

# **British and German National Interests**

**By Bill Cash MP**

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## I. New German Government, Same Old Problem

*"I am European because I am German"*  
Gerhard Schröder

The outcome of the recent German election means that there will be a German dominated Europe. This would be bad for Britain and for Germany.

The new political situation in Germany changes little but clarifies much. It consolidates a Socialist triumvirate running the three major powers in Europe and thus makes the position of British national interests much more precarious. It is essential that we understand the implications of these latest developments. The Treaty on European Union has been used to enhance German national interests. We will now see a new, highly motivated Germany. This is the tragedy of Maastricht and the appeasement that lay behind it, sixty years after Munich.

Schröder was elected largely with votes from Eastern Germany, where left-wing support is very strong. He will be impelled to respond to these electoral demands, but the politics he and his very left-leaning Finance Minister, Oskar Lafontaine, will implement will probably make unemployment worse. Supported by France, where the new German Chancellor travelled within days of his election, the Germans will push for Socialist policies at the European level.

There is therefore now a fundamental contradiction between the provisions of the Treaty of Rome, which were essentially liberal in character, and the way in which the three major powers of Europe will now in fact run their economies. (Ireland and Spain are the only countries in Europe where there are no Socialists in the government.) This is immensely important in terms of the majority voting arrangements within the Council, and for the manner in which directives are implemented. German national interests will weigh decisively.

The way in which Europe will now move forward is in start contrast to the spirit of the original treaties. As Maurice Cowling observed in 1991, the Labour Party used to be opposed to Europe because it was a capitalist plot but now it is in favour because it is a Socialist one. Professor Wilhelm Hankel of the University of Frankfurt has warned, Europe will soon adopt an economically autarkic Keynesian policy [*Die Zeit*, 2nd October 1998]. This autarky has already been observed in the way the European Central Bank has cold-shouldered any attempts to enter into collaboration with other G7 countries in response to the current world financial crisis [Anatole Kaletsky, *The Times*, 24th September 1998]. There will be a flight of capital from Germany and the danger of an Asian-type crisis in Europe.

Britain's national interest has nothing to do with nostalgic memories of a British empire. It is instead a matter of sustaining the virtuous economic performance which the Conservatives left the Labour government in May 1997. This economic success was achieved only because Britain was outside the ERM and independent of Germany. Nobody should be allowed to forget this all-important point or gloss over it. The Socialist domination of Europe will now make it increasingly difficult to retain the Anglo-Saxon model.

But Britain's primary national interest is to preserve its democracy and that of other European peoples. The Westminster system has functioned well for centuries and is a model for the rest of the world. The independent central bank within EMU takes power away from it and places it in the hands of unaccountable and uncontrollable bankers. Unlike the independent central banks within countries like Germany or the USA, the ECB's powers are enshrined irrevocably in a treaty. They cannot be abrogated or revoked by any one parliamentary majority, but only by a unanimous decision of 15 or more member states. This is an absolutely fundamental infraction of the most important democratic principles. We must therefore have a No vote in the national referendum on EMU and the Maastricht treaty must therefore be renegotiated. The key distinction must be between the European treaties providing for European trade with political co-operation on the one hand, and European government on the other. The Single European Act achieved this - but as I said at the time, this must be 'so far and no further'.

Associated with this problem is the undermining of British laws in areas outside trade through majority voting and the subjection of British law to a European legal order. Worse, Europe displays an increasingly worrying contempt for its own laws. The European Commission has brazenly refused to accept the recent ruling of the European Court of Justice's ruling on Air France. This is a graphic example of how the Socialist triumvirate will undermine the free market and the rule of law in Europe, in contradiction with the spirit and letter of the Treaty of Rome. The contempt shown by the Commission for European law also shows the dangers of increasing Europe's power over criminal law under the Amsterdam treaty.

British national interests are equally affected in the fields of defence and foreign policy. Even under Chancellor Kohl, the Germans were not prepared to give any effective support to the British-US alliance in the Gulf. The Germans have also been conspicuously difficult over Milosevic's terror in Kosovo. The involvement of the Greens within the new German government will only undermine the Atlantic alliance. President Clinton and some of his predecessors have themselves already started to undermine the Atlantic alliance by encouraging European integration and the Western European Union. This was in spite of Europe's inherent failure to have a coherent foreign policy in Bosnia or on the Greek-Turkish argument in the Adriatic, where in particular the German attitude towards Turkey is a problem which will grow. This has dangerous implications for the centre of gravity in the Middle East. The eccentricity of the Greens will merely make any German defence policy impossible to predict.

This poses a vast dilemma for the transatlantic alliance. A divorce between America and Europe would be a dangerous salient in the landscape of the 21st century. The solution lies in Britain, which must remain a firm ally of the US [John R. Bolton, 'American attitudes towards "Europe"', *European Journal* Vol.5 No.9 (Summer 1998), and Professor Martin Felstein, 'EMU and international conflict', *EJ* Vol.5 No.3 (January 1998)].

British national interests are also directly concerned where the progress towards devolution and regionalisation is concerned. Regionalisation will undermine the United Kingdom as a coherent political entity. Anyone who believes that this is not a deliberate strategy, whose effect is becoming irreversible, is mistaken. The attempt to

ensure this irreversibility is reflected in the decision to hold the elections to Britain's regional parliaments by proportional representation. The move towards PR for Westminster would be exceptionally dangerous in the hands of a governing party which is being drawn further and deeper into an overarching European legal framework dominated by German influences. As in Germany, PR will bring the tyranny of the party list.

Impending European tax harmonisation is a further danger. Against this background of a new Socialist Europe, how many businessmen who have supported economic, monetary and political union have now begun to grasp the implications of a harmonised tax system? Such a system is designed to raise the money needed to fulfil the aspirations of creating a European power structure.

The necessity of identifying British national interests today - particularly in the aftermath of the German elections - is thus imperative. The question is what to do. The movement towards the current dangerous situation has been a modern policy of appeasement: when Britain refused to veto monetary union, allowing it to go ahead within the framework of the Maastricht treaty, it committed another act of appeasement. This policy, of allowing other countries to go ahead, has now resulted in very severe damage to British national interests - and, also, to the real national interests of Britain's European partners.

What John Major and others completely failed to grasp was that the European treaties are a continuation of European strife by other means. When Chancellor Kohl said at Louvain in February 1996 that the only alternative to EMU was war, he was showing a clear understanding of this. It is in the British national interest, irrespective of party affiliation, that the British people decide their own future. It is also in the European interest that the peoples of Europe so decide, just as it has been over the last hundred years.

It was incredible to hear John Major saying, on the day after the German elections, that Chancellor Kohl and his policies had been good for Britain. One only has to remember why the ERM crashed on Black Wednesday or the BSE crisis: just two of a long list of German diplomatic successes at British expense in recent years. It is also astonishing to hear the advocate of a policy of putting Britain at the very heart of Europe persist in the belief that his failed policies were right: they have now led ineluctably to the Socialist triumvirate which will undermine vital British national interests.

I warned John Major of this on the *Today* programme that day, and at the Conservative Party Conference in 1995 when I gave a speech entitled 'The Socialist Betrayal of Europe'. In it, I identified how all this would happen. It could have been remedied at the time when the Conservatives were in government. Even under Kohl's CDU, this could have been resisted. Now the floodgates of Socialism have been opened. As a result of refusing to say no at that point, Major was defeated and the Socialist betrayal of which I warned is now in operation. It is ironic that I stood on a platform with Oskar Lafontaine in New York four years ago and heard him agreeing with me that EMU and Maastricht should be rejected. He even implicitly admitted that it would lead to a re-emergence of fascism [William Cash & Iain Duncan Smith,

*A Response to Chancellor Kohl: A European Germany or a German Europe?*, The European Foundation, 1996].

Now, in the pursuit of German national interests, he will take control of the process under Gerhard Schröder, aided and abetted by Lionel Jospin and Tony Blair. Nothing has changed in terms of the German domination of Europe: now it will be pursued in direct contradiction with the spirit of Europe's founding fathers. The whole original treaty structure of Europe is now in danger of being undermined.

With such a large Labour majority in Britain, the single greatest opportunity is to obtain a resounding "No" vote in the national referendum on the single currency, for which massive and detailed preparations must be made now. The outcome of this referendum will determine the basis on which renegotiation of the treaties can be properly conducted. Britain must take a stand, in the interests of democracy and Europe as a whole.

## **II. European Integration: Bad for Germany, Bad for Europe**

*“EMU is a highly political undertaking. The Federal Republic will ultimately be the country which profits most from European unity, even if this is not immediately visible.”*

Johann Wilhelm Gaddun, Vice President of the Bundesbank

[*Deutsche Bundesbank Austrüge aus Presseartikela*, No. 38, 25th June 1998]

In Britain, there is a tendency to think that the European debate is about Britain alone. Arguments are conducted exclusively on whether or not Britain should join the single currency. While this issue is, of course, of paramount importance for Britain's future as a self-governing and democratic nation, the real issues are wider. The future of the single currency will determine whether or not the European continent as a whole is to be a democratic association of sovereign nations trading freely together and co-operating politically, or whether it will become an undemocratic proto-state dominated by Germany.

It is vital to understand that an outwardly powerful Germany is in the interests neither of the German people themselves nor of other Europeans. At the annual meeting of the *Tonnersteiner Kreis* in Germany, I spoke on the subject of a German Europe and explained that it was not in Germany's interests to go down this route. I received a very favourable response.

European integration destroys the achievements of post-war German democracy just as it destroys the fabric of all other European nations. For instance, German federalism cannot survive in an integrated Europe, for all the powers which are now exercised by the German federated states will be sucked up into the European Council of Ministers. Thus the internal dispersion of power within Germany, which the Allies

insisted upon in order to prevent the return of any authoritarianism there, will be swept aside by European centralism. On the other hand, there should be no doubt that European integration will further the influence of Germany's élites over the rest of Europe, to the detriment of the national particularities of other nations and to the detriment of democracy in Germany herself.

The European question is the German question: how to accommodate a large and powerful country in the middle of Europe in such a way as her numerous neighbours to not feel threatened [Graham Turner, 'Tomorrow belongs to Germany', *Daily Telegraph*, 28th March 1998. Nicholas Coleridge, 'We have ways of making you work', *Sunday Telegraph*, 30th August 1998.] Time and again we have been told that European integration is the way to do this, because it will dilute German influence and introduce a consensual approach to international relations, rather than the balance of power. Few people can seriously believe this still now. European integration is becoming increasingly German in flavour and the Baltic States, the Czech Republic, Hungary and Poland know this only too well.

I wrote in 1990: 'If Germany needs to be contained, the Germans must do it themselves. To play safe in political union as a means of submitting to voluntary containment is an abdication of responsibility. If the Germans desire political union because they cannot trust themselves, we must persuade them that political union would not contain them, rather the opposite. Germany is a mature nation now: now is the time for the Germans to prove themselves by agreeing to co-operate and work together within the Community, without all this assertiveness and Bismarckian single-mindedness, which merely awakens old fears. The answer to the German question lies, at least partly, in Germany herself.' [William Cash, *A democratic way to European unity: Arguments against Federalism*, Bow Group, April 1990.]

For instance, one reform which Germany might introduce in order to strengthen democracy would be to move towards the majoritarian electoral system which is the mark of true democracies - those of the United Kingdom, the United States, Canada, France. As a recent BBC documentary on Helmut Kohl made very clear, the secret of his success was to have risen and networked within the party system.

Manipulation of the party system is, indeed, the key to much European politics. The power of political parties, which have hijacked the parliamentary process even in a country like Britain, is extremely great in countries with systems of 'proportional representation'. The term is, of course, a gross misnomer. Politicians elected according to 'proportional representation' in fact represent no one at all. Either the constituencies they 'represent' are so big as to render any true representation meaningless, or they are selected by means of party lists. Party list systems suck the substance of parliaments dry and turn them into - in the immortal words of the Karl Lamers/Wolfgang Schauble policy paper - 'an empty shell'. Politicians are selected and promoted for membership to the Bundestag on the basis of their conformity to the leader's opinions. This is why there was absolutely no dissent within the CDU/CSU to Chancellor Kohl's policies - in striking contrast to both the Conservative and Labour Parties in Britain which both harbour prominent dissidents. Instead of actually representing real voters in real constituencies, politicians elected under PR systems represent only their parties and their party leaders. This is why one British

candidate for an MEP election was right to quip, 'It is much easier to represent a percentage than a constituency. You don't get any letters from a percent.'

Control of political parties also affects the politics of the European Parliament. It is significant in this regard to recall that Germany was awarded an increase in the number of German MEPs following unification. In 1998, moreover, the European People's Party, which is essentially the German Christian Democrats and their allies, admitted a number of MEPs from *Forza Italia*, the centre-right Italian opposition party - but only on an individual basis and according to whether they were prepared to swear individual fealty to the European cause. Thus can a caucus of pro-European and pro-German opinion be constituted within an increasingly important European institution. The centralisation of European policy-making in the Labour Party has led those who question Maastricht and EMU to be eliminated from the Labour representation in the European Parliament.

However, the greatest problem with the traditional German support for strengthening the European Parliament - a support which flows inevitably from the federalist nature of the German project - is that it aims to create an apparently democratic front to hide what is actually a deeply undemocratic process. For a whole raft of reasons - multilingualism, huge or no constituencies, the absence of pan-European political parties, the absence of a European nation - it is absurd to pretend that the European Parliament can ever represent any kind of democratic representation. But the use of bogus democratic institutions to clothe the otherwise naked exercise of authoritarian power is a device more suited to the old Soviet Union than to a modern democratic European one.

There cannot be a single currency across different sovereign areas. All honest supporters of EMU and European integration make it quite clear (especially on the Continent) that EMU is the antithesis of nation-statehood. Again and again they pronounce the age of the nation-state to be over. But the nation-state, as any student of political science knows, is the foundation stone of democracy. Anyone who says the age of the nation-state is over is saying democracy is a thing of the past.

And yet this is precisely what is on the agenda. Despite all assurances (made only in Britain) to the contrary, tax harmonisation is proceeding apace. Monetary union can function properly only if there is an integrated tax system.

Hans Tietmeyer, the President of the Bundesbank, has said that it is an illusion for states to think that they can hang on to their independent tax raising powers within a monetary union. It is precisely because EMU does imply the surrender of nation-states not only of their independence in monetary policy but also of their jurisdiction over tax and spending that EMU involves the creation of a single European state with a single central government. This government, moreover, will be utterly undemocratic since power will be exercised by institutions which are either purely bureaucratic (the Commission, the Central Bank) or unaccountable (the Council of Ministers voting by Qualified Majority Vote). The Stability Pact which Theo Waigel, the former German Finance Minister, engineered, which John Major negotiated and which Tony Blair supports, takes a significant first step towards a harmonised tax and spending regime because it places restrictions on the levels of budget deficits which any one member country of EMU can run. This is the unspoken key to many of the

problems afflicting the present British government: because it is committed to EMU in principle, and because it wants to prove its track record now, its hands are externally tied by the rules which would apply if it joined, as I pointed out in a letter in *The Times* in September.

Moreover, in mid-September, the European Parliament expressed support for the European Commission in its attempt to harmonise value added tax. The plan is being presented as a means of simplifying the existing VAT system and making it function better. A German MEP who belongs to the European People's Party (Christian Democrat) has launched an initiative to upgrade the current committee which oversees VAT law according to the 6th VAT directive in such a way that in future directives can be passed by majority vote. This initiative comes in the wake of an attempt by the tax Commissar, Mario Monti, to bring the application of VAT into line across the EU. Monti claims that the different means of application within the EU are compromising the single market [*Le Monde*, 17th September 1998]. This comes on top of the proposals to outlaw what is euphemistically called 'Harmful Tax Competition'. There are plans afoot to eliminate the tax advantages of Jersey, Guernsey and the Isle of Man from which the UK derives enormous economic benefits.

### **III. Germany and the Russian crisis**

The recent and continuing crisis in Russia has given added urgency to the German question. The fates of Germany and Russia are intimately linked. Ever since 1917, when Kaiser Wilhelm sent Lenin across Germany in the famous sealed train to the Finland Station in St. Petersburg, in order to stimulate the Bolshevik Revolution there and thus to weaken Imperial Russia, Germany has repeatedly locked herself into Russia's affairs throughout the 20th century. As Germany enjoys, to American eyes, the privileged status of the most powerful European state, so her role as chief European interlocutor for Russia increases. None of this has changed since the head of the KGB became Russian prime minister.

The domination of Germany over European affairs has already done great damage in the Russian crisis. Informed opinion in the City of London puts the losses incurred by western institutions during the Russian crisis at \$100 b. While all the major western countries are in this together, it should never be forgotten that Germany has been in the vanguard of offering support to Russia. The German-Russian treaty of 1990, which is conveniently forgotten by the European establishment, locks the Germans into an exchange of technology, especially military and aerospace technology and industrial armaments. Germany holds 40% of the now worthless Russian debt. This is no doubt why, after the collapse of the rouble in September, Chancellor Kohl was again in the forefront of calling for yet more aid to be given to the Russian government. On 16th September, Chancellor Kohl demanded that Russia be admitted as a full member of the G7 group of industrialised nations, urging that yet further western aid be given to Moscow and that the west 'continue to stand by Russia's side' [*Suddeutsche Zeitung*, 16th September 1998]. Gerhard Schröder is likely to continue this policy, for it transcends German party politics. Is it not possible that Germany would trade in its debt for the blueprints for sophisticated Russian technology?

The true state of German exposure to Russia is difficult to know with precision. The exact figures have become a political football, massaged up or down according to the political needs of the moment. When in May the former German Finance Minister, Theo Waigel, needed to persuade his EU partners to cut Germany's budget contribution, he boasted that his country's 'support for the reform process in Russia' stood at DM 133 bn. But as worries began to spread in September about the effects of this exposure on Europe's biggest economy, the Economics Ministry began insisting that the total exposure to Russia was only DM 77.4 bn, of which DM 55 bn were old Soviet debts [*The European*, 24th August 1998. This meant Russia had DM 22.4 bn of new German debt, covered by Hermes, capital investment and financial credits].

The situation in the 'private' sector is just as uncertain. Whether or not Hermes covers bank loans, as the banks assert, a Russian default would affect the German taxpayer. This is why the President of the German Institute for Economic Research in Berlin, Professor Lutz Hoffmann, has said, 'All scenarios indicate that the German taxpayer will bleed. Someone has to answer for these credits' [*The European*, 24th August 1998].

Political impetus from Bonn is the major factor behind a large proportion of the loans. Finance Ministry announcements accompanying many schemes show this connection: in March 1996, for instance, Chancellor Kohl personally saw to it that Russia got a DM 4 bn injection shortly before President Yeltsin's re-election. For this reason, Professor Hoffmann insisted that Germany would 'very soon start to suffer from the Russian crisis' [*The European*, 24th August 1998].

Calculating Germany's exposure is made harder by the complex financial instruments available today. If Russian banks default on their substantial off-sheet derivatives operations, the German banking system - and thus the European financial system and EMU - could be in very serious trouble indeed. Once again, the long hand of the state is never far away: the state-supported *Landesbanken* are believed to be major holders of this derivative-based exposure with Russian banks.

Hermes also guarantees German exports to Russia, worth DM 16.4 bn per year. If the Russian importers default, the German taxpayer would be required to make good the bad debt. The original intention was that Hermes would make money, but even by last year it had amassed a deficit of DM 23.5 bn. While the Maastricht Treaty and the Stability Pact - the ground for which was laid at Edinburgh in 1992 and was ultimately endorsed by Tony Blair - theoretically forbid the monetary union from bailing out one country with a particular national problem, it is inconceivable that Europe and EMU could escape being dragged into any financial turbulence in Germany and continuing crisis in Russia, who is dangerously dependent on Germany.

It is therefore imperative that western businessmen and financiers - not to mention taxpayers - whose money has been squandered as one bureaucratic élite props up another, must face up to the questions which this spectacular failure of policy-making poses. At their peril do they allow themselves to be carried along by new promises of 'reform' in Russia, as all respectable economic and political analysis confirms that support for such 'reform' is little but cronyism on an international scale, combined

with massive corruption and crime, as William Webster, former director of the FBI and CIA, has clearly indicated.

#### **IV. A German Europe**

Independently of the Russian crisis, during the election campaign, leading politicians from both sides of the political spectrum in Germany have made it clear that they expect European integration to be essentially German in nature. European policy is not the subject of party dispute in Germany.

Shortly before his election, Gerhard Schröder called for European integration to occur along 'federal' lines. He said that such federalism was essentially German in nature. He wrote in *Le Monde*, 'The federal nature of the European construction is for us [i.e. the Germans] only an upward extension of a form of political organisation with which we are familiar. It is only for centralised states that this natural evolution is a revolution. It will especially be up to the French to say when it is time to pronounce the fateful word [i.e. 'federal'] and to accept the new realities.' This is exactly the language of the infamous CDU policy paper of September 1994, where France was told to make her mind up [*Le Monde*, 16th September 1998].

In the same veto, the former Finance Minister and former leader of the Bavarian Christian Democrats (CSU), Theo Waigel, gave repeated assurances that 'The Euro will be as German as the D-Mark' was included as the 10th policy commitment by the CSU in its official manifesto [Manifesto drawn up at CSU parliamentarians' meeting at Kloster Banz, published by CSU Press Office, Bonn, 9th July 1998]. It was on this basis that the CSU was returned to power in Bavaria, and Edmund Stoiber, re-elected Prime Minister of Bavaria on this basis, will remain a powerful force in German national politics.

Indeed, the victory of the CSU in Bavaria two weeks before the general election confirmed a general trend about which there has been much misunderstanding in British analysis. The CSU won with an essentially German nationalist message. The Germans accept the euro only to the extent that it protects or even extends German-style monetary policy and influence in Europe. This is as true of the Social Democrats and Greens as it was of the Christian Democrats. Having locked themselves into a European strategy about which they know their voters have severe misgivings, German politicians can keep their own supporters on board only by convincing them that Europe will be German. They will thus seek to have German priorities adopted at the European level, whether in foreign policy, ecology or the economy. Little has changed since Chancellor Kohl said that the choice of Frankfurt as the seat for the ECB meant that European monetary policy would be German monetary policy.

Politicians outside Germany who support European integration as a means of 'binding Germany in' (an argument Germans themselves also sometimes use) confuse two fundamentally different things: a Germany contained within the legal framework of the European Community up to and including the Single European Act, on the one hand, and a Germany predominating in a European Union based on a European

government with majority voting in all critical economic and political areas, on the other.

Other people, not apparently directly connected with politics, have also made the geopolitical motives behind European integration very clear. In an article frankly subtitled "World power political ambitions based on economics', the respected pro-European academic, Professor Werner Weidenfeld of the University of Munich, wrote that, "The euro-space (*der Euro-Raum*) will catapult Europe into the status of a world power. A new world monetary system dominated by Europe and America will replace the old dollar-based arrangements. The Atlantic relationship will have to be re-evaluated. But what the Europeans still lack is the ability to think in world political categories' [*Neue Zürcher Zeitung*, 10th July 1998. A longer version of the same article also appeared in *Europäische Rundschau*, Summer 1998.] Professor Weidenfeld opined that there was a 'power-political vacuum' in the world between Britain's pro-American stance, France's anti-Americanism, NATO enlargement and Russian 'nervousness'. The EU was not yet filling this vacuum, although it was becoming 'a central field of gravity'. As he pointed out, 'Soon every seventh state in the world will be a member of the EU', and concluded, 'The dreams of the war generation are about to be fulfilled'. There can be no excuses for not knowing what Germans are thinking when they speak as frankly as so many of their advisers do.

The argument between France and Germany over the presidency of the European Central Bank in April and May 1998 revealed the true nature of the German agenda in all its splendour. The Germans had originally bet on being able to influence a small 'hard core' of like-minded EMU members - Belgium, the Netherlands, Luxembourg, Austria and France. The Lamers/Schäuble policy document spoke of such a hard core, surrounded by 'concentric circles'. The Germans assumed that they would have a natural majority within such a small union, of which they would have represented 50% in terms of population. For various reasons, this plan failed and the Mediterranean states (Italy, Spain, Portugal) were admitted to EMU. Faced with this outcome, which was quite clearly the result of political will and emphatically not thanks to any observance of the famous convergence criteria, Germany tried to *sauver les meubles* by insisting that their man was nominated as president of the new European Central Bank. The bitter row between France and Germany gave the lie to the old pretence that the ECB is to be independent of political control: why else would the personality of the president have been so important? The outcome, according to which Germany's candidate, the Dutchman Wim Duisenberg, won, but only on condition that he resign during the course of his 8-year mandate, was a clear infraction not only of the fundamental spirit of political independence by which the ECB is supposed to be governed, but also of the letter of the treaty which rules out such split terms of office. This is yet another example of the dangerous politics of Europe and particularly of Germany overriding the European 'rule of law' with the acquiescence of Tony Blair. It also showed what great importance the Germans attach to controlling the all-important new Europe institution, which will be sited in the historical capital of the Holy Roman Empire, Frankfurt.

## **V. A nation uneasy with itself**

The elections which have just taken place in Germany have produced a government whose task is immense. Less than one decade after the reunification of West and East Germany, itself a momentous and quite unexpected event, and long before the situation in East Germany has been properly stabilised, Germany has put herself at the centre of a vast political and economic construction, the Economic and Monetary Union of Europe.

Never before have the nation states of Europe been united, except by force and excepting those periods of very distant history before nationhood and democracy existed. Never before has a monetary union between different countries held together for long. Never before has a monetary union even been attempted with a paper currency, i.e. a currency which is not convertible on demand into a known quantity of gold. Any one of these factors alone would presage dangerous instability: taken together they are a recipe for increasing and ultimately unbearable political tensions.

Tensions are all the more likely because the country which will be the principal bearer of them is hardly well suited to the task. Histories of 'imperial overstretch' typically describe how countries gradually expand, through commerce or conquest, until they take on more commitments than they can sustain. The German situation now may be different from this classic, schema, but it cannot be denied that Germany wishes to put herself at the centre of an empire over which she will have determining influence. At Louvain in 1996, Chancellor Kohl said: 'Germany has a fundamental national interest in ensuring that all its neighbours become members of the European Union one day ... We Germans are very much aware that German unity and European integration are two sides of one coin.' Irrespective of who is in power in Germany, the key question will remain not merely whether history repeats itself but of human nature. Treaties and pieces of paper will not alter this.

The situation is different because Germany has neither the economic nor the political backbone to sustain such an unwieldy construction as the European Union - which is not to say that she will not try to do so. She is economically incapable of doing it because, as all sensible economists recognise, a monetary union means either significant flows of money from rich to poor areas, or of workers migrating to wealthier areas where there is work. This is an outcome which is politically unacceptable for Europe's rich industrial north, where the immigration question is still a burning political topic. Likewise the Schröder Government's policies will be driven by the need to accommodate unemployment and the politics of Eastern Germany.

The signs of failure are already obvious. The Russian collapse is perhaps only the most dramatic. In internal German politics, Chancellor Kohl's long reign was marked by a persistent failure to reform the German economy or social security system. High unemployment is a deep-rooted problem in Germany which no one has really attacked. It is highly unlikely that Chancellor Schröder will implement such reforms: quite the reverse. The present policy course of Germany's government is in the interests neither of the Germans themselves nor of everyone else.

Perhaps even more worrying is the political incapacity of Germany reliably to lead such a pan-European conglomerate. Germany has not even settled her own national

identity, which remains strikingly unstable, let alone found a directing principle which can hold the ramshackle European Union together. Without a philosophical blueprint for European nationhood, or superstatehood, or unity, only naked power is left.

Henry Kissinger has rightly remarked that Bismarck's Reich (1871 - 1914) was marred by precisely this lack of shared values. 'The reason German statesmen were obsessed with naked power', he writes in his magisterial study of foreign policy, *Diplomacy*, 'was that, in contrast to other nation-states, Germany did not possess any integrating philosophical framework. Bismarck's Reich was not a nation-state, it was an artifice, being foremost a Greater Prussia whose principal purpose was to increase its own power. The absence of intellectual roots was the principal cause of the aimlessness of German policy. It was as if Germany had expended so much energy on achieving nationhood that it had not had time to think through what purpose the new state should serve. Imperial Germany never managed to develop a concept of national interest ... The Kaiser wanted to conduct *Weltpolitik* (politics on a world scale) without ever defining the term or its relationship to the German national interest.' If this is true of Bismarck's Reich, which integrated the politically disparate but culturally homogenous states of Germany, how much more will it be true of an integrated European Union?

Fashionable theoreticians of the 'decline of the nation-state' - the theory upon which the whole of European integration is predicated - sometimes say that it is an advantage that Germany has no fixed national identity. This is said to be more adapted to the modern 'globalised' age than national allegiance. Such theories have something rather totalitarian about them, for the suggestion is that ways of thinking need to be changed to adapt to the demands of the economy. They are also fundamentally wrong. Political cohesion is the greater prize any nation can win, and it is the bedrock on which all democratic development is based. Even very mature nations lack it (France springs to mind) and the regionalisation of the EU under Maastricht is intended to break up the United Kingdom. The result is political instability which makes a country too weak to change. It is also when the question of legitimacy has been conclusively answered that the rule of law can be set up, which is the *sine qua non* for a free market economy.

## **VI. The debate about the German national interest**

Germans themselves are acutely aware of their own difficulty in expressing clearly what their national interest should be. This is in no small measure because there is a hidden agenda: German industrialists, especially the big ones, know that an integrated European economic area under German influence is the perfect (indeed only) springboard to world expansion. German politicians, meanwhile, know - as they have known since the rise of Prussia in the 18th century - that Germany's geo-political position in the centre of Europe, surrounded by potentially hostile neighbours, makes neutralising them an imperious necessity. Bismarck used to call this 'the nightmare of coalitions'. The man who negotiated Maastricht for Germany, Horst Köhler, has given the clearest political expression to the geo-political imperatives behind

European integration when he told a French newspaper, 'There is no alternative to European integration. Any other choice would push the other nations of the continent to unite against us' [*Le Monde*, 6th February 1996].

So the election campaign - and much German political and academic comment in recent years - has been remarkable for an attempt to grapple with the notion of German national interest and its relationship to European integration. It is a debate severely deformed by Germany's historical taboos. The biggest single problem is that the Germans find it impossible to be frank about their national interests. This leads either to hypocrisy or to strange outbursts of apparent aggression, at least verbal. So on the one hand left-wing and pacifist thinkers have convinced themselves (or at least try to convince the public) that European integration is a means by which Germany can 'bind herself in' and limit herself from power-political ambitions. For instance, Joschka Fischer, of the German Green Party, has written, 'Our self-limitation must continue' [*Frankfurter Allgemeine Zeitung*, 10th August 1998], by which he means that Germany must stick to the post-war formula of peaceful and democratic Western and Eastern orientation. He seems not to care that the phrase 'limitation' (*Beschränkung* in German) recalls Goethe's famous dictum, '*In der Beschränkung ziegst sich erst der Meister*' - 'It is only in limitation that mastery can be achieved'.

Others, on the other hand, are less hidebound. The prominent CSU politician, Michael Glos, published an article in early 1998 entitled, 'The option of restraint no longer exists', which was illustrated with a menacing photograph of a German military helicopter in Bosnia. The argument was that Germany had interests to protect and that it was in everybody's interests that she did so in an honest and justifiable manner. This explains in large measure why Germany is so keen to create a European defence identity: manoeuvres and military operations are easy for Germany to carry out if they have a 'European' or international label. They are virtually impossible to carry out if they have a purely German one, and this explains the German enthusiasm for a European army and for a permanent German seat on the United Nations Security Council. There is a danger that the presence of the Greens in the German government will precisely neutralise any left-wing opposition to military escapades: pursued in the name of human rights by a left-wing government and with international blessing, they will become more likely.

One aspect of German national interest about which the British are in denial is the seemingly endless stream of acquisitions of strategic British companies by German ones. From Rolls-Royce and Rover to Kleinwort Benson and Morgan Grenfell, the most dramatic example of this was the undisclosed agreement between the London and Frankfurt Stock Exchanges which City opinion unanimously and rightly interpreted as being overwhelmingly in Frankfurt's favour. This is because two Stock Exchanges of radically different size and importance concluded a pact in which they both have equal weight, and one which Frankfurt is now complementing with a network of similar agreements with the Stock Exchanges of Central Europe (starting with Vienna).

This decision was quite astonishing in its strategic naivety. Frankfurt is putting itself at the centre of a hub-and-spokes arrangement linking various stock exchanges - just as Germany as a country is putting herself at the centre of the overall European project. By linking into such a network, in a way which does not reflect London's

true importance as a financial centre, the City of London has made itself an instrument of a larger, more strategically well-thought out, German policy. It is ridiculous to approach such matters in terms of pure business terms alone. Their importance will go well beyond the business sector. It can be predicted without a shadow of a doubt, for instance, that the link-up between London and Frankfurt will encourage the view that 'the City of London is in favour of EMU'. Such a myth can be dangerously powerful. The pound sterling and the British democratic system, belong to all British nationals equally, and they must never be hijacked for the personal gain of a few privileged oligarchs.

Such take-overs are made easier by the more open nature of the British economic system. It is not complemented by reciprocal take-overs of German firms by British ones. As one German commentator has observed, it is striking how relaxed the British seem to be about this trend. The British dismiss it as merely the inevitable result of the free flow of investment. But the Germans themselves do not think of it in this way. They have a far more strategic approach. To be sure, if Britain cannot make goods as well as the Germans, that is her own fault. But the purchase of strategic industries by foreign industrialists who themselves operate in close collaboration with their politicians raises important questions about the political effect of such take-overs. The EU competition policy is being undermined by political manipulation and disruption. Concretely, foreign owned firms in Britain, like the London Stock Exchange which is now in alliance with Frankfurt, will seek to influence national policy-making in their direction. There can be no doubt that European integration is intended to favour the 'Rhenish' model over the 'Anglo-Saxon' one. This is another area in which the Heseltine-Brittan myth that European integration promotes Thatcherite reforms is so egregiously wrong. In discussing the Russian crisis, for instance, the Austrian Foreign Minister and President of the European Council, Wolfgang Schüssel, said that the EU's objective in Russia was not to promote Anglo-Saxon capitalism but rather the 'European model with its social safety net' [*Le Monde*, 8th September 1998]. If nothing else, such remarks only show how stunningly out of touch the Austrian minister is with Russian reality!

## **VII. Germany's new assertiveness in Central Europe and the Baltics**

*"Who appointed the Germans to be the judges of nations?"*

John of Salisbury, 1159

There can thus be no doubt that Germany has been becoming progressively more assertive to foreign policy as the European project gathers pace. There can also be no doubt that European integration complements this trend. Across the board, German policy-making is becoming increasingly caught on the horns of an invidious dilemma. On the one hand, everybody supports European integration. On the other hand, like any normal country, Germany has national interests and national preoccupations - social protection, health care, immigration and security. In most cases these matters are affected by European integration - immigration policy, for instance, is transferred

to Europe by the Amsterdam treaty. This is yet another example of the depth of that treaty which has been consistently underplayed. Germany's legitimate national concerns in this area can be met only if Germany's policies are adopted at the European level. Thus, as night follows day, European policies are acceptable in Europe's most powerful country only if they are German policies. This has been clear ever since Germany forced the recognition of Croatia and Slovenia in 1991, a diplomatic coup which the then foreign minister, Hans-Dietrich Genscher called 'the greatest victory for German foreign policy since 1945'.

One area where this is particularly clear is in foreign policy. As is well known, post-war divided Germany was committed to the Western alliance and European integration as a means of regaining international legitimacy and national sovereignty. Although it is laudable that Germany should be committed to the West and to Europe, the geographical realities changed when Germany was reunited in 1990. Instead of being counterbalanced by European integration, Germany is now the principal motor of it. As a massive net contributor to EU funds, Germany also increasingly pays the piper and calls the tune. In the EU enlargement process, this can be seen very clearly.

Germany has, of course, traditionally supported EU enlargement, principally as a means of 'stabilising' a potentially unstable zone on her eastern border. The CDU policy paper of September 1994 famously warned that, 'Without this further development of (west) European integration, Germany might be tempted or challenged, on the grounds of its own security needs, to bring about stabilisation in Easter Europe alone and in the traditional manner' [CDU/CSU Bundestag Parliamentary Party, *Reflections on European Policy*, Section II, 'Germany's Interests']. Now, however, the emphasis has shifted: Germany remains keen in principle to enlarge the EU to include a zone in which Germany has traditionally enjoyed influence, but she is also concerned that it might adversely affect her own economy.

Thus, Germany has started to warn about the dangers for the EU (i.e. in her own eyes, for Germany herself) of enlargement and to suggest that it may have to be delayed. Within Brussels, Commission officials have been warning since July that the 2002 deadline will be missed because the 'screening' process, by which the implementation of the *acquis communautaire* is checked, is running at least six months late. The suspicion is that political reluctance at the national level is the real reason behind these technical excuses [*The European*, 28th September 1998].

Central European governments, not to mention the Baltic states, have been quick to respond to this apparent desire to keep them waiting for years in the anteroom of the EU. The Hungarian Foreign Minister went to Paris to warn President Chirac that it was wrong to expect candidate states to adopt the whole burden of the EU before enjoying any of the advantages. It would, by definition, be even more unfair to delay the introduction of those advantages beyond the formal date of admission. As one Hungarian diplomat put it, 'We have the impression that the EU is feeling the dangers of enlargement for itself as the deadline approaches'.

In the same vein, the Director of the Institute for World Economics in Budapest, Andreas Inotai, said in August that the principal obstacle to EU enlargement lay not in the candidate countries but instead in the core EU members, especially France and

Germany. Unlike many other European states, these two countries had failed to take any proper steps towards becoming more globally competitive. Finally, the new Prime Minister, Viktor Orban, said in an interview with the *Frankfurter Allgemeine Zeitung* that he was not interested in EU membership at any price, a declaration which was judged 'arrogant' by some sections of German opinion [*The European*, 28th September 1998].

Both Germany and Austria have started to warn of the dangers (for them) of enlargement. The incoming presidency country, Austria suggested a transitional period of between 10 and 20 years before Polish, Hungarian and Czech workers should be granted the right of free circulation within the EU. There have been numerous studies in Austria emphasising the number of workers from Central Europe who will 'take away Austrian jobs' if free circulation is accorded to citizens of the new member states. The EU expert at the Austrian Institute for Economic Research, Britz Breuss, has said that there are potentially 700,000 people who might migrate from the new member states to the EU. Of these, 45% would go to Germany and 29%, or 203,000 people, to Austria. The leader of the Institute for Higher Studies estimated the number of immigrants into Austria at 150,000, many of whom could commute. The Institute for Economic Research has thus recommended that free circulation of workers be delayed until 2015, which is just what the government in Vienna has proposed. They recall that when the EU was extended to Spain and Portugal, there was a delay of 7 years before free circulation was granted [*Handelsblatt*, 15th September 1998]. This Austrian suggestion echoed an almost identical proposal, made by the Bavarian Christian Democrats (CSU) at their party congress in early July and the former German Employment Minister, Norbert Blüm, warned of significant flows of population from east to west as a result of EU enlargement.

There have been other causes of friction between Germany and the Central European countries. In mid-September, the Polish Prime Minister, Jerry Buzek, described a prominent German CDU politician as an extremist. He was reacting to the demand, made during the 'Homeland Day' organised in Berlin by the German Expellees' Association, whose President, the target of his attack, is a CDU Bundestag deputy, that Polish and Czech EU membership be made conditional upon Germans having the right to resettle the areas from which they were expelled in 1945 (principally Silesia and the Sudetenland) and upon compensation being paid by the two countries for their expropriation [*Handelsblatt*, 15th September 1998].

The Poles are thus irritated with the Germans in general and the Expellees in particular. There are still officially 'open questions' in German relations with Poland - meaning the property rights of expelled Germans. The Poles are also angry at the demand for the return of 'cultural goods' taken from Germany after the war. The Poles have also had problems with Europe generally: the Polish government was 'humiliated' (in the eyes of the Polish press) by Brussels when 34 million ecus' worth of grants were peremptorily cancelled by the Commission. Sources in Warsaw suspected that this was a manoeuvre to get rid of the Polish Minister for Europe who had declared himself in favour of 'a Europe of Nations'.

The Czechs have had similar problems: when the Czech Prime Minister protested against the presence of Sudeten Germans in the German-Czech reconciliation committee, he was attacked with extraordinary vehemence by politicians from all

sides of the German political spectrum. Theo Waigel, the former Finance Minister, said that the Germans would not stand for such behaviour; and the Chairman of the SPD in Bavaria demanded an apology from the Czech premier. The President of the Expellees said the remarks disqualified the Czech Republic from EU membership.

Although such attitudes towards Central Europe were fuelled during the election by the attempt of the Christian Democrats to court support from the Expellees, the Social Democrats also have links to them. A leading role for Germany in Central Europe is a core element of German foreign policy which transcends party politics. As two Europhile commentators have written, 'The breakdown of the Soviet bloc created a power vacuum in Eastern Europe. Germany's economic strength and its historical connections with countries such as Poland, the Czech Republic, Slovakia and so on present opportunities for expanding its influence eastwards, at the same time giving it a claim to a greater prominence on the world stage' [Thomas Lange and J.R. Shackleton, *The Political Economy of German Unification*, Berghahn Books, Providence and Oxford, 1998, pp.5-6]. It is noteworthy that this author should adduce history as a justification for Germany's continuing influence in this region. History should surely teach Germany restraint, not renewed attempts at seeking influence. Twice this century already, Germany has tried to develop economic zones, dependent on her as the dominant economic partner, through the politics of *Lebensraum* and *Mittleuropa* in Central and Eastern Europe.

All this gives the lie to the claim, originally made in the notorious CDU policy paper of September 1994 and often reported since, that European integration and a common European foreign policy are the only alternatives to Germany 'dealing with Eastern Europe in the traditional manner'. One Europhile observer writes that, "Much hangs on the maturity and understanding of Germany's European partners if a historic opportunity is not to be lost and Germany is not to be driven to look for unilateral solutions to the problems on its eastern frontier" [Margaret Blunden, 'The Germany Europe Deserves', in *The Political Economy of German Unification*, eds. Lange & Shackleton, Berghahn Books, Providence and Oxford, 1998, p.15]. This sounds like a threat, and suggests that the problems lie in Britain and France's wrong attitude instead of in Germany's. But as recent developments in Eastern Europe show, far from superseding German bilateral policy in the region, European integration has become a vehicle for it. As Margaret Blunden adds, 'To many Germans, Europeanisation is not about losing national power but regaining it' [Blunden, 'The Germany Europe deserves', p.16]. Or as Hans-Dietrich Genscher once said, 'The more European our foreign policy is, the more national it is'. Or as Gerhard Schröder, whose words opened this pamphlet, made crystal clear, 'I am European because I am German'.

## **VIII. The solution: democracy and national interest**

Germany under Schröder is thus in danger of continuing the same schizophrenic policy elaborated under Chancellor Kohl: German policies will be pursued at the German level. This can only create friction with other European countries, and the Socialist flavour of such policy will prove bad for the European economy as a whole

and for Britain in particular. The USA has an equal interest in preventing such a federal Europe. Britain has real alternatives in a new relationship with the United States and without withdrawal. The problem is that we have never called the EU's bluff. It needs us politically and our markets more than ever [ William Cash MP, Evidence to the House of Lords' Select Committee on the European Communities, HL 88, 8th June 1995. Also, speech at Yeovil, 20th March 1995, 'Defending Britain's interests].

The answer to the German question is not to create a German-dominated power structure for the whole continent. It is instead to consolidate democracy in each of Europe's nation states. European integration undermines national democracy, and regionalisation is certainly no substitute for taking democratic powers away from national parliaments. Democracies do not go to war with each other and the only hope for a stable, prosperous and peaceful Europe is if it is based on national democracy and accountable government. This can be achieved if Britain says No to the single currency in the National Referendum. This will require massive preparation, equal political funding and equal time and space on radio and television to the genuinely opposed arguments. Then Britain can get down to renegotiating the treaties which gave birth to EMU.

Now is not the time for another bout of 'wait and see' which provides a false antithesis. It is a question of principled British national interests. Britain and Europe depend on it.

*London, 30th September 1998*