

I. Geopolitical manoeuvring

Franco-German couple or ménage à trois?

Faced with the recent renewal of the marriage vows of France and Germany – during the Iraq crisis, the two countries grew closer together than they had been for a long time – Britain is once again trying to muscle in on the act. On 18th February, President Chirac, Chancellor Schröder and Tony Blair will meet in Berlin for a summit which is supposed to prepare the European summit the following month. This meeting recalls the one held in Berlin on 12th December which agreed on plans to develop a common European defence policy. They decided then that such meetings should become regular, even if they will not be as frequent as Franco-German summits. The British are, as ever, insisting that they be allowed to join the leadership club of Europe. Jack Straw told *Le Figaro* that Britain needed to be associated to the Franco-German motor because the EU was about to expand to 25 members. In private, Downing Street sources are more direct: they say that the collapse of the Constitution was itself proof that Europe had not resolved the fundamental question of its own leadership. According to these sources, a Europe of 25 cannot be led by the Franco-German couple alone which, they say, is “essential but not sufficient”. Some Blairites even call the Franco-German tandem “more defensive and selfish than progressive and constructive” (in the words of an anonymous source at Charles Grant’s Centre for European Reform). The British claim that if the couple became a ménage à trois, this would reassure the smaller member states because these latter, it is alleged, would regard London as a counter-balance against the Franco-German diktat. The British role, in other words, is supposed to reassure “new Europe”. It would also enable Europe to relaunch the transatlantic dialogue, damaged by the Iraq war. Finally, the British are fond of quoting Jacques Chirac and the French Foreign Minister, Dominique de Villepin, who both say, “There is no Europe without a European defence policy, and there is no European defence policy without Great-Britain.” [Daniel Vernet, *Le Monde*, 20th January 2004]

Franco-US rapprochement

It is indeed the case that Paris is trying to repair its relationship with Washington. The French defence minister, Michèle Alliot-Marie, has just returned from

a two-day visit to Washington and New York, and she said, following her meetings with Donald Rumsfeld and Condoleezza Rice, that, “The US want to turn the page on tensions with France. I really got the impression that the situation has loosened up and that there is a desire to resume normal relations.” Madame Alliot-Marie said that the Americans were being more accommodating about the new European defence identity, and that the US had patted France on the back for its role in Afghanistan and in the “war on terror”. A visit by George Bush to Normandy on 6th June is already being planned. On the other hand, Madame Alliot-Marie has firmly ruled out France sending troops to Iraq. “What we want is for the Iraqis to regain their sovereignty as quickly as possible.” She said that once sovereignty had been resumed, then France and Germany would be happy to help Iraq rebuild its army and police force. Madame Alliot-Marie also called, in a recent policy speech, “for a renewal of a strong transatlantic partnership”. “What unites us is far more important than what divides us,” she said, an unconscious repetition, perhaps, of Tony Blair’s own statement, made in French, at a summit with Jacques Chirac just as Franco-British relations were collapsing in the run-up to the Iraq war. [Alain Barluet, *Le Figaro*, 17th January 2004]

Chirac relaunches idea of “pioneer group”

The French President has once again said that an enlarged EU needs a smaller group of countries to give it direction. In the traditional New Year speech to the diplomatic corps, Chirac has stressed his desire to see integration deepen, despite the recent collapse of the talks on the European Constitution. He has therefore once again spoken of the need for “pioneer countries” saying that “the most reluctant countries must not put a brake on those who want to go further and faster”. “We know perfectly well that, in a Europe of 25 and soon 27, all countries will not be able to move at the same speed. France and Germany will naturally be at the heart of pioneer groups. My wish is that we will be able to advance along these lines with the other founder member states of the EU, and also with the United Kingdom, and all those who wish to give an extra soul and strength to the EU.” Chirac emphasised his desire to

see the EU develop its own military capability, and he explicitly reminded his listeners that France remained committed to the transatlantic relationship. "I would remind people that France considers her obligations in the EU and in NATO to be perfectly compatible with one another." Chirac also said that he had full confidence in the Irish Presidency, to which now falls the task of working out what to do after the collapse

of the Constitution. The President finally said that he wanted 2004 to be a year in which multilateralism would once again flourish. "2004 must be the year of the renewal of the United Nations," he said, adding that he hoped that proposals for the reform of the UN would lead to decisions being taken on the occasion of the next General Assembly. [Claire Tréan, *Le Monde*, 10th January 2004]

II. Institutional manoeuvring

Germans want new Constitution in 2004

The Bertelsmann Foundation had organised a party in Berlin for 9th and 10th January which, they had intended, would allow heads of state to celebrate the signature of the European Constitution. Unfortunately, the talks collapsed in December, so the politicians who attended had to devote themselves to the less pleasurable task of working their way out of the mess. Chancellor Schröder cancelled anyway because he had flu, but he allowed a text to be circulated in which he said that an agreement had to be reached by the end of this year, or else a two-speed Europe would become inevitable. (The proposed Constitution would have made that inevitable anyway, but we'll let that pass.) The meeting therefore caused differences to appear even between the French and the Germans: the latter speak willingly of "pioneer groups" (see above) while the Germans say that it is undesirable. As *Le Monde* comments, "Everyone knows that the choice is between an enlarged Europe which is more or less diluted, and the creation of a true avant-garde. But no one wants to assume the responsibility of a new division, at least not before having tried to make the impossible work." [Daniel Vernet, *Le Monde*, 13th January 2004]

Poland tries to escape blame

The Polish Government is being criticised within Poland for its role in preventing the adoption of the European Constitution. Whereas before the Brussels summit in December, newspapers had been encouraging the Polish Prime Minister to stick to his guns and defend the voting rights Poland won at Nice from being abolished even before they have entered into force, now some people are raising their voices and questioning whether it was the right decision. No doubt concerns are growing that Poland will find EU subsidies cut if it continues with its intransigence. Those voices attack the Polish government for being "anti-French and anti-German, our two principal allies in Europe" (in the words of Antoni Podolski, a former Deputy Minister of the Interior in the 1999-2001 Government of Jerzy

Buzek). The Polish Foreign Minister, Włodzimierz Cimoszewicz, has visited Paris to discuss the matter with his French opposite number, Dominique de Villepin, although no one really expects any progress on the blockage, so soon after the collapse of talks. One factor which may influence the Polish position, however, is the Spanish general election on 7th March. Spain was Poland's ally in the rejection of the Constitution, but if a new government were elected in Madrid which decided to drop this policy, Poland would be decisively left out in the cold. [Christophe Châtelot, *Le Monde*, 10th January 2004]

Money is power

The commissar for the budget, Michael Schreyer, has refused to contemplate any reduction in the EU's budget, but at the same time has demanded that the rules be tightened which would enable the Commission to order member states to reduce their budgets, through the Stability Pact. She was commenting on those, especially in Germany, who say that the Commission's budget should be reduced as a percentage of the EU's GDP since the EU membership is about to rise from 15 to 25 states. Gerhard Schröder, the German Chancellor, has said that Germany's wallet is empty. [Interview with Martin Halusa, *Die Welt*, 17th January 2004]

Euro tax back on the agenda

Schreyer's comments come in the weeks leading up to the publication of a commission report on how to reform the finances of the EU. Calls are growing again for the EU's budget to be funded by an EU tax. In particular, the Austrian Chancellor, Wolfgang Schüssel, has said, "The Union needs its own, reliable source of finance." (Schüssel is one of the people being talked about as a potential successor to the current Commission chairman, Romano Prodi.) His support for a euro-tax was, not surprisingly, endorsed by Michael Schreyer. Schüssel says that a euro-tax would relieve the burden on states which are currently net contributors, which will, he says, only increase as new demands are placed on those states for common policies in diplomacy and war. These states have called for the EU budget to be capped

from the financial period which starts in 2007. Schüssel says he does not envisage a direct tax on EU citizens. Currently the EU raises money from import taxes, a percentage of VAT receipts, and contributions from member states, which are calculated according to the size of the economy. This last element is by far the biggest. Other people who support an EU tax include the Belgian Prime Minister, Guy Verhofstadt, and the German finance minister, Hans Eichel. Most EU commissars also support the idea, but it is not likely to be formally proposed in the commission's report, which is expected instead to concentrate on spending. Many EU governments, by contrast, are against an EU tax. [Jochen Hoenig, *Handelsblatt*, 18th January 2004]

Digest readers might be interested to know that the Austrian newspaper, *Der Standard*, which also carried this story, has a chat room in which readers can comment on the newspaper's reports. The tone of the comments under this story is uniformly EU-sceptic. One reader attacks the commission for "milking" the EU member states and their citizens. Another writes, "Do we live in a democracy or a banana republic?" A third says that Brussels bureaucrats and politicians ought to pay EU taxes themselves. (They currently have their own special and very favourable tax regime.) Another says, "EU tax should be paid only by those who voted Yes to EU membership in 1994. The final contribution is, 'How nice it would be to have proper money – schillings – in our hands again.'" [*Der Standard*, Vienna, 18th January 2004]

Was EU about to abolish ECB independence?

As the *Digest* indicated in its last issue, concerns were raised in Germany in the run-up to the Brussels summit about a new simplified procedure, proposed in the draft Constitution dated 25th November, which would have enabled the Council of Ministers to abrogate the famous independence of the European Central Bank. The German Bundesbank and some German politicians protested vehemently against this at the time, notably Professor Franz-Christopher Zeitler of the German Bundesbank, who gave an interview on the subject on 10th December. The governing council of the Bundesbank also issued a statement of that date. The new procedure, outlined in proposed Article III-79 (new paragraph 7), on page 13 of the draft [http://ue.eu.int/igcpdf/en/03/cg00/cg00052-ad01.en03.pdf] would have allowed the statute of the bank to be changed without any reference to the national parliaments. This would have almost definitely been unconstitutional in Germany, which ratified Maastricht only under certain very strict conditions. It appears that the governments of the EU were

laying the groundwork for a future "coup d'état" against the independence of the ECB.

Gravy train set off

As the EU institutions prepare for the new boys who will join on 1st May, potential EU employees are scrambling to get on the gravy train. Ten new commissars have to be appointed from the new member states, and Chairman Prodi has asked for the names of the candidates. The people selected have to be cleared by the European Parliament at the end of April. Prodi wants to use the new appointments to bump up his quota of women: he hopes to appoint at least three women among the ten. Some countries have already made their choice: Latvia will send its foreign minister, Sandra Kalniete; Lithuania will send its finance minister, Dalia Grybauskaitė. A third woman, the Polish minister for Europe, Danuta Hübner, is also in with a chance. The new appointees will, however, remain in office only until 1st November, when a new commission will be chosen. (although many commissars might, of course, remain in Brussels in the new commission.) In June the EU heads of state and government will appoint a new president of the European Commission to replace Mr. Prodi, who wants to go back to being prime minister of Italy, his old job. [Katja Riddersbusch, *Die Welt*, 20th January 2004]

Euro has not affected prices

The German Bundesbank has insisted again that the introduction of the euro has not affected prices. This flies in the face of what all Germans will tell you and is no doubt the consequence of the fact that the figures used to calculate inflation have very little to do with people's daily expenses. But the Bundesbank also claims that some of the price rises which did occur in 2002 have now receded. This means that those sectors, especially restaurants and food, did indeed raise their prices, something which was denied by the monetary authorities at the time. [*Handelsblatt*, 19th January 2004]

Jerry built

The Commission is trying to replace national "Made in ..." signs with a single EU-wide label. This has produced some protests in countries which wish to retain their national signs. Even the trade commissar, Pascal Lamy, has said that "Made in Germany" ought to be preserved as a sign of quality. But some point out that the national signs are already meaningless. Even the famous "Made in Germany" is, in fact, a façade. German multinationals use a worldwide network of production centres and what goes on in Germany is little more than assemblage of foreign produced parts. This is especially true of the

automobile industry. More than 74% of the production involved in making cars takes place outside of Germany, according to the Institute for the German Economy in Cologne. For instance, the

motor for the new VW Golf is made in Germany, the Czech Republic, Hungary and Poland. [Vera Sprothen, *Handelsblatt*, 19th January 2004]

III. Other European News

Heim ins Reich

The mayor of the Polish town of Borne Sulinovo, Jozef Tomczak, has written to the Polish defence minister to draw attention to the suitability of his town as a base for American soldiers. New bases are due to be opened up across Eastern Europe, especially in Poland, and so towns are competing to be chosen since their economic situation is so catastrophic. Mr. Tomczak has pointed out that his town was founded in 1934 by Hitler's Wehrmacht, when it was part of Germany and called Groß Born, and that a barracks was built there especially for the purpose. Until 1992, it housed a Soviet and then Russian army garrison. Now it is seeking to continue with this noble tradition by angling for the Americans. As the German press puts it, "Solidly built German houses sit side-by-side with rapidly cobbled-together Soviet ones". In this part of Poland – the more prosperous West - unemployment is 24%; unemployment benefit is £5 per month; and people get what work they can for 20p/hour. The deputy US defense secretary, Douglas Feith, has said that the first decisions on new bases might be taken this year. But according to the US press attaché in Warsaw (whose name is James Bond), it is highly unlikely that whole divisions will be re-located, for instance from the huge base in Ramstein. Instead, the new bases in Eastern Europe are likely to be smaller and more numerous, and the length of their stay might well be limited. It would take years, he said, to decide on the transfer of major bases. [Gerhard Gnauck, *Die Welt*, 16th January 2004] The Polish defence minister has confirmed that Warsaw has started negotiations with the Americans on the subject. Jerzy Szmajdzinski said on 8th January that a second phase of negotiations was due to start soon, but that it was too soon to give any details. [*Le Monde*, 10th January 2004]

Russians protest – mildly

The Russian defence minister, Sergei Ivanov, has expressed concern at the prospect of American bases being relocated to Eastern Europe. Speaking at a press conference in Omsk in Western Siberia, Mr. Ivanov said, "the approach of absolutely any NATO military infrastructure to our borders will cause disquiet on our side." He was referring to the likely

stationing of American troops at an airfield at Powidz near Poznan, from where Russia could be bombed in eight minutes. "On this we cannot pretend to be stupid and to put our heads in the sand." Every time the relocation of NATO troops is mentioned, people in Russia recall the promise made by President George Bush I that former Warsaw Pact countries would not join NATO and that NATO troops would not cross the Oder-Neisse line. The then General Secretary of the Communist Party of the Soviet Union, Mikhail Gorbachev, is widely reproached for not having secured this promise in writing. [*Die Welt*, 16th January 2004]

Brussels demands Denktash's head on a platter

Greece and the European Union have made it clear to Turkey that a failure to "resolve" the Cyprus question will constitute an insuperable obstacle to Turkish membership of the EU. "Resolution" of the Cyprus problem, for the EU, means re-uniting the island under the terms of the so-called Annan plan, to which the president of the Turkish Republic of Northern Cyprus, Rauf Denktash, remains hostile. However, last December's elections in North Cyprus produced a government headed by a man who is favourable to the Annan plan, Mehmet Ali Talat, who formed a government on 19th January. The Greek prime minister, speaking during a meeting with the Greek Cypriot president, Tassos Papadopoulos, has said that the key to the Cyprus issue lies in Ankara. On 1st May, indeed, the whole of Cyprus will formally join the EU because the EU recognises the Greek Cypriot government as the legitimate government of the whole island. This means that Turkey will formally be an occupying power in EU territory. This view was also put by Commission chairman Romano Prodi during a speech to the Turkish parliament, in which he and the commissar for enlargement, Günter Verheugen, implied strongly that accession negotiations with Turkey would start if the Cyprus question is resolved. This is a new condition for Turkish membership, and it comes in addition to more than a decade of declarations about "Copenhagen criteria" and other human rights demands.

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