<sup>86</sup> Whilst cooperation between the US, UK and the EU in this context has certainly improved since events such as the Madrid Bombings in March 2004, Washington should understand the extent to which perceptions on combating terrorism differ between the US and EU.

The EU's most recent list of official terror organisations, issued in November 2005, does not include notorious groups such as Hezbollah or even Al-Qaeda, the former on the basis of its social as well as religious programmes and the latter due to the fact it is a loose network of affiliates, as opposed to an organisation *per se*. Moreover, Javier Solana, the EU High Representative who was

intended to be the Single Spokesman for the EU under the presently aborted Constitution admitted on a BBC programme before Yasser Arafat's death that he had secret meetings with Hamas without ostensible authority. This was a live broadcast although he subsequently attempted to backtrack and retract his comments.

Richard Haas, the former director of policy planning at the State Department, argues *"while European integration is very important... Europe cannot become overtly consumed by its internal affairs because the principal challenge to its welfare and security are outside the European continent."*<sup>87</sup> Mr Haas has highlighted the crux of the problem. Co-operation works best on a bilateral basis as opposed to a multilateral one. When focussing on individual country performance in *Patterns of Global Terrorism*, the State Department acknowledges:

*"Efforts to combat the threat in Europe are sometimes hampered by legal protections that make it difficult to take firm judicial action against suspected terrorists, asylum laws that afford loopholes, inadequate legislation, or standards of evidence that limit use of classified information in holding terror suspects."*<sup>88</sup>

If the US continues to support greater EU integration then the problems highlighted above will only worsen. The report then analyses developments in individual Member States and it becomes clear that a number of positive bilateral developments have been made. However, as soon as the US is forced to deal with the EU on a multilateral basis, it once again comes up against the same old problems. The report itself demonstrates that it is easier and more effective for the US to co-operate with individual Member States rather than the European Union as a whole. The US should therefore concentrate its efforts on building upon individual partnerships in order to secure the most reliable methods for preventing terrorism.

## 9 - Threat to US Interests Abroad

### Undermining US/UK policy on the Middle East and Iran

By pursuing policies in opposition to those of the US, the EU has successively undermined a number of US global interests. The US has also been forced to come to the EU's assistance when their actions backfire. This has been seen especially clearly over the EU's dealings with Iran and could be seen in the future over the EU's possible decision to fund Palestine's new government, Hamas.

The recently elected Palestinian government, Hamas, is listed by both the US and the EU as a terrorist organisation, due to its commitment to terror and the destruction of Israel. The US declared early on that a *"Palestinian government that is not committed to peace and international consensus simply will not receive the sort of direct fund transfers that have been given to the Palestinian Authority,"* although humanitarian aid would be continued through other mechanisms.<sup>89</sup> In contrast to this, as Palestine's largest donor, the EU pledged it would continue to give \$144 million in direct aid, in spite of their claims not to recognise the regime. As evidenced in speeches made by Condoleezza Rice and Dick Cheney, the US made its position clear from the beginning that, *"the Palestinian government must recognise Israel's right to exist, and Hamas must renounce terror and dismantle the infrastructure of terror."*<sup>90</sup> The EU, however, announced a u-turn on their pledge for aid on 10 March 2006 when EU External Relations Commissioner, Benita Ferrero-Waldner, announced, *"We will not go soft on our principles... Money will not flow to the new Palestinian*

*authority unless it seeks peace by peaceful means."*<sup>91</sup> EU High Representative, Javier Solana, confirmed this when he stated that up to 80 per cent of the €500 million in EU aid to Palestine was in danger. In this instance the EU has moved from a position that directly contradicts the US, to one which largely follows it. It is interesting to speculate the reasons behind this: was the withdrawal of EU aid due to US insistence?

Prior to the commencement of negotiations between the EU3 (France, Germany and the UK) and Iran over the Non-Proliferation Treaty, former UK Foreign Secretary, Douglas Hurd, wrote an article in the *Financial Times* extolling the benefits of such a programme. He claims this was the time for the EU to demonstrate its independence from the US. However, three years later it is now possible to state what was only too obvious before – officials in the US allowed the EU3 too much latitude in what has turned out to be an unfulfilled hope. In January 2006, Iranian President Mahmoud Ahmadinejad broke UN seals at its nuclear enrichment plant in Natanz, thereby throwing a spanner into the three years of negotiations with the EU3. Whilst the election of President Ahmadinejad in the summer of 2005 further radicalised Iranian politics, the country lacked true commitment to the negotiations long before. Matthew Attwood demonstrated this point in the *European Journal*; he argues that Iran was not adhering to the EU3's demands as early as February 2004, just months after the talks began in October 2003.<sup>92</sup> The potential threat posed by Iran was also recognised by King Abdullah II of Jordan when he identified

the rise of an Iranian dominated Shiite Crescent with the election of the Iraqi government in 2003. Again, this was before the election of President Ahmadinejad.

The US administration has been supportive of the EU3's attempts, irrespective of the heightening tensions between Iran and the Western world. Even now the negotiations have been declared a failure, US political figures continue to take their cue from the EU3 with regards to Iran.<sup>93</sup> It has now reached the stage where opponents of the EU3 and UN's soft approach are unable to speak forcefully about what should be done. UN Secretary General, Kofi Annan urged the US to cool its rhetoric after Dick Cheney warned Iran at the American Israel Public Affairs Committee on 8 March 2006 that the US was "keeping all options on the table in addressing the irresponsible conduct of the regime."<sup>94</sup> US Ambassador to the UN John Bolton's recent comparison of the threat of Iran's nuclear programme with 9/11 also received similar reactions.<sup>95</sup>

### EU Energy Policy

Energy can no longer be viewed as simply an environmental matter; it is now an issue of domestic supply and the foreign security of a nation. A new impetus is underway among EU bureaucrats to transfer control of energy policy from individual Member States to Brussels. The Common Energy Policy, announced in March 2006, marks an important step in the integration of the EU over a key strategic issue.

At the centre of this new energy policy is the 'Strategic Partnership Treaty' with Russia, which emphasises joint crisis management as EU reliance upon Russian energy supplies increases. The idea that the EU will aspire to adjudicate over Member State energy policy, including the United Kingdom's, will have huge implications for the EU's relationship with the Middle East and Russia.

This common energy policy is certainly not in America's interests. The inability of the UK to regulate its own energy policy will prevent it being able to guarantee flexibility to US contracts and interests in the UK, as it will for any Member State. This will lead to huge instability in the security of supply and also insecurities in the

foreign policies of both the EU and the US in terms of their dealings with oil-rich Middle Eastern countries. For example, Mostafa Pourmohammadi, the Iranian Interior Minister, threatened to use oil as a weapon if the UN imposed sanctions on Iran over its nuclear programme: "*If (Security Council members) politicise our nuclear case, we will use any means. We are rich in energy resources. We have control over the biggest and the most sensitive energy route of the world.*"<sup>96</sup>

It should be a matter of great concern that the Common Energy Policy rests so heavily upon Russia – a country which continues to control energy supplies to the entire former Soviet Bloc. Only recently Russia held the Ukraine to ransom by cutting off its gas supplies unless it agreed to pay more for the service. There will always be problems if the fate of many rests on one, but the potential instability for the US, UK and EU in this case is enormous as energy policy is now part of foreign and security policy.

### Undermining the US Trade Embargo on Cuba

The European Union has consistently expressed its opposition to the extra-territorial extension of the United States embargo on Cuba, as laid out in the Helms–Burton Act of 1996, which effectively forces internationally operating companies to choose between trade with the US or trade with Cuba, thereby punishing any non-US corporations and investors with business interests in Cuba. In retaliation, the European Parliament passed a law making it illegal for all EU citizens to obey the Helms-Burton Act, thereby eliminating any weight the Act had over EU citizens. According to the EU's Common Position on Cuba, "*the objective of the European Union in its relations with Cuba is to encourage a process of transition to a pluralist democracy and respect for human rights and fundamental freedoms, as well as sustainable recovery and improvement in the living standards of Cuban people.*"<sup>97</sup> Despite the sentencing in Cuba of 75 journalists and trade union activists in April 2003 and the conviction of 16 dissidents in April 2004, the EU continues to adhere to this policy. At the most recent UN vote on the issue of the US embargo against Cuba in 2005, the EU voted with the UN in calling on the US to lift its sanctions.

## 10 - The European Constitution

The latest step in consolidating Franco-German power within the EU – the European Union Constitutional Treaty – was narrowly averted in June 2005 when the French and the Dutch voted against the Treaty in national referenda. The Constitution, had it been enforced, would have represented the final treaty stage of the construction of a power bloc that is deeply political as well as economic. Recent calls for the revival of the Constitution by a number of EU leaders – including those who hold the rotating EU presidency over the next two years – strongly indicate that the battle against the Constitution is far from complete. Indeed, specific aspects of the Constitution – such as the development of a European Defence Agency, established in 2004 – have already been introduced. The Rt Hon. John Redwood, MP, stated in his evidence to the ERF, "*The intention is to carry on with many of proposals of the EU Constitution by stealth or by other means, without needing the consent of the people.*"<sup>98</sup>

Indeed, the EU Constitution may seem to be dead but is by no means buried. Angela Merkel has committed Germany to press on with ratifying the EU Constitution, as described in section four above. Already the Austrian Presidency is kick starting this process,

under its current presidency. This mantle will be taken up by Finland when it takes over the Presidency in June. The combined effect of the CFSP and defence proposals for the Constitution and the concentration of power in the hands of the High Representative Javier Solana together with the primacy of the EU Constitution over the Constitutions of Member States cannot be overestimated. The combined effect of these and other related moves in this sphere will be to reduce the autonomy of countries such as the UK in forming future military alliances or bilateral military alliances with the US. As Lord Owen argues:

*"There must be no uncertainty about primacy in the conduct of foreign affairs lying with the Member State or about the nature of European Union competence in the conduct of foreign and security policy. There was considerable uncertainty on both matters in the proposed Constitution."*<sup>99</sup>

For those who would argue that the specific wording retains a sufficient degree of latitude for individual Member States, it would be wise to look at the general trend towards the surrender of individual sovereignty, which has occurred throughout the evolution of the existing European Treaties.

## 11 - Conclusion

This paper has examined the historical and practical impact of European integration on the United States of America. It has demonstrated beyond reasonable doubt that the current assumptions upon which the United States has continued to endorse European integration are flawed in practice. This is not to say that a good working relationship between the United States and Europe is not essential. However, the process of European integration, exemplified for example by the deep-rooted differences in foreign and security policy and the undemocratic and over-arching constitutional impact of the proposed European Constitution, now illustrate the need for America to review its policy. Deeper European integration, as we have argued above, is not in America's own national interest, let alone in the interests of the EU itself, the UK and the wider world. This is particularly important in the context of global stability as a whole and the emergence of new powerhouses such as China and India, not to mention the dramatic events unfolding in the Middle East.

It would be disastrous if the differences which do exist were to become so entrenched that they undermined the transatlantic alliance which has not only saved Europe on several occasions over the past hundred years, but has also greatly benefited the United States in trade, investment and security. Part of the exacerbation of these differences has come from commentators and policymakers who have failed to observe that the movement towards European political union has compromised the values of democracy and freedom, which lie at the heart of that alliance. They would do well to heed the advice of those Eurorealists who have consistently made the correct predictions about where the European Union is going and who have consistently opposed European

integration since the problem became most acute after the Maastricht Treaty and the creation of European government under the existing Treaties and not to mention the proposed Constitution for Europe.

Fortunately, there are positive alternatives to the Euro-integrationist route that include forms of association similar to that of the European Free Trade Area, which would simultaneously preserve American interests *in* Europe and the democracy and the individuality of the nation states *of* Europe. Such an association would also encourage free trade and political cooperation amongst the states of Europe.<sup>100</sup> Making the case from within Europe is one part of the equation, but what is equally, indeed profoundly, needed is a re-examination within the United States (including specifically in Congressional committees and in the State Department) of American policy towards European integration as it has developed since 1945, but particularly since 1990.

There are those who think that the issue of Europe should be put on the American backburner while America absorbs the significance of the emergence of other centres of influence, trade and power. This would be gravely mistaken, as history has shown over and over again. The need to re-evaluate US policy towards European integration has come. This is necessary, particularly having regard to the shared cultural roots, common values and reasons for the transatlantic relationship in the first place. These are not merely nostalgic sentiments from the past, but present, practical policies in America's own vital national interest. Given the weakness of the political will in the EU as a whole, and some Member States in particular, and whilst the tectonic plates of the world are shifting, there is no time to lose.

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