

I. Europe in crisis

Poland cancels its referendum

The Polish president, Alexander Kwasniewski, announced on 21st June that the referendum on the European constitution, which had been planned for October, would now not take place. He told a press conference, following consultations on the European constitution with the Prime Minister, Marek Belka, that, "There must be a referendum but the date is not yet clear. It will be in the distant future and certainly not in October. A referendum in October is not realistic." Mr Kwasniewski added that the decision about what to do with the referendum would depend on his successor: his term in office finishes in the autumn. He also said that it was "constitutionally possible" for the constitution to be ratified by the Parliament. On Monday, the Prime Minister had said that the country might well have an interest in ratifying the constitution by the parliament, as opposed to holding a referendum. Belka said, "The best method of ratification would today be a rapid procedure in the parliament. It will be difficult to convince people to go and vote when we know that the majority of the countries concerned are abstaining from the ratification process, and especially from referendums." He added that he remained convinced that it was in the interests of Poland to ratify the constitution. The decision to delay the referendum is a defeat for the left-wing government, which had wanted to hold it on 9th October, the date of the first round of the presidential elections. The right-wing opposition, meanwhile, has been calling for the referendum to be delayed, as has now happened. Following the defeats of the constitution at the hands of French and Dutch voters, support for the constitution has dropped from 54% to 40%, according to polls. Six EU member states have already announced that they will delay their ratifications of the constitution: Denmark, the Czech Republic, Portugal (all by referendum), Sweden, Belgium and Finland (parliamentary ratification). [*Le Monde*, 21st June 2005]

The Mouse that Roared

No doubt in order to try to cancel out the effect of Poland's decision, and also probably mindful of its role as the current holder of the EU presidency, Luxembourg has confirmed that it is sticking by its plan to hold a referendum on the European constitution. The vote will be held on 10th July. The

Deputy Foreign Minister of Luxembourg, Nicolas Schmit, told the Foreign Affairs Committee of the Luxembourg parliament that the government was in favour of pressing on with the referendum. According to a Green member of the parliament, all parties are in favour of this policy. Opinion polls are banned in Luxembourg for one month before a poll but the last poll, published at the beginning of June, showed a sharp rise in the number of people preparing to vote No, to 45%. Only a few months previously, the percentage had been extremely small. So far, Lithuania, Hungary, Slovenia, Spain, Italy, Greece, Slovakia, Austria, Germany and Latvia have all ratified the constitution (Spain alone by referendum). The Federal President has not yet signed the German ratification. [*Le Monde*, 20th June 2005]

Europe threatened with financial chaos

Senior EU diplomats are predicting budgetary chaos in the EU following the break-up of the EU summit. They say that the Austrian presidency in the first half of 2006 will be the last chance to find a solution for the budget from 2007 to 2013, because any agreement will take at least six months to implement. The euro-cognoscenti say that there is absolutely no chance that an agreement will be reached under the British presidency, which starts in July. One budget expert in the Commission has said, "The graves which Tony Blair has opened are simply too deep." The danger therefore is that there will be no legal basis for around 60% of the EU's spending from 2007 onwards. Only agricultural spending has been agreed until 2013 (the 2002 agreement on CAP spending makes Tony Blair's sudden zeal for reform rather difficult to defend). The danger is that the new member states might even get into serious financial difficulties, because the amounts of money they hoped to receive are very considerable. All eyes are therefore on the Austrian Chancellor, Wolfgang Schüssel, who takes over the presidency in January 2006. But even his chances of success are not rated very highly because Austria has elections in Autumn 2006, and the internal political situation in Austria is not particularly stable: his coalition partner, the Freedom Party, is undergoing huge internal ructions and Europe is a hot political potato in the country. [Michael Scheerer, *Handelsblatt*, 20th June 2005]

Budget crisis: is Poland really an ally of Britain?

The government of Tony Blair has been putting it about that it hopes to receive support from “the new Europe” in its current battle with France over the EU’s agricultural budget. In the South-East of Poland, the EU now delivers milk in 1 litre packets with the tasteful mention “Help for the poorest regions of the European Union” written on the side. It is supposed to be for children to consume during their breaks at school. But many schoolchildren have refused to accept the milk, finding it humiliating. The idea that these people will welcome further cuts in agricultural subsidies seems somewhat far-fetched: if Polish peasants cannot produce their own milk, then the world truly is upside-down. The Polish agriculture minister, Jerzy Pilarczyk, has tried to convince his countrymen that Blair’s proposals to cut the CAP will hit only those farmers who currently receive full subsidies, i.e. those in the old 15 member states who receive the full whack. (Farmers in the new member states get only 25% of their level.) He said, “I do not think that the already low subsidies which Poland receives will be cut further.” Poland has for the time being added its own national subsidies, bringing the total level up to 55% of that which farmers in Western Europe receive. The original intention was for the EU not to pay the full 100% until 2013, but the whole question has now been thrown open by the row over the budget. The Europe minister, Jaroslaw Pietras, has said that if subsidies are to be cut, it should certainly not be for Polish farmers: he has insisted that Polish agriculture needed subsidy if it is to be reformed. The money at stake is huge: Poland currently receives only 1.5 billion euros but according to the most recent proposals made by Luxembourg, it could receive 80 billion over the period 2007-2013. This would represent a net gain of 61 billion, taking into account Poland’s contributions to the EU budget. Tony Blair opposes this solution, and therefore the promise of a Warsaw-London axis seems remote, to say the least. [Gerhard Gnauck, *Die Welt*, 22nd June 2005]

CDU flirts with anti-EU sentiment

No doubt with its eye on the main chance, the CDU has started making anti-EU noises. Traditionally, of course, both right and left in Germany are very pro-European, with the Christian Democrats being perhaps even more so than the Social Democrats. But, following the French and Dutch referendums and the budget crisis, and in view of the mounting unpopularity of the EU, the party has been expressing its doubts about the power of Brussels.

On the specific question of the EU budget, it has attacked the Schröder government for the failure of the summit: the Foreign Policy speaker of the

CDU, Friedbert Pflüger, said that seven years of red-green government had led both Germany and Europe into crisis. Peter Hinze, who speaks on Europe for the party, said that Chancellor Schröder had abandoned Germany’s role as moderator in favour of an excessive closeness to France. He said that this reduced Germany’s popularity among the smaller member states, who resented the alliance with Paris and without whose support Germany could wield no decisive influence in Europe. The chairman of the parliamentary party, Wolfgang Schäuble, said that the priority was now to rebuild the trust which, he said, had been destroyed since 1999. The CDU has a rather vague position on the question of CAP reform: although it has suggested that member states co-finance agriculture, this suggestion would certainly meet with strong opposition from German farmers. Germany is one of the biggest recipients of EU agricultural subsidies. Farmers’ associations are saying that the current agreements must be respected: in 2002, it was agreed that CAP subsidies would be paid towards rural development more than to production.

But both Schäuble and the party leader, Angela Merkel, seem to have started campaigning against Brussels itself, or at least in favour of reducing the EU’s power. On several occasions in recent weeks, Merkel has called for a system for reviewing planned directives, of which she said there were hundreds waiting in the “Brussels pipeline.” Her favourite example is a directive on the chemicals industry, which she and others accuse of imposing too much bureaucratic control and of threatening small and medium sized businesses. Wolfgang Schäuble has even called for the whole corpus of EU law to be trawled through and removed – all 80,000 pages of it. He said, “We must not only examine those directives which are still being drawn up; but also the whole existing law of the EU should not longer be a taboo.” He added, “Europe is suffocating from the way that many decisions are taken.” Schäuble said that to call for Europe’s powers to be limited was not to call for the EU to be transformed into a pure free trade area. [Nikolaus Blome, *Die Welt*, 21st June 2005]

Swedes regret joining EU

Many Swedes wish that they had never voted in favour of joining the EU in 1994. The economy has been growing since then, but in September 2003, when Swedes voted against adopting the euro, the economy continued to grow healthily – the opposite of what pro-euro campaigners had predicted. In its latest predictions for 2005, the budget having been presented to parliament on 14th April, the government has predicted that growth will be 3.2%,

which is more than twice that predicted for the euro zone. The main motor of growth is domestic demand, as opposed to exports, since interest rates are low and employment fairly healthy: unemployment is 5% and should fall to 4.4% in 2006. Employment levels are among the highest in Europe (77%). When one takes into account all the social programmes which hide the true figures for people out of work, the figure rises to 8% which is still lower than the official unemployment figure for France and Germany. The budget deficit is about 2% of GDP, again much lower than in the main euro-zone states. [Antoine Jacob, *Le Monde*, 21st June 2005]

New wave of bankruptcies in Germany

The number of German companies declaring insolvency will rise again next year, following a small drop in the number of bankruptcies in 2004. An insolvency insurance expert reckons that there will be 39,600 bankruptcies this year and as many as 40,000 next year. The total amount of claims against these companies is some 28 billion euros. The risk of bankruptcy in Germany is apparently higher than in other West European countries and the EU. The service sector is suffering the worst. Small businesses are the most vulnerable – the number of their insolvencies is predicted to rise by 6%. These figures add to the general economic gloom in Germany: investment is too low to boost production and growth therefore remains low too. Small and medium sized companies, the backbone of the German economy, are especially vulnerable because they generally own only about 10% of their own capital. [*Handelsblatt*, 22nd June 2005]

French growth rates revised down

The French national office of statistics, INSEE, has revised downwards its growth predictions for the French economy. The predicted figure for 2005 is now 1.5%. Growth was a mere 0.2% during the first three months of the year, as opposed to the 0.6% which was still being predicted in March. It is now expected to hover between 0.3% and 0.6% for the remainder of the year. The predicted figure of 1.5%

is below the government's figures: on Tuesday, the Minister of Finance, Thierry Breton, revised the official predictions down from 2.5% to 2%. But many economists in the private sector accept the INSEE figure. The main reason for the pessimism is the inexorably rising oil price, which has been edging towards \$60 a barrel in recent days. The euro zone as a whole is being dragged down economically by Italy, which is in recession, and Germany, where growth is a mere 1.3%. The hope is now that the European Central Bank will cut rates to encourage growth: euro rates have been stable for two years now. The outlook for employment remains bleak, and the jobless rate is expected to reach 9.8% by the end of the year. [*Le Monde*, 23rd June 2005]

Poles flood West

Police in the Isère in France have discovered that Eastern European lorry drivers, mainly Poles, who are being employed by an Italian transport company, are driving for up to 20 hours per day for a salary of 150 euros a month, with no weekly rest time or holidays. One of the directors of the transport company has been arrested for fraud and for subjecting people to "unacceptable and inhumane working conditions." The case has aroused much interest in France, where the whole issue of East European immigration weighed heavily on the debate. The arrest started when a Polish driver was stopped by the police and was unable to show papers indicating that he had rested. The police and judicial authorities made further investigations and, on the night of 7th – 8th June, 200 gendarmes with helicopter support intercepted all the lorries from the company which were crossing the Rhone-Alpes region. Fifteen lorries were stopped. The Polish and Slovak drivers confirmed the information given by their Polish colleague, and that they could see their families only once every three months. The prosecutor has said that these working conditions are not only inhuman: they are also dangerous because the risk of accidents is enormous when a driver has been driving for twenty hours. [Serge Pueyo, *Le Figaro*, 20th June 2005]

II. Other European News

Holbrooke on UN

The former US ambassador to the United Nations, Richard Holbrooke, has said that he thinks that Germany and Japan should have permanent seats on the UN Security Council. He said that every American president from Jimmy Carter to Bill Clinton has supported Germany's desire to have a permanent seat. Holbrooke said that he regretted the fact that the Bush administration seemed to have

abandoned this policy. On the other hand, Holbrooke's own position is that Germany should have a permanent seat but no veto power. Holbrooke says that the US Senate, which would have to ratify any new treaty on UN reform, would never accept an increase in the number of veto-wielding countries. Holbrooke admitted that it would be highly anomalous to have four European powers (the United Kingdom, France, Germany and Russia)

with permanent seats in the Security Council, and that it would theoretically make more sense for the European Union to have a single seat. But that, he said, would require the EU to have a single foreign policy and for the present permanent members to give up their seats, which would never happen. He said that in theory the UN Security Council should have the US, China, Russia, the EU, Japan, India and one African and one Latin American country. "But all that is just theory," he concluded. [Interview with Jacques Schuster, *Die Welt*, 20th June 2005]

US "wants strong Europe"

On the occasion of the US-EU summit, President George W. Bush has said that the United States wanted "a solid Europe". Bush said, "The United States continues to support a strong European Union as a partner in spreading freedom and democracy and security and prosperity throughout the world. My message to these leaders and these friends was that we want Europe strong so we can work together to achieve important objectives and important goals." [http://www.whitehouse.gov/news/releases/2005/06/20050620-19.html] Speaking during the question and answer session with the Luxembourg premier, Jean-Claude Juncker, and the Commission President, José Manuel Barroso, the American president returned to one of his favourite themes when he said that relations with Europe were important because they were based on shared values. "And they're universal values -- they're not American values or European values, they're universal values. And those values, being universal, ought to be applied everywhere. And that's human rights, human dignity, rule of law, transparency when it comes to government, decency. And, obviously, if the EU and the U.S. speak with one voice on these issues, it's more likely to hear -- people will hear it." Both sides stressed the amount of common work which the US and the EU were doing – Barroso emphasised how they were both "promoting democracy in Ukraine and Lebanon". [*Le Monde*, 20th June 2005]

Yushchenko in Paris

The president of Ukraine, Viktor Yushchenko, has visited Paris and said that he is assured that France supports Ukraine's "European aspirations". He said that Europe would be incomplete, and less interesting, without Ukraine and that, one day, it would join the EU. President Chirac seemed less explicit, saying only that he "understood Ukraine's aspiration to go towards Europe". At the failed summit in Brussels the previous week, the French

President had questioned future enlargement of the EU (lending credence to the view that Europe's leaders are aware that the existing enlargement is very unpopular among ordinary people). Mr Yushchenko's press spokesman also said that France supported Ukraine's desire to join the World Trade Organisation. The Ukrainian president also said that European foreign ministers were preparing a cooperation agreement with Ukraine on gas, petrol and nuclear energy. Although Paris did not especially support the so-called "orange revolution" which installed Yushchenko in power last year, his Prime Minister, Yulia Tymoshenko, has visited Paris to sign various agreements on the energy sector, in which she hopes that there will be French "investment". In an attempt to bolster the apparently rather flagging ties between the two countries, the Ukrainian president used his visit to France to inaugurate a bronze statue of Anne of Kiev in the town of Senlis (North of Paris). Anne of Kiev was the queen of Henri I (1031-1060). [*Le Monde*, 23rd June 2005]

The bottom line

MEPs are trying to clear up a 25 year-old problem – their pay. On 23rd June, a vote is being held on whether they should all receive the same salary. Currently they are paid differently according to their nationality, with some massive differences between Hungarian MEPs who get 761 euros a month and Italian ones who get nearly 12,000. The idea is to harmonise their salary at a cool 7,000 euros a month (£55,000 per year). As is well known, MEPs supplement their salaries by charging full business rates for their travel expenses, even when they actually buy economy tickets. So a Berlin-Brussels return is reimbursed with 1,077 euros even if the MEP has in fact taken a ticket costing 191 euros. The profits from this racket can be as much as 4,000 euros a month. The current proposal, if it is approved, would enter into force only in 2009, when the next euro-elections are due, or 2019 for those states, like France, which wish to delay implementing it. Existing MEPs who would lose out from the new regime, the Italians for instance, will be able to opt to remain on the old system of pay if they are re-elected in 2009. The system of travel reimbursement will, however, be changed so that everyone will be paid only what the ticket actually cost. [*Le Monde*, 23rd June 2005]