

I. Constitutional debate still open

Germany and France say they will stand firm

Germany and France have said they see no room for compromise in the main points of disagreement over the European Constitution. During their informal consultations on 9th February, President Chirac and Chancellor Schröder also said they were opposed to any increase in EU expenditure, as the European Commission has proposed. The two sides reinforced their double act when Chirac asked Schröder to represent the French position at a meeting with Bertie Ahern, the Irish Prime Minister who currently holds the presidency of the EU. Chirac and Schröder said they welcomed the stated intention of Ahern to reach a compromise on the European Constitution by June. But they said that there should not be an agreement at any price. Chirac said he wanted agreement on the Constitution at the latest by the end of 2004. Both he and Schröder emphasised their continued attachment to the principle of a double majority in the Council of Ministers, and to a reduced Commission. Poland and Spain are opposed to the former, and the Constitution was not adopted in December because of their opposition to change on this point. Schröder said that he and Chirac, together with the heads of four other governments whose countries are net contributors to the EU budget, remained determined to cap any rise in EU spending to 1% of economic performance. On Iraq and on other EU questions, Chirac and Schröder said their positions were “identical”. [*Die Welt*, 10th February 2004]

Big three want industry commissar

The German Government has obtained the support of France and Britain in calling for a radical reform of the European Commission, with the intention of making the European economy more competitive. In particular, the three agreed to call for the creation of a “super commissar” whose powers would include those currently shared between the commissars for the single market, trade, industry, the environment and social policy. Schröder pushed this idea at the three-way summit held in Berlin between France, Germany and the United Kingdom. Jacques Chirac and Tony Blair have apparently long argued that the European Commission’s legislative proposals take insufficient account of the needs of industry. Governments say they are often forced to apply massive pressure to prevent Commission proposals

going through which would be very costly to industry. It is to resolve this problem that the Germans want to unite the presently disparate powers of several commissars into one. Big manufacturers, especially in the automobile sector, have also called for this reform. Schröder has made it clear that he expects the German commissar in the new Commission to have an important economic brief, i.e. the new super job. Günter Verheugen is being mooted. The new super commissar is also to be the vice-president of the Commission. [Ulrich Schäfer and Alexander Hagelüken, *Süddeutsche Zeitung*, 17th February 2004]

It is because Germany wants to have this powerful commissar that Berlin has said it will not submit a candidate for the post of president of the Commission. There has only ever been one German president, Walter Hallstein. The candidates who are considered to have the best chance for being the next president are the Austrian Chancellor Wolfgang Schüssel and the Luxembourg Prime Minister, Jean-Claude Juncker. The plan to consolidate power in the hands of one commissar will, however, run into a very important difficulty. With the increase in the number of commissars to 25, the tendency will have to be towards unbundling existing powers. The Commission has itself reacted rather sniffily to the proposal, saying that if the Commission is to be reformed then the Council of Ministers should be reformed too. [*Die Welt*, 18th February 2004]

The Bundesverband der deutschen Industrie (Federal Union of German Industry) has also said that it wants to reduce the influence of consumer protection and environmental legislation in the EU’s law-making. Its chief executive, Ludolf von Wartenberg, said that the whole of EU law was unbalanced, to the detriment of the economy. [*Handelsblatt*, 16th February 2004]

Estonian PM hopes for Constitution by July

On the occasion of a visit to Dublin, the Prime Minister of Estonia, Juhan Parts, said that he hopes that the Constitution will be agreed by the end of the Irish Presidency. Estonia and other countries (Italy, the Netherlands, Poland, Portugal and Spain) have sent a letter to Bertie Ahern, the Irish Prime Minister, calling on him to ensure that the Stability Pact is respected without discrimination. [*Radio Free Europe Newsline*, 18th February 2004]

II. Other European News

Cyprus talks to start on 19th February

The imminent accession of South Cyprus to the EU, and the pressure brought to bear on Turkey, have caused an agreement between the Greek and Turkish Cypriots that talks will start in Nicosia on 19th February whose aim will be to reunify the divided country by 1st May. Talks about talks held at the United Nations under the auspices of the Secretary-General, Kofi Annan, led to some marathon sessions but the outcome seems to have been positive and substantial talks are now to get under way in Nicosia itself. The Turkish Cypriot President and chief negotiator for Northern Cyprus, Rauf Denktash, said that he wanted any agreement between the two sides to be inscribed into primary EU law, so that it could not then be overridden by EU legislation once the writ of Brussels runs in both North and South, which it will do if there is an agreement. The two sides have said they will try to reach agreement by 22nd March but if they fail, Greece and Turkey will be invited to agree on a final text by 29th March. Annan seems to have obtained the right to fill in by himself those areas on which the two sides cannot agree. The final text will be put to the people of Cyprus in a referendum. The EU Commission is to provide “technical assistance aimed at facilitating a settlement”. President Denktash, who had previously been a firm opponent of the Annan plan, said on his return to Cyprus that he was negotiating changes to it after having received from Ankara firm assurances that the basic demands of the Turkish Cypriots would be respected and protected by Turkey. Denktash sought to assuage fears by saying that whatever agreement was reached would be put to a referendum, and that it would also have to be approved by the Turkish Grand National Assembly. He also claimed that it was he who had caused the Greeks to shift their ground by obtaining the right to negotiate changes to the Annan plan: he said this right had previously been blocked. He also claims to have scored a success in keeping the EU out of the negotiating process, but it seems this is at the price of the above-mentioned “technical assistance”. [Press communiqué from Turkish Republic of Northern Cyprus Information Office, 16th February 2004]

The Greek Cypriot Government seemed more downbeat. President Tassos Papadopoulos warned that the negotiations would be very difficult. He seemed to imply that Annan would not have the right to fill in the gaps if there is no agreement. In fact, the UN Secretary General does have this right, although there is of course no guarantee that the resulting text will win approval in the referendum.

Although the Turkish Cypriots have been usually presented as the ones standing in the way of an agreement, there is considerable unease with the proposed plan on the Greek side, not least because, in the eyes of many Greeks, it recognises the division of the island into two entities, something which occurred as a result of the Turkish intervention in 1974. [Jean Christou, *Cyprus Mail*, 15th February 2004] Louis Michel, the Belgian foreign minister, has suggested that Cyprus adopt the Belgian federal model. He travelled to Cyprus on 18th February to meet both sides. [Selcuk Gultasli, *Zaman*, 17th February 2004]

Klaus attacks euro again

The President of the Czech Republic, Václav Klaus, has repeated his concerns about the European single currency. These arguments were initially rehearsed in a speech to the Cato institute in Washington in 2003, but Klaus repeated them on 7th February in the Bavarian town of Passau. Quoting an article published in *The European Journal*, Klaus said that he was convinced that the euro project was politically driven, and that the purpose of it is to create a political union in Europe; that the costs of EMU outweigh the benefits; that the benefits of liberalisation within the EU have already been reaped, and have nothing to do with EMU; that the euro has not promoted growth; that the euro creates an environment which is favourable to fiscal irresponsibility; and that “monetary unification is the Trojan horse for overall harmonization of economic rules, policies and laws in EU.” [The German text of the Passau speech can be read at <http://www.klaus.cz/klaus2/asp/clanek.asp?id=ZvHp7pnnmoyW> but it is substantially the same as the Cato speech delivered in November 2003, which can be read in English at: <http://www.klaus.cz/klaus2/asp/clanek.asp?id=AqS2CAMnPHy1>] According to the latest opinion polls, President Klaus is the most popular Czech politician, enjoying the trust of some 69% of respondents.

Anaemic growth in eurozone

As President Klaus says, the euro has not promoted strong economic growth as its supporters promised. The eurozone economy registered its poorest performance since 1993, growing by a mere 0.4%. The figure for the rest of the EU was only marginally higher, at 0.7%, but this difference proves that growth is stronger outside the eurozone than inside it. Growth in 2002 was 0.9%. In the last quarter of 2003, the economy of the eurozone had grown by a mere 0.3% with respect to the last quarter of 2002. This figure is lower than the predictions of analysts, who had said it would be 0.4%. The European

Commission continues to claim that it is confident that there will be an increase in growth in 2004, saying that it thinks it will be between 0.3% and 0.7% in the first quarter of 2004. In Germany, the economy went into recession, shrinking by 0.1%. In the Netherlands, the figure was – 0.8%. France and Italy grew at 0.2% and 0.4% respectively. [*Le Monde*, 13th February 2004]

Euro intervention force

France, Germany and Britain have agreed that the EU should have a military force of some 1,500 men who could be deployed around the world at short notice. The Germany army is to take part in this common EU force, although it has not been decided to what extent. The idea is that the force will be able to be deployed in 15 days. All EU states will be invited to participate in the force, even though only the big three will be in at the beginning. This is the first step towards having a force of some 60,000 men by 2007. The stated aim of this force is to support the work of the United Nations. The three big countries are pressing ahead with their plans within the framework of “structured co-operation” – the very right they were hoping to obtain in the recently failed European Constitution. [*Die Welt*, 11th February 2004]

CDU say no to Turkey

The chairman of the German Christian Democratic Union, Angela Merkel, has attacked the German Government for supporting the entry of Turkey to the EU while at the same time demanding a cap on the EU budget. She made her remarks shortly before leaving Germany for Turkey, where she went to explain to the Turkish Prime Minister her party's plans for a “privileged partnership” with his country instead of full EU membership. Some voices within the CDU have been raised in favour of EU membership, most notably that of the former Defence Minister, Volker Rühle. But while Mrs Merkel admitted that Turkey was strategically very important, and that it is essential to bind it into the West, she also said that EU membership would have a negative economic impact on people in Germany. This is why Merkel said that the majority of people in the EU were in favour of a “third way” of the kind she suggested. The chairman of the Bavarian CSU and prime minister of Bavaria, Edmund Stoiber, also repeated his reservations against Turkish membership of the EU. He said it was beyond the economic, political and cultural capacity of Europe to admit Turkey. He said that the EU states were united by a common history, by their Judeo-Christian heritage and by their overcoming of religious conflicts through enlightenment. The privileged partnership

being proposed essentially means extending the existing customs union and making it into a full free trade zone which could include, over time, agricultural products and services. The CDU thinks, however, that a free labour market with Turkey is something which could be achieved only very slowly and in the very long term. [*Frankfurter Allgemeine Zeitung*, 16th February 2004]

Predictably, Turkey has said she is not interested in a halfway house. Prime Minister Erdogan reacted harshly to Merkel's proposal, saying that such an outcome is absolutely not on Turkey's agenda. Erdogan said he could not understand why this ‘offer’ was being made when it had never been made to any other country. [Ertugrul Ozgun, Emre Demir, *Zaman*, 17th February 2004]

Christian Democrats worried at Tory deal

According to some, the British Tories have succeeded in signing an agreement with the European People's Party which will allow the Conservatives to vote against federalism while remaining in the EPP. Some federalists regard this as a sell-out, saying that the “true Europeans” no longer count in the EPP group. The Conservatives are not the only ones whom the federalists do not like: the Italians of *Forza Italia* are also regarded with suspicion, as are the Spanish members of the Partido Popular. They fear that the trend will continue if new Eurosceptic or anti-federalist groups are added when the ten new member states join in May. Under these circumstances, say commentators, the EPP itself could break up, with some of its more federalist components (especially the UDF led by François Bayrou) leaving. The French-speaking Belgian Christian Democrats and the Italians who support Romano Prodi could join them. They might form a new group with the British Liberals. Francesco Rutelli, the interim leader of the Italian left, has invited these groups to a meeting in Rome at the end of February to discuss precisely this option. [Jean Quatremer, *Libération*, 14th February 2004]

Lithuanian president fights back

For several months, Lithuania has been plunged into a political crisis as opponents of the recently elected President, Roland Paksas, try to unseat him through impeachment. The accusations against Paksas turn on alleged favours given to a Russian businessman, Yuri Borisov, after he financed the Paksas election campaign. Borisov is said to be linked to the Russian Mafia. In an interview with *Le Figaro*, Paksas, who was elected in a surprise victory in December 2002 against the incumbent, the American Lithuanian Valdas Adamkas, rejects all the allegations against him and has been travelling around the country to speak

to the people directly. There is a widespread view that he is being targeted by the political elite and by the secret services. Paksas has said that he is being attacked because he wanted to send the head of the secret services to be the ambassador to Spain. Another accusation concerns alleged relations between Paksas' former security adviser and a Russian-Georgian Mafioso. Like the other accusations, there is very little substance in this one either. Paksas has reaffirmed his determination to see off his enemies and to remain in his post. [Interview in *Le Figaro*, 17th February 2004]

Euro ministers agree to support dollar

The finance ministers of the eurozone have welcomed the agreement reached by the G7 that the dollar's slide should be stopped. Indeed, they say that the G7 position was originally their own. Both groups used essentially the same language, which is not surprising since they have many members in common. On the other hand, no one seems prepared actually to do anything about the dollar. The US has been called on to cut borrowing and spending, which it is unlikely to do, and the euro countries have not said they will actively support the American currency. The ministers were at pains to say they had no plans for any such intervention on the currency markets, and that any intervention would have to be in coordination with all central banks. This would have to include the Fed, which is unlikely to agree. [*Le Monde*, 10th February 2004]

EU worried about the former East Germany

The European Commission is worried that the former East Germany continues to be a black hole economically. Only Berlin, Dresden, Leipzig and parts of Brandenburg are above the "poverty level" of 75% of average EU GDP, below which EU structural funds kick in. A year previously, only the regions of Chemnitz and Dessau were under this level, and so the economic situation has considerably worsened overall in eastern Germany. Michel Barnier, the commissar with responsibility for EU structural funds, now says that he thinks that eastern Germany is in danger of becoming a "transit desert" sandwiched between the prosperous West and the low-wage economies of Eastern Europe. [*Handelsblatt*, 17th February 2004]

Germany and other states sued over Kosovo war

A French company, Touax SA, is suing the German Government for \$9 billion in a German court (in Bonn) for damages sustained as a result of the bombing of Yugoslavia by Nato in 1999. Suits have

also been presented in the Belgian and French courts. In April 1999, Nato bombed three bridges in the Danube at Novi Sad, and this blocked the Danube making it unnavigable for Touax's 500 or so ships. Two of the bridges have been rebuilt but one of them has been replaced by a pontoon bridge, which makes river traffic impossible. Touax says that only 24 of its ships can be used now. The pontoon bridge is occasionally opened up, but if ships miss the opening time, they have to wait for days. Also, the Serbian authorities have started to demand fees for letting boats pass, whereas before the transit under the bridges was obviously free. Touax says that Germany is responsible for the losses it has sustained because it joined in the Nato action. Because that attack was undertaken with no UN mandate, it was illegal, say Touax's lawyers. The same court rejected an appeal in December by families of 10 civilians killed in May 1999 when the Morava bridge was bombed at Varvarin. The court did not rule on the legality of the war, but rejected the case simply because it said that claims for damages as a result of war were the responsibility of international law and not civil law. Individuals could not make claims, only states could. The German Government hopes to plead the same case this time round, although that earlier case is still under appeal. The German Government claims that the war was legal, and adds that such claims have a statute of limitation of three years. [*Handelsblatt*, 16th February 2004]

Prodi announces his return to Italy

In a speech to seven thousand activists in Rome, the Commission President, Romano Prodi, said that he expected to return to Italian politics when his term ends in Brussels on 1st November, and that "the house of the Olive Tree is already my house". The Olive Tree is the centre-left coalition which he hopes to lead back to power by defeating the "House of Liberties" which governs Italy under Silvio Berlusconi. He attacked the Italian right for "injecting the subtle venom that says you have to be anti-European to be pro-American." [Richard Heuzé, *Le Figaro*, 16th February 2004]

1789 and all that

Italy and Spain have expressed their frustration at the three-way summit between France, Germany and Britain. They accuse these states of trying to establish a "directory" to run the EU. Given that the "Convention" has just wound up, and that the "Directory" has now apparently taken over, when will Europe formally constitute itself as "Empire"?

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