

I.

French politicians press for “social Europe”

No doubt because the European elections are approaching, French politicians are trying to dispel the EU's reputation as a remorselessly free-market institution. The French Socialists, who swept the board in the regional elections in March, are making “social Europe” their electoral slogan ... and the Right is trying to do the same. During his press conference on 29th April, Jacques Chirac spoke of Europe as “a great social space which gives due place to solidarity and to justice”. His Foreign Minister, Michel Barnier, called for the strengthening of the “social dimension” of the European Constitution. François Hollande, the leader of the Socialist Party, said that social Europe was the opposite of liberal Europe: law was there to combat the primacy of the market. The main proposals which the French Socialists have made are the introduction of a European minimum wage, and the reduction of the European working week to 35 hours (as in France). Hollande said that his party would accept no reduction in the social protection currently afforded at the national level. He wants the “social market economy” to be written into the European Constitution as one of the EU's objectives, and of course the Charter on Fundamental Rights which he thinks emphasises equality, solidarity and justice. The Government itself wants to insert a clause in the introduction to the Constitution which would emphasise the importance of the social dimension. France also wants to retain majority voting on the question of the social rights for migrant workers, while Britain wants to re-establish a national veto over this. [Thomas Ferenczi, *Le Monde*, 12th May 2004]

Will accession states get their subsidies?

The accession states are looking forward to seeing their national budgets bolstered by EU aid. Between 2004 and 2006, the 10 new member states are expecting to get some 24.4 billion euros in total from the cohesion funds. Nearly every single region in the new member states qualifies for cohesion funds because, despite all the nonsensical propaganda about how they are all booming, the economies of these countries are in fact in an advanced state of collapse. Poland expects to get some 12.8 billion euros and Hungary 3.2 billion. Even a tiny place like Malta is slated to get 88 million euros. But will they actually get the money? The accession states have to make

sure they do everything Brussels tells them, for instance in implementing their national legislation on things like their policies on public tender. They also have to show how they are going to spend the money, and failure to do this has, to date, led to delays in the payment of these funds. Indeed since 2000, only between 25% and 35% of the money available has actually been paid. Also, regional and local authorities are the ones who have to apply for and spend this money, and their administrative structures are underdeveloped (or so it is said). [Philippe Ricard, *Le Monde*, 12th May 2004]

France and Germany have already started to grumble about having to pay this money. Nicolas Sarkozy, the French Finance Minister, who recently called for “the creation of a true economic government of Europe” and for “identical measures to make tax policy converge as soon as the budget for 2005 is presented”, has also said that accession countries should have their subsidies removed if they practice “social and fiscal dumping”, i.e. if their tax rates and labour costs are a long way below the EU average. The German Government has joined him in this. Chancellor Schröder said, “If these countries keep their tax rates low and finance all their infrastructure projects with EU money, then we will have to talk about it.” Michel Barnier, the French Foreign Minister, echoed these same concerns. Socialists have started to campaign on the slogan, “No financial solidarity without fiscal solidarity.” Accession countries have retorted that the Irish “miracle” proves that fiscal competition is good for the whole EU. Ireland has low tax rates for foreign companies, and these are supposed to attract foreign “investment”, but even they are not as low as Estonia's, which does not tax foreign companies' profits *at all*. No wonder Estonia is always presented as booming, even though the economy there is, like that of most accession countries and especially like its two neighbours in the Baltic, in a state of collapse. [Arnaud Leparmentier, *Le Monde*, 13th May 2004]

Arguments about agricultural subsidies

The French Agriculture Minister, Hervé Gaymard, has accused the commissars for trade (Pascal Lamy) and agriculture (Franz Fischler) of making “unilateral concessions” on export subsidies within the framework of the negotiations being carried out at the World Trade Organisation. Paris is evidently

furious at the Commission's apparent readiness to abolish export subsidies completely. Mr. Gaymard said that the announcement by Brussels was a tactical disaster because it showed Europe's room for manoeuvre long before any of the other parties to the negotiations had showed theirs. Nicolas Sarkozy, the Minister of Finance, made the same point, saying that the commissars had taken a risk which many would find questionable. The two commissars apparently said that the EU would be ready to abolish export subsidies in exchange for access to third world markets. For France, the abolition of export subsidies would represent a loss of 3 billion euros. The payment of this money is hotly contested within the WTO. Pascal Lamy rejected the minister's claim that he had gone beyond his mandate. He said that his offer had been conditional, and that without such offers no advance would ever be made in negotiations. The proposal to abolish export subsidies was supported by all the other EU states except Hungary, Ireland and Belgium. Paris is traditionally very prickly on this subject. The Doha round of negotiations failed because France refused to sign up to the word "elimination" in the chapter on subsidies. The Commission's move has irritated French ministers all the more because, in the run-up to the European elections, President Chirac and the Raffarin Government have been trying to convince voters that they will protect French farmers. Moreover, the right-wing Government has difficult relations anyway with the socialist commissar, Pascal Lamy, who last September publicly called on Paris to respect the terms of the Stability Pact. At the time, the Prime Minister, Jean-Pierre Raffarin, tried to put Lamy back in his box by saying that his job was to negotiate trade agreements. The US trade representative, Robert Zoellick, welcomed the Commission's proposal to abandon export subsidies, saying that he had himself made this proposal in January. [Philippe Ricard, Babette Stern, *Le Monde*, 12th May 2004; Handelsblatt, 10th May 2004]

Sarkozy calls for referendum on Constitution

The French Finance Minister, who is increasingly making the running in the Raffarin Government, has said that he and his party, the UMP, are in favour of a referendum in France on the European Constitution. Jacques Chirac has still not made up his mind on the subject. Sarkozy received something of a put down from his boss the Prime Minister, Jean-Pierre Raffarin, who said that the decision on a referendum was Chirac's to take and that everyone ought to stay in their place. Sarkozy said, "I don't see how we can say that the European Constitution is an important step to take and then say that it should be decided on by parliamentarians, without directly asking the

opinion of the French." Alain Juppé, the president of the UMP party (which was created to support Jacques Chirac's presidency) also called for a referendum, while stipulating that it recognised that the decision was one for the President of the Republic to take. Juppé said that he would campaign for a Yes. President Chirac's official spokeswoman said that the President would make up his mind on the matter at the appropriate moment. Likewise Jean-Pierre Raffarin, quizzed on TV with Tony Blair about a possible referendum, preferred to hide behind the presidential prerogative. He said, "We are speaking about a text which has not yet been signed and there are still difficulties to be overcome." At the same meeting, the UMP confirmed its total opposition to the admission of Turkey to the EU, something which Chirac had however defended again on Sunday. [*Liberation*, 10th May 2004] Sarkozy said he wanted state interventionism to create "national and European industrial champions". "The USA," he said, "claims to be liberal but they never stop introducing protectionist measures. We refuse to call ourselves liberal and yet at the same time we seem afraid to take measures to protect our industries. It is exactly the opposite of what we should be doing." Sarkozy has also said that EU enlargement should stop after the admission of Romania and Bulgaria, separating himself again from Chirac on the question of Turkish membership. "Turkey is not European, neither by geography, nor by history or culture. So she has no place in Europe." The minister also said that he wanted to create "a central federating core" in the EU, and called on the Union to "rediscover Spain" whose economy was such a success. He was referring, of course, to the decision of the new Spanish Government to ally itself more closely with France and Germany, as opposed to the unconditional American alignment of the previous Government under José-Maria Aznar. He also said that the EU had to rediscover the United Kingdom, whose economy was "a motor for our old countries". By contrast, Jean-Pierre Raffarin attacked the concept of federalism for Europe, which is principally supported by the UDF in France, saying that federalism had no sense in a Europe with 25 members, and that "only those whose ideas have become a museum" defended the idea. [Yves Bordenave & Christophe Jakubyszyn, *Le Monde*, 11th May 2004]

Haggling continues over Constitution

Details are still being hammered out in an attempt to get agreement on the European Constitution, but disagreements persist on the key question of voting arrangements. The principle of double majority (votes and population) seems to have been resolved but EU states are still haggling over the actual figures.

Poland is still insisting that votes represent 65% of the EU's population before they are accepted. The earlier figure was 55%. The issue turns on how many countries Britain, France and Germany, which together represent 44% of the EU's population, would need to have with them to get a measure passed. Some Poles say they do not want to join another centralised state, having just left the Warsaw Pact; others demand the reference to God in the Constitution. [*Frankfurter Allgemeine Zeitung*, 4th May 2004] It is also not certain whether Spain will be cooperative. The new Government does not seem to want to abandon its voting powers in the new Constitution. It still wants the voting level to be put at two-thirds of the EU's population – like the previous Spanish Government, and like Poland. [*Die Welt*, 12th May 2004]

Ministers delay decision on Italy

European finance ministers decided on Monday evening to delay until 5th July their decision on whether to start a procedure against Italy for breaking the rules on budget deficits. They obtained assurances from Rome that measures would be taken to respect the Stability Pact. The Commission had proposed on 28th April that the early warning system be started against Italy. The Italian Finance Minister, Giulio Tremonti, did not, however, announce any specific measure to keep the 2004 deficit under 3% of GDP. Without any measures, the Italian budget deficit is expected to be 3.2% of GDP this year, making Italy the third big eurozone country, after France and Germany, to ignore the Pact's provisions. By announcing the delay, the Finance Ministers have avoided humiliating Brussels once again. On 25th November last year, the ministers had ignored the Commission's proposal to sanction France and Germany. The commissar for economic affairs, Joaquin Almunia, tried to put a brave face on matters, when he claimed to have been reassured by the Italian minister's promise to do better in future. The ministers took their decision almost unanimously, in the sense that no one voted against the delay and only two ministers abstained. Nicolas Sarkozy, the French Minister of Finance, welcomed the decision saying that the point was not to thrust a country's head under water when it was in difficulty, but instead to help it to overcome difficulties. He, of course, applies this logic to his own country, and argues that a pact which rules that deficits must remain under 3% of GDP should not mean what it says. Italy, meanwhile, has reduced its growth predictions for 2004 to 1.2%, down from 1.9%, which is what has forced it to raise its predictions for the budget deficit to 2.9% of GDP. Apart from France, Germany and Italy, Greece is also in danger of breaking the rules of

the Pact. The Commission is due to prepare a report on Greece next week. This report will be studied on 5th July, and it should lead to an excessive deficit procedure being opened against Athens. But the procedure launched against Portugal two years ago is to be ended. [*Le Figaro*, 10th May 2004, *Le Monde*, 11th May 2004] In other news, France is considering raising taxes to get its borrowing down. The tax known as "general social contribution," which is paid by pensioners, might be raised. The Government might be able to increase revenue by some 2 billion euros a year this way. The idea is to raise the CSG rate for pensioners to the same rate as that paid by people in work (from 6.2% to 7.5%). For a monthly income of 1,500 euros, this change would mean a total deduction of 112.50 euros, or 20 euros more than is deducted at present. The Government would, it seems, justify this tax hike "in the name of justice and equity". [*Le Parisien*, 11th May 2004]

MEPs tries to deflect corruption charges

The 99 deputies in the European Parliament are trying to wriggle out of the corruption scandal which has engulfed them following revelations by Hans-Peter Martin, an Austrian MEP. In a joint statement, MEPs from the CDU/CSU, the SPD and the PDS (Communists) promised to claim only the travel expenses they actually incurred, and not the full fare as is customary. They also promised to claim only half the *per diem* – 131 euros instead of 262 – for days when the European Parliament does not sit. Martin had accused MEPs of systematically claiming *per diems* for Fridays, when there is no session in Strasbourg. The statement was immediately attacked by the Green Party, which said that without a proper reform of the statute of MEPs, the whole thing was just a distraction. The head of the FDP liberal group in the European Parliament also said that the statement did not answer all questions. In particular, said Silvana Koch-Mehrin, the question remained unanswered who was supposed to monitor this new self-discipline. Counter-accusations have now been made against Hans-Peter Martin, who is said to have manipulated a voting record to show that he was present at a plenary session when in fact he was out of the room. Clearly, Martin's enemies are trying to discredit him. To stick the knife in, his accusers are now saying that he must pay back half the *per diem* for that day, because it is payable only for people who take part in votes – the very substance of his original allegations against his colleagues. Martin is expected to stand for election on 13th June as an independent candidate. He is said to be supported by the mass-circulation and euro-critical daily newspaper, *Kronenzeitung*. [Katja Riddersbusch, Andreas Middel, *Die Welt*,

6th May 2004]

Iraq torture rattles Germans

As is well known, German politics have been sharply divided by the Iraq war. The Social Democratic Government was strongly opposed to the war, while the Christian Democrat opposition has attacked it for undermining the Atlantic alliance. The photographs of prisoner abuse and torture in the Abu Ghraib prison in Baghdad have, however, changed this. Now the CDU is growing increasingly exasperated with the US Government. The Bavarian prime minister and head of the Christian Social Union, Edmund Stoiber, has now called for “a decisively stronger role for the United Nations”. Stoiber warned, “The situation in Iraq must not get out of hand.” In the CDU’s governing council, members agreed that the CDU had to condemn human rights violations committed by the USA just as strongly as it did when they were committed by Saddam. Stoiber said the torture affair was “a catastrophe”. He said that if the CDU-CSU had won the 2002 elections, then no German troops would have been sent to Iraq under the present conditions. “Even a Christian Democrat government would have insisted there be a UN mandate,” he said. The head of the CDU, Angela Merkel, reproached the USA for thinking that democracy could be immediately introduced in Iraq. But she said that her party’s support for the war remained justifiable, even in hindsight. She attacked Chancellor Schröder for refusing any German participation in the war even if there had been a UN resolution. Wolfgang Schäuble, the leader of the parliamentary party, said that the torture affair showed how mistaken Tony Blair had been to align himself so unconditionally with Washington: Schäuble said that a close alliance with the USA did not necessarily lead to greater influence. Meanwhile, the leader of the German liberals, Guido Westerwelle, indirectly called on Donald Rumsfeld to resign, saying that he did not see how he could remain in office. The German Interior Minister, Otto Schily, said that the torture photos represented “a violation of everything which America represents, like democracy and the rights of freedom.” The leader of the Green party, Angelika Beer, has said that George Bush is “politically responsible” for the torture scandal. [*Die Welt*, 10th May 2004]

EU wants to take over Kosovo

The commissar for external relations, Chris Patten, has visited the Southern Serbian province of Kosovo, which has been under United Nations administration

since NATO attacked Yugoslavia in 1999, with a view to seeing how the EU can play a greater role there. Wolfgang Petritsch, who is currently Austria’s ambassador to the United Nations in Geneva and a former High Representative (governor) in Bosnia, said, “We have to Europeanise UNMIK” (the United Nations Mission in Kosovo). Roland Bless, a colleague of Erhard Busek, another Austrian, who runs the Balkans “Stability Pact”, said, “If it helps stabilisation, then a strong engagement of the EU is thoroughly welcome.” Petritsch suggested that the head of UNMIK’s role should be divided into two, his administrative functions being separated from his function as negotiator for the final settlement of the province’s status, and that the EU could take over the administrative functions. According to the terms of UN Security Council resolution 1244, passed in June 1999, and which provides the basis in international law for the UNMIK administration in Kosovo, only the Security Council can decide on the secession of Kosovo from Serbia. Petritsch has said that, in addition to a stronger EU role in Kosovo itself, the EU should create a commissariat for its South-Eastward enlargement. Petritsch insisted that the US must maintain its military presence in Kosovo, while Christoph Zöpel, an leading SPD member of the Bundestag and former state secretary in the German Foreign Ministry, says that the EU “should show that it is capable of taking over the whole of South-East Europe and offering the Americans the chance to withdraw.” Zöpel said that he regarded independence for Kosovo as “acceptable”. Meanwhile, a German MEP, Doris Pack, said that the UN was totally unsuited to run the province. “With an EU protectorate we would not only lift the burden from the UN,” she said, “we would also allow the Serbs, through the perspective of one day joining the EU, to take part in the institutions in Kosovo.” [*Der Standard*, 10th May 2004]

Athens supports Turkish membership of EU

Turkey’s quest to join the EU has received the support of Greece. Following a meeting with his Turkish counterpart, the Greek Prime Minister, Kostas Karamanlis, said that he personally, and his country, would campaign for Turkey to join. This was interpreted as support for Turkey’s “reform process”. Both heads of government said that the relations between their countries had greatly improved in recent years. Recep Tayyip Erdogan’s visit to Athens was the first by a Turkish premier since 1988. [*Frankfurter Allgemeine Zeitung*, 7th May 2004]

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