

European Integration and Government: Dangers for the United States

European Foundation Working paper 2

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Bill has a long and close affinity with the United States, having toured the country as MP of the Year when invited by the US Federal Government in 1990. His forbears include John Bright MP, the foremost supporter in Europe of President Abraham Lincoln during the Civil War. In 1998 he was the Keynote Speaker at the College Republicans' Annual Convention in Florida on the subject of Europe and America.

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Introduction

America has vital trade, defence, and foreign policy interests in Europe. It is therefore in her own national interest to reverse the European Union's accelerating drive towards a socialist, protectionist, anti-American United States of Europe. At the same time, it remains important for America to encourage fair and free trade in and with Europe and all the advantages of the Single Market. In short, *European trade: yes, European government: no.*

1. American interests in Europe

From the First and Second World Wars, through to Marshall Aid, the Cold War, and most recently to Kosovo, America has consistently shown herself willing to expend her wealth, and even her citizens' lives, to bring peace to Europe.

Yet the Americans long to be relieved of the burden of rescuing Europe. They would rather cooperate and trade with a continent as free and democratic as their own. Over the course of the post-war period, Washington has come to regard moves towards ever-closer European Union as a means to that end.

The view of the State Department has been—at least since John Foster Dulles and Robert Kennedy—that the best way to achieve peace in Europe is by uniting Europe. This explains why the US has long supported and encouraged the European Union—but what type of European Union? Times and circumstances have changed, particularly since the end of the Cold War, and deepening European integration is now having negative consequences for vital US interests.

The reason for this is straightforward. The European Community has been evolving into a European government since the Maastricht Treaty in 1991—a government pursuing policies that depart from the historical attachment of the UK and the US to the principles of free trade, democracy, and the Atlantic Alliance. The eventual aim of many European leaders is a United States of Europe with one currency, one body of law, one supreme court, one flag, one anthem, one defence policy, and one frontier.

These developments are negatively impacting the United States in several ways:

1. As most European political leaders admit freely, the Franco-German alliance is the motor of European integration. This alliance becomes more entrenched as majority voting displaces the veto in the arena of European government decision making, and as the countries that disagree with France and Germany are either outvoted or forced in their own (perceived) national interest to bow to such domineering neighbours.
2. Franco-German foreign, defence, and trade policies, and therefore EU foreign, defence, and trade policies, depart significantly from US interests.
3. The potential savings to the US of Europe establishing its own defence forces are outweighed by the damage that those forces, through the trade and foreign policies that they would underwrite, would inflict upon US interests.
4. Britain, until now more closely allied to the US than to either France or Germany, should therefore as far as possible be dissuaded from joining the Single European Currency, a Common European Foreign and Security Policy, and other integrationist projects.

2. European Union: anti-American

In 1997, former German Chancellor Helmut Schmidt made clear the motivation in Berlin and Paris behind European integration: to create a superpower capable of challenging the United States.

“[The] European Union will have the political, economic, and financial weight to exert an influence on global affairs equal to that of the superpowers. This perception is gaining ground among the leaders of the EU, and it provides an additional strategic motivation for European integration.

It was only natural that during the Cold War West Germany maintained a close relationship with the US, since Germany’s security ultimately rested more on the US than on its European allies. Because of this basic strategic reality, de Gaulle never succeeded in enticing [Germany] away from the US.

[Post-Cold War] Germany will remain part of the [NATO] alliance, but European integration—further development of the EU and close co-operation with France—is increasingly important. The US must understand that in the next century Germany will not automatically take its side in disputes between Washington and Paris.”¹

French Prime Minister Lionel Jospin most recently echoed Helmut Schmidt’s view, when last year he described the US as an “unchecked hyper-power”. Former President François Mitterrand went further, stating that

“France does not know it, but we are at war with America. Yes, a permanent war, a vital war, a war without death. Yes, they are very hard the Americans, they are voracious, they want undivided power over the world.”²

President Jacques Chirac revived his predecessor’s bellicose anti-Americanism, proclaiming last fall that “the object of the European defence identity is to contain the United States.”³

German support for the EU can be just as anti-American. Chancellor Gerhard Schröder proclaimed only last December that “whining about US dominance does not help, we have to act.”⁴ The German Foreign Minister, Joschka Fischer, went even further, stating that “[w]e ought to work on a common constitution to turn the European Union into an entity under international law—that is my goal. It is the decisive task of our time.”⁵

Dr John C. Hulsman, Senior Analyst at the Heritage Foundation, recently dissected the anti-Americanism fuelling European integration:

“[The US] needs to stop thinking that French rhetoric isn’t serious, that it’s just a cultural eccentricity. Rather, it reflects the honest beliefs of a people that have a very different political and economic agenda from ours. Britain will not play a decisive role in what becomes of the EU (as always, that will be left to Germany and France), but it can play a

¹ Helmut Schmidt, ‘Miles to Go: From American Plan to European Union’ in *Foreign Affairs* (USA: May/June 1997).

² Quoted by Georges-Marc Benamou, *Dernier Mitterrand*, and as cited by Conrad Black, “Britain’s Atlantic Option—and America’s Stake”, *National Interest* (US: Spring 1999), p.22 (as translated by Dr John Laughland, European Director of The European Foundation).

³ ‘Blair’s Plan for a Euro-Bomb’, *The Spectator* (London: 22 January, 2000), p.10.

⁴ “Schröder to Europe: Unite vs. US”, Associated Press (Paris: 28 December, 1999).

⁵ Joschka Fischer (Berlin: 25 November, 1998), cited www.europeanfoundation.org/euroquotes.html .

critical role in assuring that an American-led bloc will maintain its dominance by a wide margin over such an integrated statist rival.”⁶

The greatest single step towards a United States of Europe came with the Maastricht Treaty of 1991, reinforced by the Amsterdam Treaty of 1997. The Maastricht Treaty’s main provision, Economic and Monetary Union (EMU), was described by European Central Bank President Wim Duisenberg as “go[ing] hand in hand with political integration and ultimately political union. EMU is, and was meant to be, a stepping stone on the way to a united Europe.”⁷

Two of the most important questions for consideration by US foreign policy makers are:

- What do France and Germany intend to do with the power they seek for the EU?
- Will what they do with that power serve US interests?

The first of these questions is best answered with reference to past experience, as set out below in sections ‘iii’ to ‘iv’ of this paper.

The broad strategic interests of the US lay in the preservation and promotion of free trade, NATO, and democracy. Therefore the remainder of this paper will seek to demonstrate why America should answer the second question in the negative.

3. European Union: threat to free trade.

In 1999, US capital outflows to the European Union totalled \$58.2 billion. As in most other years since the mid-nineteenth century, the bulk of that outflow, \$29.8 billion, went to the UK (even more if UK Overseas Territories were included).⁸ Indeed, the UK receives more US outward investment than any other country, as does the US from the UK. In 1999 the US received \$116.6 billion of Foreign Direct Investment from the UK, or 42.8% of her total foreign direct investment for that year.⁹ Over the past ten years UK net direct investment in North America has been more than double its investment in the EU.¹⁰

Further European integration on the social/protectionist model, however, can only undermine this enormous mutual investment. Consider:

- Rampant EU protectionism comes cloaked as trading standards regulations. One of numerous such examples includes the EU ban on US hormone treated beef—a ban of particular concern in your home state. The EU also organized the opposition of 166 countries to the US-led Miami Group of grain producers—just part of an ongoing attempt to outlaw entirely the importation of genetically modified crops (the EU Trade Commissioner ignores the fact that WTO rules require that any such ban be based upon scientific evidence).
- EU countries continue to subsidize their failing companies including their national airlines (Air Iberia and Air France, to name but two), forcing US companies to compete on uneven

⁶ Dr John C. Hulsman, “The World Turned Rightside Up: A New Trading Agenda For The New Age Of Globalization’ (The Heritage Foundation Lecture: 6 January, 2000), www.heritage.org/library/lecture/hl653.html, page four of seven.

⁷ Wim Duisenberg, President, European Central Bank, cited www.europeanfoundation.org/euroquotes.html.

⁸ Source: Bureau of Economic Affairs, Washington D.C., 2000.

⁹ Source: *ibid.*

¹⁰ Source: *ibid.*, Hulsman, p.3.

ground when trading in Europe. Such subsidies even extend to the banana industries of former European colonies in the Caribbean which cost rival, unsubsidised US producers in South America millions of dollars a year.

- Foreign firms (even other EU firms) are forbidden from running certain companies and even whole classes of companies within many EU member states. France, for example, bans foreigners from running “strategic companies”—a category including all of her major banks.¹¹ Only this January, PepsiCo was blocked by the French Government from acquiring the French soft drinks company, Orangina, without even a modicum of an explanation.
- Talks aimed at creating an EU-NAFTA trade deal collapsed due to French fears of “US dumping”. France remains hostile to such a deal ever being concluded.
- The European Commission is seeking to apply stringent European Union tax codes to UK Overseas Territories, ending their status as a safe haven for over \$5 billion of US outward investment.

A broader point is that, as the financial pressures associated with an aging population accumulate, and especially medical costs, pensions, and welfare contributions, European nations will find the cost of their elaborate welfare arrangements unbearable. Having shown a reluctance to undertake structural reform, the EU will attempt to pass off this cost by ring-fencing itself with anti-competitive regulation—putting at risk over \$517 billion of US investment¹².

Clearly, the US has an urgent interest in keeping both its largest foreign investment location and its largest inward investor, the UK, free of the protectionism which, while always common in Europe, has received a new lease of life in the trade policies of the European Union.

4. European Union: threat to world economic order

Unlike the United Kingdom, most EU states have very generous state pension provision (what in the United States is called Social Security). These generous pensions are funded from current tax receipts being levied on today’s workers. Typically, very limited or even no funds have been set aside (let alone invested in a mythical giant trust fund) to finance the liabilities incurred by the system. Furthermore, as life expectancy increases, these unfunded liabilities naturally increase even more. The problem is compounded by the very limited private pension provision across the EU, which has resulted in a very high share of the population being dependent solely on government handouts. European Foundation estimates are that UK pension funds have assets which are in total worth around 75% of GDP. This should be compared to France where pension funds hold the equivalent of 5.6% of GDP, Germany which is at 5.8%, Italy at 3.0% and Austria at 1.2%. It has therefore rightly been argued that: “according to EU figures, the rate of payroll tax in most EU countries necessary to finance pension commitments post 2010 nearly doubles from levels today, rising by about 20% of the wage bill. In Britain, no such increase is forecast to be necessary...the day of reckoning is drawing increasingly nearer. Clearly, devoid of the inflationary

¹¹ John Tate, ‘European Foundation Research Briefing’ in *The European Journal* (December, 1999), p.13.

¹² This figure is made up of \$512 billion worth of investment in EU countries as well as around \$5 billion in applicant countries. Source: Bureau of Economic Affairs, Washington D.C., 2000.

option [by the creation of the European Central Bank and the launch of the euro] member states must either raise taxes or renege on their promises.”¹³

This means that the markets will soon start penalizing European interest rates to reflect the increasing default risk on government bonds. Even in the absence of defaults, this will have severely negative consequences on the European economy and as such on American export markets. This should in turn lead to a fall in world stock markets and thus could have severe social and political consequences for the United States.

The great European unfunded pension liabilities debacle is very important for another reason. The Maastricht Treaty laid down a number of stringent strict conditions that allegedly had to be met before a country could enter phase three of Economic and Monetary Union on January 1 2000 (i.e. join the euro). One of these conditions was that the debt to GDP ratio would have to be at no higher than 60%. What actually happened was that Italy was allowed to join with a debt equal to around 120% of GDP *excluding unfunded pensions liabilities*. Maastricht was flagrantly breached twice in both the letter and the spirit of the Treaty. It is therefore likely that further clauses in the Treaties will be breached for political reasons. This may happen with article 104b, which was specifically included in the treaty to reassure those who feared that Britain would be forced to bail out the rest of Europe’s pension funds in a process of “national debt harmonization”. But as has been argued: “but why should we believe or indeed condone selective reading and Applications of the Maastricht Treaty provisions? ...Could it not be the case that a special EU pensions tax [be] levied?...Britain may be asked to share the costs of other countries being less careful about meeting future pensions liabilities.”¹⁴

Net Pension Liabilities: Net present value of liabilities 1995-2050¹⁵

<i>EU Countries</i>	<i>% of GDP</i>
Germany	110.7%
France	113.6%
Italy	75.6%
United Kingdom	4.6%
Sweden	20.4%

The International Monetary Fund’s baseline projections are shown in the table below. They believe that spending on pensions will grow by more than 8 percentage points of GDP in Italy, France and Germany by 2050.

Pension expenditures and contribution gaps (% of GDP)¹⁶

<i>EU states</i>	<i>Pensions expenditure (1995 figures)</i>	<i>Pensions expenditure (2050 projections)</i>	<i>Contribution gap (1995-2050 period)</i>
Germany	10.0%	18.7%	3.4%
France	12.5%	21.3%	3.3%
Italy	16.0%	25.7%	2.5%
UK	4.4%	3.4%	0.1%

¹³ Douglas Ellison, “Unfunded Pension Liabilities in the EU: An Update”. *European Journal*, November 1998.

Another seminal paper on the same topic see also Ann Robinson, “Europe gets Desperate on pensions”. *European Journal*, Midsummer 1999.

¹⁴ Ellison, *ibid*.

¹⁵ Source: IMF Occasional Paper 147, table 8.

¹⁶ Source: IMF Occasional Paper 147, tables 7 & 9.

Sweden	8.5%	7.4%	0.9%
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American corporations are hugely exposed through their investments to Europe, and as this paper has demonstrated, this is especially the case with the United Kingdom. Most European countries are running huge ponzi schemes that will eventually implode or have to be dismantled some way or another. The United States will be hit in at least three related ways:

- Huge tax rises will cripple the EU economy, in the process slashing the value of US investments, negatively impacting exports and leading to a global economic slowdown.
- The EU may try to compel Britain to bail out its social security system, jeopardizing the UK's current economic success. This would almost certainly force British firms to engage in a huge sell off of their American assets and a large scaling back of their investments in the country, at an important cost in terms of American jobs.
- American foreign policy experts should be advised that EU treaties cannot be trusted.

5. European Union: ripe for collapse

The European Union contains many inherent tensions, both economic and political. Chief among its economic tensions are the problems associated with the European Single Currency established under the Maastricht Treaty.

To integrate an economy effectively one must insulate it against economic shock. Economists agree that such insulation comes in the form of one or more of the following.

- Exchange rate flexibility;
- wage and price flexibility;
- interest rate flexibility;
- labour mobility; and
- fiscal transfers from the centre to disadvantaged regions.

As Willard Butcher, former CEO of Chase Manhattan Bank, observed, members of the European Single Currency share single rates of exchange and interest, little labour mobility, and stifling wage and price regulation.¹⁷ Single Currency members will therefore, writes Butcher, enjoy very little insulation against economic shock, unlike the states of the United States. Without such insulation, members of the Single Currency must instead rely only on fiscal transfers at the federal level to iron out economic imbalances between them.

Yet, at the present time, fiscal transfers within the EU amount to only around 1% of GDP. To insulate against economic shock, that figure would have to rise well above that spent in the US if it is to compensate for the lack of alternate factors such as labour mobility and wage/price flexibility. The result?

- A European Government spending unfeasibly large amounts of its citizens' money in an attempt to paper over the cracks between its component economies.

¹⁷ Willard Butcher, 'Monetary Union: An American Business Perspective', in Jeffrey Gedmin (ed.), *European Integration and American Interests: What the New Europe Really Means for the United States* (The American Enterprise Institute, Washington D.C.: 1997), p.16.

This unwieldy arrangement could collapse at any time if a European government, over-reliant upon fiscal transfers, found itself unable to offset economic shock in a particular region. As its factories closed and its unemployment soared, the effected region would succumb to nationalist and secessionist forces hostile to the very concept of European unity. Open borders in Europe and social protectionism have created a volatile mix of mass unemployment (averaging 10%) and nationalism. The rise of the far-right Freedom Party in Austria is symptomatic of this mix for they, like the Le Front National in France, combine attacks on foreigners with the issue of unemployment for dubious electoral advantage. Counterattacks by the European Union on such movements only strengthen their appeal because they are seen as interfering with the democratic decision making process of a sovereign state.

The Single Currency is just one of the many ways in which over-hasty European integration has sown the seeds of nationalism—Europe’s leaders having created a class of institution far removed from the genuine affinities of their people (indeed, the governments of Germany and France scrapped their currencies without consulting directly their electorates).

An additional source of tension is that the European Union is systemically undemocratic and, under existing treaties, was intended to be so. The members of one of the EU’s most important institutions, the European Commission, are not only un-elected, but are almost totally unaccountable to their notional counterweight, the European Parliament.

The stated aim of Jean Monnet, the chief architect of European integration, was to create government by technocrat in a continent where, he felt, politicians had failed so badly. Monnet, like present European leaders, presumably gave little thought to the fact that genuine democracy—that is, government by the people rather than by unelected officials—was the solution to, rather than the cause of Europe’s ills.

In sum, a Union built upon political and economic tensions capable of splitting it apart is a poor servant of America’s vast trade and defence interests in Europe.

6. European Union: threat to NATO

A convenient myth has evolved in Europe that the Russian threat has evaporated for good. In fact, Russia’s *Perestroika* may prove all too vestigial with the election of—or the evolution of Vladimir Putin into—an autocrat.

Russia’s present governing arrangement is more plutocratic than democratic and remains volatile. The notion that Europe can relax in the company of such a neighbour, pursue policies undermining NATO, and establish a defence union characterized by underfunding, undermanning, and tension between its competent nations, is misguided.

We have already seen Russia loosen her criteria for first use of nuclear missiles, while Putin has made increasing military expenditure by 50% central to his presidential campaign. (A record 30% of Russia’s total defence spending will this year be spent on military procurement.¹⁸) Putin also backs the development of a new generation of multiple re-entry missile capable of penetrating the most sophisticated missile defence systems yet envisaged.

Conversely, European nations have been making drastic cuts in their defence expenditure. The data below point to the fact that, by devoting on average only 2.2% of GDP to defence, European nations have in effect been ‘free-riding’ upon US defence expenditure.

¹⁸ *The Wall Street Journal*, European edition (London: 28 January, 1999), pp.1-2.

Defence Expenditure Among Selected NATO Countries as a Percentage of GDP¹⁹

Country	Average 1985-89	Average 1990-94	1994	1995	1996	1997	1998	1999 ²⁰
Belgium	2.8	2.0	1.7	1.6	1.6	1.5	1.5	1.5
Denmark	2.1	1.9	1.8	1.7	1.7	1.7	1.6	1.6
France	3.8	3.5	3.3	3.1	3.0	2.9	2.8	2.8
Germany ²¹	3.0	2.2	1.8	1.7	1.7	1.6	1.6	1.5
Italy	2.3	2.1	2.0	1.8	1.9	2.0	2.0	2.0
Luxembourg	1.0	0.9	0.9	0.8	0.8	0.9	0.9	0.9
Netherlands	2.9	2.4	2.1	2.0	2.0	1.9	1.8	1.8
Norway	2.9	2.8	2.8	2.4	2.2	2.1	2.3	2.2
Portugal	2.8	2.7	2.6	2.6	2.4	2.3	2.2	2.2
Spain	2.2	1.7	1.5	1.5	1.5	1.4	1.4	1.4
United Kingdom	4.5	3.8	3.4	3.0	3.0	2.7	2.7	2.6
NATO Europe	3.3	2.7	2.4	2.3	2.2	2.2	2.2	2.2
United States	6.3	4.9	4.3	3.8	3.5	3.4	3.2	3.2

In a decision rightly criticized by the US Secretary of State for Defence, William Cohen, Germany reduced her military expenditure as of December 1999 to a pitiful 1.5% of GDP. The UK now spends 2.5% of her GDP on defence—a figure that, while low, is considered high in Europe. Cuts in European defence expenditure are also motivated by the 1991 Maastricht Treaty which stipulates that no country may run a deficit greater than 3% of their GDP.

Especially worrying is that the Helsinki summit in December 1999 established a 65,000-strong European army that, while it is to be autonomous, subject to majority voting, and have an international (not just European) ambit, has not adequate funding or co-ordination to realize its aims.

The Franco-German summit, also in December 1999, contained declarations not only on a shared military intelligence satellite (Syracuse 3) and a rapid reaction force, but also for a heavy-lift capacity. Dr Jonathan Eyal of the Royal United Services Institute in London has estimated that, excepting the unlikely prospect of the US loaning Europe a fleet of Galaxy aircraft, acquiring heavy-lift capacity would cost the over-burdened European taxpayer \$100 billion a year for the next ten years.²²

Moreover, the Western European Union, a defence organization, is to be folded into the EU. From France's perspective, subsuming the WEU is designed exactly so that Europe might one-day jettison NATO altogether. (Why else, indeed, would the empire-building Javier Solana opt to leave NATO in order to head the—formerly unimportant—WEU?)

France's desire to undermine NATO resurfaced in January 2000 when Paris sided with China and Russia to argue that the Pentagon's proposed National Missile Defence system contravenes the 1972 Anti-Ballistic Missile Treaty. A senior Pentagon official described the French position as

¹⁹ Sources: NATO press release M-DPC-2(99)152: 'Financial & Economic Data Relating to NATO Defence', Table 3 and earlier editions.

²⁰ 1999 figures are estimates.

²¹ These percentages have been calculated without taking into account the expenditure for Berlin.

²² Dr Jonathan Eyal, cited in *The European Journal*, (The European Foundation, January 2000), p.2.

“divisive”, continuing: “[w]e took it very damn seriously when Europe was under threat from missiles which could not reach the United States.”²³ Despite it being only four years since France tested her own nuclear weapons in the face of near-universal condemnation, President Jacques Chirac had the audacity to criticize the US Senate for failing to ratify the Comprehensive Test Ban Treaty.

Europe in fact remains far from solving the lack of co-ordination that hamstrung its policy and action in the Gulf, Bosnia, and in Kosovo. Indeed, it was Germany’s unilateral decision to recognize Croatia that contributed to the problems that beset Yugoslavia throughout the past decade (this did not, however, prevent Germany’s Foreign Minister from describing that recognition as “the greatest victory of German foreign policy since 1945”).²⁴

The question for consideration in Washington is:

- why should the US lend Europe the equipment that its defence ambitions require?

While in joint command through NATO, the US has shown herself prepared, when persuaded, to contribute to the solving of essentially European conflicts (indeed, the USAF dispatched some 90% of the bombs dropped on Kosovo). Denied a commanding role, however, the US would be unwise to sign over its NATO equipment to an underfunded, undermanned, and poorly co-ordinated European defence force.

In sum, the European Union is at the same time groping toward common defence but not prepared to pay for it. Even were Europe successful in establishing a common defence force, past events suggest that the policy which that force would be called upon to implement would depart significantly from America’s own.

Thus, potential savings to the US of Europe taking control of its own defence are outweighed by the damage that European forces would, through the trade and foreign policies that they would be called upon to underwrite, inflict upon US interests.

Consider: France refused to allow the USAF to fly over its airspace during the bombing of Libya; the UK was the only European country to back US air strikes on Sudan and Afghanistan; and one could go on with such examples. The important point is that, time and again, the UK has supported US military operations while European governments have carped from the sidelines. Preventing UK forces from being subsumed within a European army is thus very much in the US national interest.

7. European Union: threat to US interests abroad

France and Germany consistently undermine US interests abroad in a number of ways, including:

- Undermining US/UK policy on Iraq.

France abstained from the crucial Security Council vote on sanctions in December 1999, encouraging Baghdad’s belief that sanctions were about to be lifted and that the West was divided. Only on the 18th of January did France ally itself with Russia and China in opposing Anglo-American moves to appoint Rolf Ekeus, a Swede with great experience of arms control, to oversee the destruction of Iraqi weapons. The French Foreign Ministry declined even to give a reason for their decision.

²³ *The Daily Telegraph*, p.17 (London, 21 January 2000).

²⁴ *Ibid.*, *European Journal* (January 2000).

- The EU works consistently to undermine the US trade embargo on Cuba.
- France and Germany were both openly hostile towards Washington's Dayton peace strategy for the former Yugoslavia.
- France's Africa policy works directly to entice and cajole its ex-colonies away from close relations with the US.

A broader point is that, as the EU develops, federalizing reforms will ensure that fewer and fewer of its decisions require unanimity among its member states to take. Germany, as the largest and most powerful country in the Union, can expect its eastern neighbours in the final resort to vote with her, if only because they calculate that it is in their interests to maintain good relations with a state to which they are tied both by trade and company control.

As well as influencing its immediate neighbours, Germany's plurality ownership of Russia's \$125.6 billion foreign debt gives it influence in Moscow.²⁵ With many European leaders wishing the EU ultimately to extend to the Ural Mountains, German influence in Russia may prove critical to the future direction of the entire Eurasian region. Whether the UK is an enfeebled member of, or an outside counter-balance to this putative strategic alliance should, I submit, be of great concern to the US.

When I put it to the former German Ambassador to the United Kingdom, His Excellency Herr Gebhardt Von Moltke, that Germany would not be contained by the EU, he replied "Mr. Cash, I can assure you that Germany will never be contained."

8. The forthcoming Treaty of Nice and the threats it poses US interests

Introduction

The Intergovernmental Conference (IGC) paving the way for the Treaty of Nice this December covers far more than the 'Amsterdam leftovers', as the Government likes to claim. Rooted in Maastricht and Amsterdam, the Treaty of Nice will add considerably to the provisions of both of these treaties. It will therefore compound further the problems to US interests discussed in the rest of this paper. This section aims to provide an introduction to the latest moves towards a centralized, socialist Europe. Although this forthcoming Treaty has been little discussed outside Europe, I hope to make clear just how important it will be to international relations and the global economy.²⁶

One of the principal matters under discussion, the Fundamental Charter of Rights, is rooted in Title II of the Maastricht Treaty, which states that citizens are subject to rights to be "decided later". These rights are proving to be typically socialist "rights" and are radically different in nature from those "negative rights" outlined in the US Constitution. A second major agenda item, flexibility or 'enhanced cooperation', is based upon Article 43 of the Treaty on European Union²⁷.

IGC Overview

Principal questions for debate at the IGC include:

²⁵ 'Global Development Finance', The World Bank (Washington, 1999), pp.452-454.

²⁶ I have also written a more detailed paper showing how the Treaty would affect the UK. See Bill Cash MP "Not Nice at All: IGC 2000, and Towards the next Treaty". London: European Foundation.

²⁷ Originally article 52 in the Treaty of European Union.

1. the institutional changes arising from enlargement, including the re-weighting of votes within the Council of Ministers; the re-allocation of seats in the European Parliament; and the extension of qualified majority voting (QMV);
2. the introduction of the Charter of Fundamental Rights and, specifically, the question of whether the Charter should be justifiable before the European Court of Justice (ECJ), as well as changes to the procedure of the ECJ to expedite cases brought before it; and
3. the flexibility doctrine and its creation of an inner-core of EU states.

Each of these questions is likely to be decided in a manner that promotes further European integration and goes against long term US interests.

QMV

All Member States have agreed that the institutional changes required to facilitate the governance of an enlarged Union include the extension of QMV and thus the scrapping of the national veto in certain areas. In reality, if Member States are to coexist harmoniously, they must retain and, given the Amsterdam and Maastricht treaties, in some cases repatriate, ultimate control over matters effecting vitally their national interests.

Fundamental Charter of Rights

The Fundamental Charter project is, as German Foreign Minister Joschka Fischer described it: “to work on a common constitution to turn the EU into an entity under international law. It is the decisive task of our time.” In other words, create a superpower to rival the United States.

British Minister for Europe Keith Vaz assures us that the Charter will not be justifiable before the ECJ. Yet Mr. Vaz is the same man who pledged in May that the EU Race Directive would be amended so as not to reverse the burden of proof -- only to let it pass, unamended, in June.

Even if the Charter is not placed under ECJ jurisdiction, the Court could come eventually, in a power-grab like those of the supreme courts of America (1803) and France (1971), to cite and incorporate it anyway.

One compromise solution involves the Charter being attached to the Nice Treaty as an annex. Constitutional history around the world demonstrates that annexes, especially “declaratory statements”, do not remain outside of constitutions for long. As an annex, the Charter would remain only a jurisprudential leap away from incorporation. Even in the absence of judicial activism, a mere treaty change could at any time render the Charter justifiable.

Flexibility

In his speech “From Confederacy to Federation: thoughts on the finality of European integration” on the 12th of May, Mr. Fischer called openly for a Franco-German-led “European Federation” with “a sovereign European Parliament”. Flexibility would, as Mr. Fischer has now admitted, allow the creation of a German-dominated inner-core extending to the Russian border -- precisely the development that the Conservative Government ruled out in its 1996 White Paper on Europe.

Whilst I would not go as far as (at the time) French Foreign Minister Jean-Pierre Chevenement, we should at least consider his statement in May that:

[i]t is a German tendency to imagine a federal structure for Europe which fits its own model. Germany still dreams of a Germanic Holy Roman Empire.

Those tempted by flexibility should remember that the UK would not be placed in a slow lane, so much as a feeder-lane on the road to a superstate. As envisaged by France, Germany, and the Commission, flexibility is not designed, as a Commission report made clear last July,

[...] for those who want to advance backwards and reduce integration or extract themselves from certain policies. It was conceived for those who wanted to advance forward.

As French President Chirac put it, flexibility means that “a certain number of countries will have to get together to show the others the way.”²⁸

The current version of flexibility is certainly not welcomed by the nations of the former Soviet *bloc* -- Poland’s Foreign Minister, Bronislaw Geremek, having attacked flexibility on the ground that it “is opposite to the way of thinking of candidate states who have just refound their independence and their sovereignty.”

Defense

The proposed European Security and Defence Policy (ESDP) will at once drive a coach and horses through NATO; alienate Turkey; and undermine the special relationship.

The EU Presidency Conclusions released on June 21 confirm that the ESDP will be “autonomous” with a “single institutional structure”. The French Government even claims that the Policy means that “together we can build a new superpower, and its name will be Europe.”

As a NATO member outside of the EU, the ESDP will deny Turkey a role in European defense despite it having the second largest army in NATO. In place of intimate involvement in European defence, Turkey will be offered only a “special consultation exercise”—Euro-speak for “nothing at all”. The question is straightforward. How will all this affect America?

The French Presidency

Any doubt that France would not use its presidency to accelerate the drive toward a federal anti-American Europe has been blown away by a spate of grandiose comments by French politicians, of which the following are a selection.

French Minister for Europe Pierre Moscovici:

- ‘It’s our turn to rediscover the vision of an empire, but this time a democratic one, without hegemonic aspirations.’²⁹
- On the number of commissioners: ‘There should still be twenty – or fewer than twenty – even if there are thirty member states, because a government needs to be a close-knit group.’³⁰
- ‘With the introduction of the single currency and incremental advent of a Defence Europe [*sic*], we are arriving, with these attributes of national sovereignty, at a crucial point in the

²⁸ Speech made on June 21, 2000.

²⁹ Speech given in Paris on May 15, 2000

³⁰ Speech given in Paris on June 5, 2000.

continual process of transfers of sovereignty which is the European enterprise. In this context, I'm not surprised to see the issue of federalism resurfacing.³¹

- ‘When the [German] Chancellor first came on the scene there was talk of his being tempted by Britain, of his desire to establish a triangular relationship in Europe. At the end of the day there is no triangle, we are rediscovering the Franco-German engine, the Franco-German tandem.’³²
- ‘We must also pursue the efforts towards harmonization of taxes and, eventually, social protection. Our aim is to safeguard the future of the European social model by guaranteeing a high level of social protection, giving workers more say in the running of firms and distributing the fruits of economic growth more fairly. This battle will decide the future of Europe and it will not be fought in a day. But I believe that this vision is now more widely shared by our European partners than it has been in the past.’³³
- ‘On qualified majority voting: steps must be taken to ensure that European decision-making is no longer contingent on unanimity. On this point we want to see something extremely broad’.³⁴
- **‘We don’t agree with the “Americanisation” of the world...We are saying that together we can build a new superpower... and its name will be Europe.’**³⁵ Ultimately, this is what the EU is all about.

French President Jacques Chirac

- ‘We will be able to establish as the first “European Constitution”.’³⁶
- ‘The European Union is today the world’s leading economic and trading power, it’s a research and innovation giant. Franco-German co-operation, emulation, synergy have been one of its most powerful forces. Today, at a time when we’re seeing the formation of groups capable of outperforming their international competitors, the Germans and French are looking quite naturally to each other’.³⁷
- ‘But if the European enterprise is to prosper, it is the Franco-German friendship that we must first seek constantly to deepen.’³⁸
- ‘And I propose that there should be a German-French Conference every year... It would be the great rendezvous of our two nations where Germany and France could together embrace the future.’³⁹
- ‘Developing a European Union foreign and defence policy is a fundamentally political project. It will happen because Europe is happening, and if it does not happen, the very life force of our continent will ebb away.’⁴⁰

³¹ Speech given in Paris on May 15, 2000

³² Speech given in Paris on June 5, 2000.

³³ French European Affairs Minister, French Government web-site.

³⁴ Speech given by the French Minister for Europe, Paris, June 5, 2000.

³⁵ Speech given in Warsaw on June 14, 2000.

³⁶ Speech given in Berlin on June 27, 2000.

³⁷ *Ibid.*

³⁸ *Ibid.*

³⁹ *Ibid.*

⁴⁰ Speech given in Paris on May 30, 2000.

French Prime Minister Lionel Jospin

- ‘By bringing its armed forces closer together and through its continuing commitment to peace and respect for international law, Europe must be able to ensure its own security and take part in conflict prevention worldwide.’⁴¹
- ‘The wish to reinforce the European social model will be reflected in the adoption of a European social agenda, which will be presented at the Nice European Council.’⁴²

Associated developments

In addition to the matters under discussion during the IGC, the Government have *already* signed the UK up to a host of measures which undermine our legal system in a variety of important respects. These measures are, again, rooted firmly in the Maastricht and Amsterdam treaties and are not, therefore, covered by the referendum proposed by the Party.

These developments demonstrate just how far removed from traditional Anglo-American values the European superstate will be.

Cross-border surveillance accord

Jack Straw has signed the UK up to a new EU agreement allowing police in one Member State to intercept and monitor communications in another. The Convention on Mutual Legal Assistance (CMLA) is rooted in the Schengen *acquis* of the Amsterdam Treaty (most of which the Government has now signed up to) and allows foreign governments to monitor the communications of suspected criminals without even, in certain cases, having to apply for a court order to do so.

EU Race Directive

The Race Directive was passed by the Council of Ministers in June and reverses the burden of proof by obliging those accused of racism to prove their innocence.

EU Gender Directive

The European Commission is drafting another directive to promote gender equality. The Directive would provide for “positive action” to give women “automatic priority” in jobs in which they are under-represented.

Like the Race Directive, the Gender Directive reverses the burden of proof by requiring that employers accused of “unwelcome physical, verbal or non-verbal conduct” prove their innocence. The test of sexual harassment will be whether an action offends “the dignity of women”.

One advocate of the directive, the Greek Commissioner for Social Affairs, Anna Diamantopoulou, admitted that it meant that a person accused of gender discrimination “would have to prove that he [*sic*] was not guilty.”

Socialist Economic government gaining ground

A controversial plan is gaining support amongst eurozone countries that would strengthen the body overseeing the Single Currency, the euro-11, and dilute the independence of the European Central Bank (ECB). This poses a major threat to international monetary stability.

⁴¹ Speech given in Paris on May 9, 2000.

⁴² French Presidency’s Priorities for Action, French Presidency Website, June 2000.

The French Government has backed such a plan ever since the euro-11's creation -- France's former finance minister, Dominique Strauss-Khan, having described the body as intended to become "an economic government for Europe". Prime Minister Lionel Jospin built upon this description by calling for greater co-operation between the ECB and Europe's political leaders in the setting of interest rates. The German Government has in recent statements backed Mr. Jospin's call for political intervention.

Begun as an informal meeting of eurozone finance ministers, the euro-11 has now begun meeting more frequently; taking minutes; and reporting directly to Commission institutions. In sum, the euro-11 is realizing the socialist economic government role foreseen by Mr. Strauss-Khan.

9. European Government now - World Government next

The *New York Times* recently reported that the FBI has warned several senior US officials not to travel to certain countries, including countries in Europe, in case they might be arrested. The whole business of the creation of selective international criminal jurisdiction is getting out of hand. No one would want genuine criminals to escape justice but what is a "political crime"? Such definitions are open to a wide variety of interpretation and abuse.

As I have argued in this paper, the EU is embarked on the creation of a comprehensive European legal system based on the jurisdiction of the Court of Justice. This would undermine Britain's legal system and procedures and have severely negative consequences on the United States. All of this is being depended by the development of the European Court of Human Rights and the incorporation of its Convention into English law. Now there is the European Charter of Fundamental Rights that is being vigorously promoted during the run up to the Intergovernmental Conference due to be concluded in Nice in December. As I have argued in the previous section, there is intense pressure for the whole Charter to be made binding through a European Treaty obligation under the Intergovernmental Conference as the European Parliament Committee on the issue. Of course, the object is clear.

First of all, under Maastricht, the EU created the chapter on Justice and Home Affairs and left the question of EU citizens' rights to be incorporated later. This was subsequently amplified under Amsterdam and Nice. Piece by piece, a new constitution and legal system for has been created for Europe, Europol being only the beginning, with a European public prosecutor and one single judicial system, overriding all others in the individual member states.

The issue of Global Governance is now to be taken very seriously as EU policy is already eroding not only the sovereignty of member states but also that of non-member states such as the USA. We have been warned. The incubus of EU-wide rights and the accelerating accumulation of Universal Rights within global governance are complementary and invasive. It is not merely being discussed - it is being developed and consolidated. The statute for an International Criminal Court was agreed at a Conference in Rome on 17. July 1998. The Bill has not yet been introduced, but it is all part of the general framework of developing an EU and international jurisdiction, which I have outlined above. The International Criminal Court would only have jurisdiction where the accused's state of nationality or the state where the crime took place is a party to the Treaty, unless one of those states, though not a party, gives its consent to prosecution in a particular case. In other words, those states with the worst human rights record will be excluded (by their non-participation) and countries such as the UK would be included.

This development should be of uppermost concern to America and US policy makers. The European Union is the leading the clamour for a world jurisdiction that would be based on leftist principles and potentially undo America's global legacy of freedom and individual liberty.