

THE EUROPEAN JOURNAL

THE JOURNAL OF THE EUROPEAN FOUNDATION



Lord Chalfont
NATO on the Brink
&

*Nevill Johnson, Georges Berthu, MEP,
David Heathcoat-Amory, MP, John Bolton,
Sir Oliver Wright and Armand van Dormail*

SPECIAL REPORT: EU MINIMUM WAGE OF £4.50?

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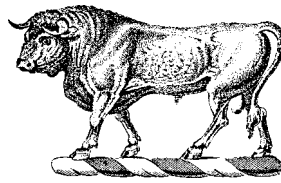
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Warning and Informing

THE MOST POSITIVE THING a politician can do is to fight to preserve democracy – and thereby to fight for those who by their free choice have elected him or her to Parliament. Where this democracy is at risk, the politician must therefore warn and inform, explain and act. There is common agreement on all sides of the European debate that there is a democratic deficit in the European Union. It is therefore positively pro-European and certainly not anti-European to get this right.

Unfortunately the so-called pro-Europeans in the UK have had a longstanding record of a lack of candour – not to say much worse. The debate in the House of Commons on 23rd November drew attention to this – the fourth anniversary, as it happens, of a Conference to which I was invited to speak, organised by the European Movement in Dublin and for which they must be fully credited.

It is extraordinary how short a memory some people have. As I pointed out in the debate, “As a matter of honour to our country, we must go back to the 1972 White Paper, gear it up to the present day and give an honest appraisal of the situation so that no one will be deceived in future”. The issue of our democracy is at stake. It is for this reason that, for the third time this year, at Prime Minister’s Questions on 15 November, I called on him to give the British people a White Paper on the full constitutional and political implications of European integration – not merely on the single currency. Indeed, I am greatly encouraged by the campaign by the *Daily Mail* on this as well. In the debate on 23rd November, I called on our own Conservative front bench to endorse this objective, for one very simple reason. We have, as a Party, to exorcise the 1972 White Paper which so badly misled the British electorate and insist on a full and honest and up-to-date White Paper from the Government.

This would need to explain just exactly what powers of government have already been ceded to the European Union, the degree of effectiveness of Parliamentary scrutiny which the UK Parliament enjoys over European law making, what the true relationship is between the Council of Ministers and the British Government and Parliament, the extent to which the national veto can be used, the role of the Court of Justice and foreign policy and defence, to mention but a few.

The whole saga over the past few weeks of the Prime Minister’s claim that he wants Europe to be a superpower but not a superstate shows the absolute need for such an explanation to the British voters in order for them to be able to form a proper democratic judgement, properly informed in the next General Election as well as in a Referendum.

It seems very likely that a General Election will be next May and that the European issue will play a massive part in

this – but a General Election covers myriad issues. Indeed, the Conservative policy on the single currency and renegotiation is anything but clear, let alone that of the Labour Party. So what is needed is also a full Referendum, not just on the Nice Treaty but on the full range of issues arising out of European integration, and for which I argued in my Referendum Bill in 1996 – preceded by the White Paper which I have called for.

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The massive attention which has rightly been

given this last month to the issue of defence and the prospective European army (on which Lord Chalfont and four other contributors present their case in this edition of the *Journal*) makes my point. Indeed, I have been seeking to warn about this for the past ten years in my various books and pamphlets and through the Maastricht and Amsterdam debates and the publication of the *European Journal* and *Intelligence Digest*. It was a matter of deep concern that the Maastricht Treaty allowed the process of the Common Foreign and Security Policy to progress at all – there being a vast difference between welcome alliances such as NATO and the establishment of the kind of arrangements under Maastricht and Amsterdam in the Treaty on European Union. This kind of framework created is not the same as bilateral Treaties such as NATO. I was therefore much angered by the failure of our Party in the House of Lords to vote against the Amsterdam Treaty on this and other issues when to have done so, at that time, with the majority we enjoyed would have forced the constitutional issue into the Parliament Act, and warned and informed the public in a dramatic and effective way. Those who were responsible for the passing of the Maastricht Treaty and Amsterdam have much to answer for, but all is not and cannot be thought for a moment to be lost.

It is true to say that in July 1990 and at Rome in 1991

The Implications of the Common European Defence Force to the United Kingdom

by Captain Peter Kimm, OBE, RN (rtd)

IN A MINISTRY OF DEFENCE policy statement dated 8 September 2000, it is claimed that “the work [the UK] is doing to build up Europe’s responsibilities in the field of security and defence – an area of work known in the UK as the European defence initiative ... is a key aspect of our security and defence policy”.

I question that assertion.

The MoD statement continues by describing how the Prime Minister, in October 1998, disappointed with Europe’s response to the Kosovan crisis, argued for the EU to be given the capability to decide and act militarily in support of its Common Foreign and Security Policy (CFSP).

I question whether it is realistic for any group of nations, other than a full federation, to have a common foreign and security policy. Can the foreign interests of the United Kingdom be reconciled realistically with those of, say, Italy, Luxembourg or Finland?

The MoD statement describes how, at the Helsinki Council of December 1999, the EU agreed a “headline goal” that by 2003 Member States should be able “to assemble, deploy rapidly and then to sustain for at least a year, military forces that are capable of undertaking the most demanding Petersberg tasks up to corps level (50–60,000 troops)”. (“The Petersberg tasks” comprise humanitarian intervention, rescue operations, peacekeeping and crisis management.)

I question the relevance of “The Petersberg tasks”, however admirable and important they may be, to the direct defence of the United Kingdom.

The MoD statement argues that the purposes of the EU’s defence force will complement those of NATO, and alleges that NATO is enthusiastic about the proposed co-existence. The statement also describes the practical arrangements which are in hand to co-ordinate between the two organisations.

I question the actual degree of NATO’s enthusiasm, and envisage far greater practical difficulties in co-ordinating between the purposes and practices of NATO and the EU’s “army” than are implied by the MoD statement.

The primary duty of the nation is to provide a defence against perils from which neither its individual citizens nor its families can defend themselves: perils from within the nation and perils from outside it.

When a nation such as ours cannot by itself provide protection against a particular external threat, the western solution has long been to form a defensive Alliance, and NATO is just such a one. I cannot too strongly stress in the context of this analysis the *voluntary and pragmatic nature* of membership of such an Alliance. In Nato, the corporate will of the Alliance is entirely dependent on the commitment of each of the member nations; and thus the Alliance

can be seen to exist for the benefit of the member nations and not vice-versa, just as the member nations exist for the benefit of their individual citizens, and not the other way round.

And this is entirely different from the principles which will govern the EU’s ‘army’ – and indeed its whole philosophy of defence. On the continent, the Roman Law tradition (which Europe is so anxious to impose on us) is for the rights of the state to be paramount; and that will define the priority under which European controlled armed forces will operate.

It is my belief that the movement for European union was originally prompted by a passionate desire for peace in that war-torn continent. The arguments nowadays are chiefly economic, and it is ‘not done’ openly to advert to the horrors of World Wars I and II; but nonetheless I believe that behind the movement there is a wholly laudable desire among the continental nations to involve themselves so closely in each other’s affairs that war would be impossible between them – if for no other reason than that their national identities had been absorbed into a supranational whole.

The United Kingdom, however – as peace-loving as any nation in Europe, or indeed on earth – has no such need. It has been a tradition over the centuries for the continental European nations to settle their

successive Conservative Governments endorsed a shift in NATO thinking towards a new Strategic Concept of NATO which encouraged the development of a European security identity and defence role, as Kenneth Clarke, contradicting John Major, said in the European Affairs Debate on 23rd November. However, this does not exonerate the structure of that role as created by Maastricht and which enabled majority voting where a joint action plan is established within the inevitable risk of the military combat role contemplated by the Petersberg Tasks and as expanded by the Amsterdam Treaty on the ratchet road to a common European defence. Indeed, Robin Cook on 22nd May 1997 said in Cabinet that the merger of WEU into the EU, which has now been effected under those Treaties “would undermine NATO”, as I reminded him in that debate. Now under St Malo, Cologne and Feira, we have within the Treaties an autonomous European role, within a single

structure, for international crises where NATO as a whole is not engaged, dangerous and conflicting policy divergences from US/UK/NATO policies without the financial resources, military intelligence and capacity needed to deliver a coherent response, as I put it to the Prime Minister and Defence Secretary after Feira and on 22nd November respectively.

As with the Danish vote, which rejected the policies of the elite, so we must trust the people. To enable them to make a decision, there must be a reopening of the mistaken policies of the past, a full and proper and honest explanation of what is at stake, the clearest analysis of the issues and the procedures which have to be followed, a clear policy of renegotiation (taking action) and a Referendum on the whole issue of European integration. Only then will democracy be served.

BillCash, MP, November 2000

differences by war; but there has surely been no instance since the days of Henry V of Britain *seeking* war in Europe; and since then we have only been involved in European wars when we have been unable to avoid being sucked into them.

So, considered from that point of view in isolation, while we should applaud the motives of the continental European nations for moving, I would say inexorably, towards full federation, we have no such need ourselves.

The probability is that the world is now a more dangerous place than it was when fear of the United States (as perceived in the Soviet Union) and fear of the Soviet Union (as perceived in the United States) maintained an uneasy peace for all of us. The perceived consequences of war in those days were so terrible as virtually to preclude the possibility. But what now?

In December 1998, the Rumsfeld Commission warned the United States that within five years nations such as Iran and North Korea would have the capability to attack continental America with ballistic missiles. Such weapons deployed in Libya could reach Paris, Berlin or London. Serbia possesses a significant amount of enriched uranium and impressive scientific know-how, and has established links with Iraq and Serbia. Russia's perception of these developments differs from the West's.[†]

So might not such potential threats warrant a pan-European defence posture? No, say I. It is NATO's business to deal with them. And if the EU is sincere in its protestations that their army will only be concerned with 'the Petersburg tasks', there is, as I have already suggested, no actual *direct defence* reason for creating it, either for the UK or, indeed, for any other European nation.

I confess myself baffled by NATO's alleged support of the EU's army – including, most recently, the reported enthusiasm of the US Defense Secretary, and wonder why it is being given. It cannot be for practical military reasons, for the whole business of co-ordinating between the organisations must be an administrative

nightmare. I cannot imagine either how any European Treasury or Defence Ministry can be enthusiastic about it, for it will be expensive to set the organisation up and to maintain it at a time when defence monies throughout Europe are at a premium.

And therein is a probable reason for American enthusiasm, and indeed for Mr Blair's October 1998 initiative; for it could be argued that the European Defence Initiative will act as a spur to the European NATO nations to play a greater and more responsible part in their own territorial defence.

If that is in fact the reason I would be sad, for it is a confused and misperceived one. As a passionate supporter of NATO – and a great fan of the United States too – I would love to see the European NATO nations shouldering a greater part of the general defence burden; but money spent on the creation of the EU's 'army' will *not* serve the aim of a stronger commitment to NATO by its European members. As I have argued, existing lines of responsibility will be muddled, defence monies will be wastefully deployed, administrative machinery will be vastly more complex; and while indeed Europe may be able to contribute considerably more to those "Petersburg tasks", her own corporate defence will be in no way enhanced.

Worst of all, an impression might grow in the United States that Europe 'now thinks it can go it alone defence-wise'; and nothing would be worse for European (and world) security than the strategic decoupling of the United States from Europe.

So as I see it, the *real* reason for the creation of the EU's 'army' is to provide a symbol of European federalism; for it is entirely logical that a federation should support its own federal policy with its own federal forces; but, by everything I have argued, the UK has no conceivable *defence* or *security* need to be involved in any such federation.

There is also this. As well as envisaging its 'army' as having a 'Petersburg' capability, some Europeans (for example M. Jospin) have spoken of its potential in other

respects. "Europe", said M. Jospin in a speech on 9 May last, "will be able to pool its armies to maintain internal security".

What does this imply? Already there is evidence of discontent in the EU – for example when the richer countries feel that they are being required by central authority to subsidise the poorer ones to a greater extent than they think fair. 'No taxation without representation' has already echoed round the world as a war cry; and I would not wish to see a contingent of my countrymen involved one day in 'maintaining internal security' in somebody else's civil war.

Worse, what if the UK were one day to be committed to a federation without a large section of the community realising the implications of what had been done in their name? And what, when they wake up, if their demonstrations grew to something which made the poll tax riots look like Christmas Eve? Would a multinational contingent of the EU's 'army' then cross the Channel to 'maintain internal security'? I cannot easily contemplate such a horror.

So, *enfin*, I believe that the defence (from external perils) of Her Majesty's individual subjects within their individual families is best left to Her Majesty's armed forces, committed when necessary for national security to a voluntary and pragmatic alliance. Does this make me xenophobic? I hope not, and I don't think so. I have been intensely proud over the years to contribute to the mutual defence of the NATO allies; but *always* I have remembered that the *primary* purpose of that service has been the security of my own country.

In feeling as I do, I am not, believe me, playing down the importance of the 'Petersburg tasks'. They have got to be done, and Britain should play a full and proper part in contributing to them; but they shouldn't be muddled with the Service person's prime responsibility (and with the reason for which he or she joined the armed forces): the defence of the realm.

† This paragraph is based on a speech by Iain Duncan Smith on 11 June 2000.

... news in brief

Austrians boss Czechs

Having just succeeded in shaking off the EU's attempt to interfere in their internal affairs, the Austrians are attempting to interfere in those of the Czechs. The Austrian Vice-Chancellor, Susanne Riess-Passer of the Freedom Party, said on 30th October that Austria will not approve the energy chapter which Prague must secure for as long as the new nuclear

generator at Temelin is in operation. For months now, the Austro-Czech border has been blockaded by protesters, which the Austrian government has tolerated, who are trying to reverse the Czech decision to open the new plant. Now the Austrian government has thrown its full weight behind the protesters and threatened to scupper the Czech republic's chances of joining the EU unless it complies with Vienna's demands. [*Radio Free Europe Newswire*, 31st October 2000]

NATO on the Brink

by Lord Chalfont



THE INSTITUTE FOR PUBLIC POLICY Research has recently produced a document entitled *European Defence: Meeting the Strategic Challenge*. The Institute describes itself as an independent charity, but connoisseurs of political objectivity will note with interest that its Board of Trustees includes such 'independent' publicists as Lord Hollick, Lord Alli and Baroness Young of Old Scone. The author of the work, Peter Truscott, is a former 'spokesperson' for the Labour Party in the European Parliament. This in no way diminishes the validity of his views or the strength of his arguments, but it is as well to know in what ideological waters we are paddling.

Mr Truscott's thesis is based upon what he describes as 'a holistic approach to EU defence' and it owes much to the gospel according to Mr Kofi Annan, the Secretary General of the United Nations. Its underlying message is that the European Union should tackle the root causes of conflict if human security is to be achieved. One of the author's conclusions, based on the European Security and Defence Initiative, is that the European Union 'should establish a rapid reaction humanitarian force, able to provide humanitarian and other resources at overnight notice'.

This begs the interesting question of whether soldiers, sailors and airmen should be concentrating on the defence of the

realm and not being employed around the world disguised as Oxfam in uniform. This is not the occasion for entering into that argument, but no one on either side of it should be in any doubt that if the European Security and Defence Initiative results in the establishment of a joint European rapid reaction force by 2003, it will be the first serious manifestation of a political Europe. This is not a concept like the present Eurocorps, which is largely symbolic and militarily ineffective. What is now being proposed is a European Army – like the common currency, a building block in the construction of the Eurostate.

The insidious way in which the ESDI has developed into an institution is typical of the manoeuvres designed to turn an economic union into a single European state. It began at Maastricht where the treaty made references to "serious consideration of joint policies regarding defence, joint foreign and monetary policies" and, of course, "the eventual creation of a single currency". It could, indeed, be said that all this goes back much further to the Treaty of Rome itself which, in spite of its ostensibly economic context, has turned out to be the beginning of a political process intended by some people even in those days eventually to lead to a United States of Europe.

The next serious step came in 1998 at the British-French Summit at St Malo when the

French and British governments agreed, amongst other things, that the European Union "must have the capability for autonomous action, backed up by credible military forces, the means to decide to use them and the readiness to do so in order to respond to international crises". This was followed by the meeting in Helsinki in December 1999 which outlined the Common European Policy on Security and Defence. This emphasised the determination of the European Council to develop an autonomous capacity to take decisions and, where Nato as a whole was not engaged, to launch and conduct EU led military operations in response to international crises. It was agreed to set up by the year 2003, a force 50–60 thousand strong able to be deployed within 60 days and sustain operations for at least a year.

The conclusions of the conference insisted that this "does not imply the creation of a European army" – a mantra repeated endlessly in the debate about this matter. It is, of course, a European army and in the minds of many people that is what it is intended to be. To quote the words of Romano Prodi in February this year:

"When I was talking about the European Army, I was not joking. If you don't want to call it a European army, don't call it a European army. You can call it 'Margaret', you can call it 'Mary-Ann', you can find any

name, but it is a joint effort for peacekeeping missions – the first time you have a joint, not bilateral, effort at European level.”

If the French have their way, this project will be high on the agenda of the IGC meeting in Nice later this month; and in this context it may be relevant to note that most French foreign policy is based on a calculation of interests very different from our own and those of the United States. When the St Malo declaration referred to ‘credible military forces and *the means to decide to use them*’ it was begging one of the central questions. Is there *any* likely strategic scenario around the world in which Britain and France would be likely to agree about the deployment of a joint military force?

Incidentally, it would be unwise to lose sight of the important fact that this force is not intended to operate in the defence of Europe. It is designed, as Romano Prodi said, as “*a joint effort for peacekeeping missions*” – in other words as a part of what might be called the Kofi Annan doctrine, which assumes the right to intervene anywhere in the world, sometimes in sovereign nation states, in pursuit of humanitarian and other perceived benevolent causes. Also, in passing, it is important to bear in mind that there are at present no plans to protect this force, if it is ever deployed, against missile attack from one of those sovereign states, or from someone else with a direct interest.

To return to the more immediate question of the credibility of the force itself, anyone who knows anything about military matters will realise at once that a force of 50–60 thousand troops designed to sustain operations for a year will need a complete military structure. It will have to have a Commander-in-Chief, even if he is called, as is now proposed, the Director General. He will need a Staff and a full range of military support including air support, probably 200–300 combat aircraft, in certain contingencies naval support, possibly 10–20 combat vessels, logistic support and, of course, most important of all, Command, Control, Communications and, most significantly, Intelligence. The implications of this hardly need underlining.

Of course, on the surface it sounds all very positive and forward looking that Europe should be willing to shoulder a little more of the Western security burden, but this could be achieved effectively within the Nato framework. The real aim of the ESDI is not military, it is part of the political drive

towards a separate European defence capability which has the same basic agenda as the single European currency – the creation of a single European superstate to rival the United States of America – an ambition which has always been at the heart of French foreign policy. Although there are many solemn protestations that Nato remains essential to the effectiveness of British defence policy, moves towards an independent European Union military capability obviously threaten to undermine the strength and cohesion of the North Atlantic Alliance.

The existence of two military alliances within Europe, which will inevitably have areas of duplication and overlap, is bound in the long run to prove unacceptable to the United States and to undermine their commitment to Nato and to European defence. Britain is gradually opting out of a proven Alliance system – with a clear command structure – for one which is unlikely to be taken seriously by anyone.

When the French and British governments issued their declaration at the end of the St Malo meeting, it was still possible to assume that this would be a purely inter-governmental matter, but within a year of the St Malo meeting, it had become clear that something quite different was in mind. To quote from the report to the European Commission of October 1999 by Richard von Weizsäcker: “*New institutional arrangements will be needed; they should fit in the single institutional framework of the Union and not lead to the creation of a fourth pillar.*”

This is a most important distinction, and it was underlined in the Presidency Conclusions at Helsinki in December 1999. “*The European Council underlines its determination to develop an autonomous capacity to take decisions and, where NATO as a whole is not engaged, to launch and conduct EU-led military operations in response to international crises.*”

It is very clear that what is unfolding in front of our eyes is a deliberate strategy to evolve not a *common* foreign and security policy but a *single* foreign and security policy, which is a very different thing. This was further underlined in the Presidency Conclusions of the European Council meeting at Santa Maria da Feira in June this year:

“*Satisfactory progress has been made in fulfilment of the Helsinki mandate on both the military and the civilian aspects of crisis management. In this context, the European Council notes the progressive development of*

the interim Political and Security Committee and the interim military bodies established at Helsinki.”

and

“*The permanent political and military structures should be put in place as soon as possible after Nice.*”

To return to the subject of Intelligence, which is one of the most sensitive and critical issues in the move towards an autonomous European security and defence capability. Intelligence is at the heart of the special relationship between Britain and the United States and the most special element in that is what is called ‘SIGINT’ or Signals Intelligence. This is, of course, something much more sophisticated nowadays than simply the breaking of codes. It is necessary only to mention one example of information gathering which causes considerable anxiety in France, namely the surveillance network known as ECHELON established in the 1980s by Australia, Britain, Canada, New Zealand and the United States. Through this system it is possible to record through a network of listening stations on the ground and in space, any normal telephone call, fax or e-mail. The use of certain key words or code words in a conversation will electronically trigger an intelligence analysis of the communication.

It is this kind of high level and highly sensitive collaborative operation which would be placed at risk if the idea of a European defence capability is carried much further. The French are insistent that the autonomous missions mentioned in the St Malo declaration will require a European Union intelligence capability. It is hardly necessary to point out the implications of this for Britain’s relationship with the United States and other English speaking countries in the Intelligence field. The lessons of the Falkland Islands alone should be enough to convince anyone of the importance of that relationship.

Anyone who still believes that ideas such as the ESDI are not designed eventually to lead to some kind of European federation is not living in the real world. It is necessary only to read the speech made recently by Joschka Fischer, the German Foreign Minister, in Berlin. In the context of “the closest Franco–German co-operation” he spoke of “*the development of a European federation which would develop its own institutions, especially a government which within the European Union should speak with one voice on behalf of the members of*

the Group on as many issues as possible with a strong parliament and a directly elected President. The last step", he said, "will then be the completion of integration in a European federation."

The whole concept of the ESDI is certainly likely to create problems with the United States and undermine the solidarity of Nato to no very great purpose. However, it would be wrong to exaggerate the American factor in the equation. The official position of the US Government is that it welcomes the ESDI. On the other hand, sources in the State Department and the Pentagon suggest that this is because they refuse to take it very seriously. They point out that the maintenance of a force of 60,000 men will probably require a rotational pool of at least three times that number – which is probably a conservative estimate. As the British Defence Secretary Geoffrey Hoon has recently conceded, very

few European countries have military forces capable of contributing effectively to a force of that size and there is very little sign at present that any European government is likely to meet the significant increases in its defence budgets which this is likely to entail.

Furthermore, serious American defence experts point out that for any substantial operations, the European Army would need to have access to Nato assets and would therefore require American approval to any serious operation. This makes nonsense of any rhetoric about 'an autonomous capability' except in the most trivial and insignificant scenario. The Americans have no objection to Europe trying to improve its military capability as long as they know quite well that they will always have the right of veto. With European countries, including the United Kingdom, progressively reducing their defence budgets, the possibility within the next few years of

producing a force of this strength with all its supporting assets, is likely to be far beyond the capabilities of the member states of the European Union.

Relations with the United States and the solidarity of Nato will have been put at risk and the effectiveness of existing military establishments undermined for the sake of a half-baked idea which has little chance of producing an effective outcome, certainly for 20–25 years, by which time the whole geopolitical and strategic environment may have been radically transformed. Already British armed forces are stretched to the limit and beyond, and it is time to call a halt to this collectivist Utopian nonsense.

Lord Chalfont, OBE MC, is Chairman of the House of Lords All Party Defence Group. He was Minister of State at the Foreign Office 1964–70. He is a Cross-bench peer.

... news in brief

EU Parliament approves EU Charter of Fundamental Rights

By an overwhelming majority, the European Parliament has voted to adopt the EU Charter of Fundamental Rights. In the eyes of most European politicians, the Charter is the first step towards a fully-fledged constitution for the future European federation. Its adoption follows the strategy laid down by the German Foreign Minister, Joschka Fischer, in May and by President Chirac of France in his speech to the Reichstag in Berlin in the same month. The Charter was drawn up under the chairmanship of the former President of Germany and former President of the German constitutional court, Professor Werner Herzog.

Apart from the British Conservative MEPs, who voted against the Charter, the only opposition to it came from communists and extreme left groups who wanted even more social rights than those already contained in the text. For the Charter makes the Social Chapter look like a vicarage's tea party: there are wide-ranging social and environmental "rights". Indeed, a Green MEP from Austria said that the Charter represented "a revolution in the history of human rights" because, for the first time, social rights were placed on the same level as the classical liberal rights of the person.

For the time being, the official position is that the Charter will not be legally binding. Yet this is only a further example of the ambiguity which now pervades all EU policy-making: it is obvious that the Charter will be invoked by the European Court of Justice, but that national constitutional courts will not be able to strike it down because it will not, formally, have legal status.

In any case, the French Minister for Europe has said that the Charter will be integrated into the treaties at a later date. Hans-Gert Pöttering, the Chairman of the Christian Democrat group in the European Parliament, has called on the French presidency to include a timetable for the formal legal integration of the Charter into the treaties when the heads of state and government meet to draw up a new treaty at Nice. Mr Pöttering said that the adoption of the Charter was only a "temporary measure" before its full legal adoption. As the president of the European Parliament, Nicole Fontaine, said at the Biarritz summit last month, "We

must not give up the idea of including the Charter in the treaties." Certainly, the German government itself has unambiguously stated its desire to see the Charter have full legal force, and it claimed in July to have reached an agreement with the French on this matter. The EU Justice Commissar, Antonio Vitorino, said that Article 6 of the EU treaties, which refers to "common European values", should be amended to refer explicitly to the Charter. This is, indeed, presumably what will happen. [*Handelsblatt*, 15th November 2000]

Demographic time bomb

Another cause for worry in the long term came in the form of a report submitted to the Council of Finance Ministers by its Economic Policy Committee on 7th November. The committee's economists have drawn attention to the grave dangers associated with the falling birth rate in Europe. The report finds that the percentage of GDP which has to be spent on pensions will rise from its current high levels, as the demographic imbalance increases in Europe over the coming decades. The only country where it will fall is the United Kingdom. The percentage of the European population over 65 years of age will rise from its current level of 26.7% to 53.4% in 2050. In Italy, the rate will be 66.8%. "The effects on the public purse could be significant," concludes the report. [*Corriere della sera*, 6th November 2000; report available from The European Foundation on request.] The finance ministers promised to exchange data on the pensions question in the future. [*Handelsblatt*, 7th November 2000]

Haider at the gates of Vienna?

Following a disastrous showing in regional elections in Styria some weeks ago, the Freedom Party in Austria has been wracked by internal crises. Three of its ministers in the government have resigned, while the party's former leader, Jörg Haider, is involved in a series of complicated scandals. Haider has not excluded the possibility that his party will provoke early elections, even though it is trailing in third place now behind the People's Party and the Social Democrats. He has also not ruled out that he may try to return to national politics in order to put the unruly Freedom Party house in order. [*Der Standard*, Vienna, 9th November 2000]

Civilised Euroscepticism

by Professor Anthony O'Hear

ONE OF THE MOST IRRITATING, ABUSIVE and, in the end, dishonest claims of those in favour of further European integration is that those of us who oppose it are, simply by virtue of our opposition, benighted and insular nationalists. In Britain, according to the grandees from all political parties who are pushing the European project onto a reluctant public, we Eurosceptics are narrow, unimaginative and fearful 'little Englanders'. Worse, we are xenophobes.

The unspoken, but all too obvious, implication is that we are, at bottom, racists. We are secret or not so secret allies of the various national fronts whose presence currently disfigures our continent. We are part of the dark forces of conservatism which, according to our British Prime Minister, are responsible for most of the evils of the twentieth century. We are the sort of people whom rational, civilised people would prefer not to meet. We are figuratively – or perhaps even literally – the tattooed boot-boys, skinheads and football hooligans of contemporary politics. We are a ghastly and atavistic excrescence on the body politic, which has no part in the modern world of globalisation, ethical foreign policies and universal reasonableness.

Well, no doubt some thugs and football hooligans are Eurosceptics, and some of those undesirables are racists too. But from the Eurosceptic side, that is mere guilt by unwelcome association. It is as unworthy an argument against Euroscepticism as if one were to rubbish dreams of European integration by pointing out that Hitler was in favour of it. It would not be worth dwelling on were it not the subtext of much pro-federalist rhetoric.

Let us also leave to one side the fact that most Eurosceptics in Britain are fully aware of Britain's role in the wider world. We are proud of our long association with the USA and – dare one say it? – of our imperial past, of our commonwealth present and of our particular British contribution to the global future. We also know that at least half our trade is with countries outside Europe. Hardly 'little' Englanders.

But rather than going over this well trodden ground once more, let us directly address the canard that to be against Euro federalism is to be anti-European. That this canard is routinely uttered in Britain by

people who speak no European language, and whose experience of Europe is limited to holidays in Tuscany and France and journeys on the Brussels gravy-train should give us pause. What do they know of Europe who only the EU know?

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I was brought up in a London suburb in the 1950s, and attended a very ordinary school in Tottenham. To my eyes then and to those of my contemporaries, England was a dull place. It seemed to be characterised by Sundays of unutterable dreariness, in which, apart from Church, absolutely nothing was allowed; by the post-war austerity from which we were only gradually emerging; by declining, but nevertheless dominating and polluting smokestack industry; by the deliberate heaviness and tastelessness of our food; and by the tedium of official respectability and by an art and music repressed and insular. The smogs which affected us annually blotting out all light and life, and from which many died, were an apt symbol of our condition.

Not surprisingly, I and many others looked to Europe for enlightenment. And, within the limits of the amount of travel government restrictions allowed, we found it. Like Turner, our greatest artist, and like Ruskin, our greatest critic, we travelled to the sun. We discovered the esprit of French life, its food and wine, the clarity of the French intellect and the joyful subversiveness of so many of its writers. We sunk ourselves in the depths of German music and the profundities of its poets and thinkers, so exhilarating after the

shallowness of the native variety. We climbed up into the Alps and the Pyrenees, so much grander and purer than our British crags. We went down into Italy, and found a culture and a landscape beyond all our imagining, rich and profligate in its endless fertility, overwhelming in its superhuman beauty. And we went to Greece, discovering antiquity and sleeping among its stones under skies of intoxicating clarity.

Later some of us went to Eastern Europe, and experienced other things, which put Britain in a different and somewhat better light. But even before that, travel in Europe made us aware of two things. One of these things was the diversity within Europe itself, a diversity of language, of culture and of history.

One of my favourite journeys is that from Munich to Venice over the Brenner Pass, a journey whose name alone conjures up thoughts of Thomas Mann, of Wagner and of Goethe himself. You start with the cool Bavarian neo-classicism of Munich, you go through the gothic and the baroque of German villages, up into the mountains with their strange towns neither precisely Germanic nor Italianate, but a timeless mixture of both, and down into the valleys, with every so often among the castles and crags a glimpse of a vineyard or two and of something owing a debt to Alberti, and then into the plains of the great rivers and on to Venice itself. The transitions are seamless. There is an underlying unity of spirit, but what diversity from beginning to end and how differently expressed. Not a bad image of Europe itself, and surely a warning against thinking Europe could – or should – be reduced to a single entity, or – horror of horrors – a 'level playing field' with all its differences and singularities rolled out by bureaucrats.

The second thing I learned from my travels in Europe was a new estimation of my own country and indeed of my own education. For however drab things might have seemed, it was precisely my upbringing which enabled me to respond to the countries of Europe, their landscape, history and culture, with such enthusiasm and feeling. But, more than that, through the prism of European cultures (note the plural), I began to understand the virtues of my own, which its surface drabness concealed.

I learned the value of British fair play, of our tolerance and our manners, of our commitment to liberty and to the rule of law, of our suspicion of business and of governments, and that in our art and music, beneath the apparent repression, beat a heart of deep sentiment, and also that we were inheritors of a distinctive literary tradition which was the admiration of all Europe. Other cultures of Europe exhibited other virtues, but not, on the whole, those. Indeed, the more I came to know of those other cultures and societies, the less plausible became the notion of a federal Europe, as opposed to a Europe of separate

nations united in a free trade area, if only because of the life enhancing differences between the countries of Europe.

I also learned that in the religion which formed the basis of what we think of as Europe, there was a very strong belief in a distinction between the Heavenly City and the Earthly City. Attempts to produce a heavenly city on earth are likely to produce a hell on earth, because of the inherent fallibility of the institutions and inhabitants of any earthly city. The European Union looks like a secularised version of the Holy Roman Empire, a form of misplaced perfectionism which,

because it has no faith except in its own bureaucratic powers, is bound to fail and at much human cost. But unlike the Holy Roman Empire, its dream – that of straightening out the differences between European cultures – is not even a noble one.

Far from it being anti-European to oppose the European Union, everything we know of Europe ought to convince those of us who love Europe that the precise opposite is the truth.

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EUROWATCH

“There are two sets of argument on Europe,” writes Kate Usher, Chief economist of Britain in Europe “There are the arguments of the heart, which are mainly based on untruths: we’d lose the monarch, we’d stop being British. The eurosceptic press and the anti-European pressure groups, are trying to create a sense of fear that we’ll lose our identity. But there is a second group of arguments, which are to do with economics. People know that the Empire is dead and that there won’t be another European war. They know that the world is getting smaller and that perhaps our future is in Europe. And those are arguments of the head. There is enough evidence from the opinion polls that when presented properly, the head arguments can overrule those of the heart.”†

Without taking issue with this argument, it seems a lot of people have recently indicated a change of heart.

The population of Denmark have had a change of heart by voting decisively against joining the euro.

Tony Blair seems to have had a change of heart by announcing, while in Japan, that he wouldn’t choose to join the euro now. He subsequently had to modify this remark by restating that it depends on the Chancellors five economic conditions being met.

Some economists have had a change of heart. Lord Desai, for example has suggested a temporary suspension of the euro though most economists think this would be disastrous.

Wim Duisenberg has had a change of heart by saying that the ECB would not intervene to support the euro if it weakened as a result of turmoil in the Middle East. This, together with a remark that the Central Banks had chosen to intervene on September 22nd because it feared the US would not want to participate as it drew closer to the presidential elections threw out a clear signal to the currency markets that further intervention was unlikely. As

one city analyst commented, “intervention is only successful if you don’t divulge your strategy.”

The ECB has had a change of heart by deciding to intervene when it had previously denying such an intention. It had claimed that it was not too concerned about the value on the foreign exchanges as this was due to an over strong dollar rather than any inherent weakness in the euro.

The ECB intervened four times between September 22nd and November 6th. Each time, returns have proved temporary and diminishing. The benefits have been very short term. As the euro rallied, long-term holders took the opportunity to sell and cut their losses. It has then sunk back to yet new lows. ECB intervention is sterilised intervention in the sense that it is not backed up by a change in interest rates. To attract more buyers the return on the currency, as well as the value of the currency, has to rise. But growth in the eurozone countries is predicated on low interest rates. Additionally low inflation in most of the eurozone doesn’t warrant a rise in interest rates.

Inflation in Ireland is now approaching 10% as a consequence of low interest rates but, in the same article, Ms Usher points out that Ireland represents only 1% of the Eurozone economy. She doesn’t go as far as to say that Ireland doesn’t count but it is clear that the ECB sets interest rates that suit the core economies of Germany, France, Holland and Benelux. She argues that if Britain were to join we’d be the second or third largest economy and thus have a far greater influence on interest rates. What would we end up with, a rate that suited us, a rate that suited Germany and France or a compromise that suited none of us?

† *Small business must not miss out on euro opportunity* Kate Usher, Chief Economist, and Britain in Europe, Thursday 14 September 2000

Lynette Swift

RESEARCH ROUNDUP

An Update on the Nice Treaty

NATIONAL GOVERNMENTS will lose their veto in 47 areas, according to the latest available draft of the Nice Treaty released by the French Presidency. A Summary of the Progress Report on the Intergovernmental Conference on Institutional Reform was finally published on the internet on 6 November 2000 (the document is actually dated 3 November). The Summary details plans for the introduction of Qualified Majority Voting (QMV) in areas which would include the appointment of Common Foreign and Security Policy special representatives, international agreements, anti-discrimination measures, self-employment, geographical mobility, border controls, visas, refugees, immigration, intellectual property, WTO proceedings, “workers rights”, culture, structural funds, co-operation with overseas countries, industrial policy, the cohesion fund, the environment and several other areas previously covered by unanimity voting. The Summary also outlines proposals relating to the creation of a two-speed Europe – re-branded as “enhanced flexibility” – as well as moves towards the harmonisation of taxation and social security. There is as yet no information on long-planned changes to the weighting of votes in the Council of Ministers, to the make-up of the Commission and to the composition of the European Parliament. The report helpfully states that:

The Presidency considers that it is premature at this stage to produce draft texts on three issues which are highly sensitive... It is generally acknowledged that these issues still require detailed analysis and discussion with a view to reaching an outcome which is in line with both the Union's requirements and the legitimate interests of all the Member States...

The standard justification for the proposed massive extension of QMV at the Nice IGC is that the veto would “imperil the single market” in an enlarged EU. It seems in reality that the “single market” has come – quite conveniently, from Brussels’ perspective – to be understood as including virtually every aspect of EU business. The removal of barriers to trade and obstacles to the free movement of people has become a convenient excuse to centralise more and more powers at EU level.

Another interesting aspect of the Progress Report is that it hardly mentions defence. It seems that a strategic decision has been taken by the French Presidency to leave security matters to the next Treaty. In part, this is because current moves towards a “rapid reaction force” following the summits at Feira, St Malo and Cologne do not require any treaty modifications. Maastricht and Amsterdam provide a perfectly adequate treaty base for there action force.

A brief glance at the Progress Report is enough to make one realise that the Nice Treaty itself will be firmly rooted in the treaties of Maastricht and Amsterdam. This latest Treaty consists primarily of a set of amendments and modifications to existing articles – we are essentially renegotiating the Amsterdam Treaty, albeit in the direction of ever-closer union. The remainder of this article reproduces and comments upon elements of the proposed Treaty. Changes to the existing treaties are shown in italic and references to the “Council” should be understood to refer to the Council of Ministers.

Social Security Harmonisation

For the first time, the Treaties are to mention – assuming that the current wording is adopted – “the coordination of national laws” in

the field of social security. The first section of Article 42 of the Treaty on the European Community would read:

The Council, acting in accordance with the procedure referred to in article 251 *after consulting the Economic and Social Committee and the Committee of the Regions*, shall adopt such measures *for the coordination of national laws* in the field of social security as are necessary to provide freedom of movement for workers, *self-employed persons and students who are nationals of Member States and for workers who are covered by agreements concluded with third states, stateless persons and refugees*; to this end, it shall make arrangements to secure for *them* and for their dependants:

- aggregation, for the purpose of acquiring and retaining the right to benefit and of calculating the amount of benefit, of all periods taken into account under the laws of the several countries;
- payment of benefits to persons resident in the territories of the Member States

The text refers – seemingly innocuously – to Article 251. What Article 251 actually does is to provide a legislative mechanism for the adoption of Acts, and includes provisions for the use of QMV by the Council. This means that QMV will now be used to harmonise aspects of national welfare states. The third section of Article 42 includes the following disclaimer:

The measures referred to in paragraph 1 and 2 may not significantly affect the financial equilibrium of Member States' social security schemes.

The proposed article talks of “equilibrium”, not of total expenditure. If welfare spending is increased by 25% while revenues grow by the same amount, the system stays in equilibrium. It all sounds like a rather meaningless concession intended to buy off opposition from those who wish to retain national vetoes.

Towards Tax Harmonisation

The first two sections of Article 93 of the Treaty on the European Community are reproduced below. The first section mentions “direct taxation” (such as income tax or corporation tax) for the first time. The usual “single market” justification is used.

The Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament and the Economic and Social Committee, shall adopt:

- provisions for the harmonisation of the laws and regulations of the Member States concerning turnover taxes, excise duties and other forms of indirect taxation;
- *provisions concerning the approximation of the laws and regulations of the Member States on direct taxation;*

to the extent that such provisions are necessary to ensure the establishment and the functioning of the internal market

The second section allows for the use of QMV for aspects of the above. The wording used (“by way of derogation etc.”) seems intended to play down the significance of the section. In reality, the spectre of income tax harmonisation by QMV is now one giant step closer. There is also much talk of “fraud prevention”, another favourite justification for EU state building.

By way of derogation from paragraph 1 and without prejudice to Article 175(2), the Council, acting [by a qualified majority on a proposal from the Commission and after consulting the European parliament] [in accordance with the procedure referred to in Article 251] and after consulting the Economic and Social Committee, shall

adopt, in the areas referred to in the protocol annexed to this treaty:

- technical updating measures for the sole purpose of simplifying existing Community rules or ensuring uniform, simple and transparent application of existing Community rules in the field of turnover tax, excise duties and other forms of indirect taxation;
- measures to co-ordinate the provisions of the Member States to prevent discrimination and double taxation;
- measures for the sole purpose of preventing fraud, tax evasion and the circumvention of existing rules.

The fourth section of the article also deserves to be reproduced in full:

The Council, acting by a qualified majority on a proposal from the Commission and after consulting the European Parliament and the Economic and Social Committee, shall adopt the provisions necessary for mutual assistance, exchanges of information, and cooperation between tax authorities within the Community with a view in particular to combating fraud and tax evasion and to recovering tax claims. These measures shall not concern the application of national criminal law or the national administration of justice in the Member States.

EU-wide Political Parties

This is what the Draft Treaty is proposing for Article 191:

Political parties at European level are important as a factor for integration within the Union. They contribute to forming a European awareness and to expressing the political will of the citizens of the Union.

The Council, acting in accordance with the procedure referred to in article 251, shall lay down the regulations governing political parties at European level and in particular the rules regarding their funding.

This clearly means that there will be some restrictions on how political parties will be funded, potentially jeopardising free speech. The article (“regulations governing political parties”) might also conceivably be interpreted as giving the Council the powers to restrict political parties it dislikes.

Enhanced Co-operation

This is a fancy new name for a two-speed Europe – “a certain number of countries will have to get together to show the others the way”, as Jacques Chirac neatly summarised the proposal – otherwise also known as ‘flexibility’. A subset of member states that wishes to proceed with further integration and to create ‘an inner core’ will be allowed to do so. Other countries will be ‘relegated’ to an ‘outer core’. Enhanced co-operation is:

- *Aimed at furthering the objectives of the Union and the Community, at protecting and serving its interests and at reinforcing the process of integration* [Clause A (a)]
- *Respects the *acquis communautaire* and the measures adopted under the other provisions of the Treaties* [Clause A (c)]

These two subclauses rule out ‘reverse integration’ and confirm once and for all that ‘flexibility’ is the antithesis of what some British Eurorealists hoped it would come to mean. Enhanced co-operation also:

- *Involves at least eight Member States, except in the cases set out below* [Clause A (f)]
- *Does not affect the competences, rights and obligations of those Member States which do not participate therein.* [Clause A (g)]
- *May be engaged in only when it has been established within the*

Council that the objectives of such co-operation cannot be attained within a reasonable period by applying the relevant provisions of the Treaties. [Last Resort Clause (Clause B)]

The importance of enhanced co-operation can be grasped by reading the following sections of the proposal:

- *Member States which intend to establish co-operation between themselves in one of the areas referred to in the Treaty establishing the European Community shall address a request to the Commission, which may submit a proposal to the Council to that effect. In the event of the Commission not submitting a proposal, it shall inform the Member States concerned of the reasons for not doing so.*
- *Authorisation to establish the enhanced co-operation referred to in paragraph 1 shall be granted by the Council, acting by a qualified majority on a proposal from the Commission after consulting the European Parliament...* [Clause G]

This section clearly indicates that individual nation-states will possess no ‘emergency brake’ or veto to prevent other states from going ahead with further integration.

Punishing ‘bad behaviour’

The modification to Article 7 proposed in the Progress Report is particularly worrying in that it potentially involves sanctions being imposed by Qualified Majority Voting on another EU member. This is the new article’s suggested first section:

1. On a reasoned proposal by one-third of the Member States, by the European Parliament or by the Commission, the Council, acting by a qualified majority vote in favour cast by two-thirds of its members after obtaining the assent of the European Parliament, may determine that there is a risk of a serious breach by a Member State of the principles mentioned in Article 6(1), and address appropriate recommendations to that State. Before making such a determination, the Council shall hear the Member State concerned and may call on independent persons to submit within a reasonable time limit a report on the situation in the Member State in question. The grounds for such a determination shall be regularly reviewed by the Council. [Article 7 Treaty of EU]

Significantly, the proposal talks of “a risk of a serious breach” rather than of “a serious breach”. Article 6(1) states that:

The Union is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law, principles which are common to the Member States.

This Article could arguably prove to be the worst of the lot. It seems to allow a group of states to gang up on a country they dislike. Victims may be forced to modify their legislation in virtually any area of public policy. The situation is made even graver by the likelihood that the Charter of Fundamental Rights will be used to identify whether or not a member state shows “respect for human rights”. The vacuous and legally unclear language of the Charter will no doubt be twisted to suit the purposes of qualified majorities in the Council of Ministers. Far from simply dealing with “Amsterdam leftovers”, the proposed Nice treaty could have devastating consequences for the future of democracy and individual liberty in Europe.

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Mr Cook's Conversion

by Sir Oliver Wright

IT IS A TRUTH universally acknowledged that in May 1997 Mr Robin Cook went to the Foreign Office with reluctance and a reputation for euroscepticism. How came it, then, that three years later he was one of the Three Musketeers – the other two were Mr Byers and Mr Mandelson, both with impeccable Europhile credentials of long standing – who were urging the Prime Minister to settle the problem of Britain's membership of the euro sooner rather than later?

It is a mystery like one of those Russian dolls which, when opened up, reveal yet another doll inside. The outside doll suggests that Mr Cook may have undergone a genuine Damascene conversion on one or more of his innumerable journeys to Brussels. Superficially attractive, but there must be more to it than that. Maynard Keynes once memorably said: "When the facts change, I change my mind: what do you so, Sir?" But Keynes was not a politician. Politicians are not famous for changing their minds. They like to stand for something. It goes with the territory. If they are seen to stand for something different, after only three years, they may stand charged with one of the cardinal sins of politics – inconsistency. I think we can discount the Damascene theory.

But there is a variant of this type of conversion. It is less sudden and more insidious. It is called '*la déformation professionnelle*', a sort of creeping sickness that eventually overcomes most people who occupy their business over a long time in those waters. Like so many things about Brussels, only the French term, with its abstract rationalisation, will really do. Its nearest English equivalent, 'going native', is much cruder and in your face.

For Brussels is a unique institution and brusselisation a unique experience. It is a quite unique method of conducting diplomatic business, the product of the finest minds of France's *grandes écoles*. It is, in practice, a never ending negotiation between first 6, then 9, now 15 members of the European Union, at all levels, ministerial and official, and on a steadily all-encompassing range of subjects. It is quite alien to the British parliamentary way of doing things; but that is where and how most of the business which affects the future of our country is nowadays really done.

It calls for the very highest qualities of mind and body. It needs intelligence of a very high order to master the dossiers, a penetrating insight into the objectives of the negotiating partners round the table and the diplomatic skills to identify and fashion compromises. It also requires the physical stamina and ability to do without sleep to withstand the bum-numbing hours of bargaining, what our German friends call *Sitzfleisch*. All these qualities Mr Cook no doubt possesses in full measure. Officials, Brussels-based and from Whitehall, have to have them in spades.

Aye, there's the rub. Compromise is what negotiation is all about. And if you are negotiating day after day with respected colleagues, you naturally want to keep on the best possible terms with them. All the more so when, as is increasingly the case, the ultimate decision is taken, not by consensus, but by qualified majority voting. So when a compromise seems to be on offer, it is difficult in that hothouse atmosphere, with maybe dawn breaking and men's chins a field of stubble, to be odd man out. It is only natural for officials to advise and ministers to accept that what is on offer is the best deal available. This is doubly tempting when you cannot afford to be un-communautaire if you wish to be at the heart of Europe. This power gradually leaches away from Parliament at Westminster, where there are still remnants of public accountability, to Brussels where there are none. I can think of only one politician in recent times who was immune to the Brussels sickness and was not popular east of Calais.

But there is another consequence of '*la déformation professionnelle*' which is even more harmful to the national interest: it is the '*acquis communautaire*', another French term invented by the *énarques* who have always run things their way, whether in the Community or the Union. The '*acquis*' is the sum total of everything that has been decided in the Common Market/Community/Union. And because each bit of the '*acquis*' is the product of hours, days, weeks and even months of ceaseless negotiation in which deals are struck reconciling the many and various, and sometimes arcane, interests involved, it is virtually impossible to correct any mistakes that have been made along the way for fear of unravelling the whole caboodle.

To err is human. Mistakes are inevitably made which need correcting. National mistakes can be rectified by national parliaments by a simple change of government under the influence of national electorates. Not so at Brussels, where is no fail-safe mechanism. It is Lady Macbeth's dilemma: "what's done cannot be undone". Ministers and officials alike walk the primrose path that leads to the everlasting bonfire of our liberties. Some, like Lady Macbeth, do it sleepwalking.

My belief is that ministers just love the primrose path. To walk it means to strut and fret their hours upon the larger stage in the agreeable company of their peers, untrammelled by a tiresome legislature at their heels. For national parliaments rarely have the time, often do not have the inclination and never have the official infrastructure adequately to scrutinise their executives' actions or call them to account. Brussels offers power without responsibility. It offers much else besides: the lifestyle can be addictive.

We may be getting nearer to the heart of the mystery of Mr Cook's conversion, getting down to the last doll, as it were, if we combine the attractions of Brussels with future moves in the higher echelons of New Labour. Mr Cook has by now probably accepted that the top job is not for him and he has gone as far as he can go at home. But he can legitimately look for fresh fields to conquer. Mr Kinnock must be close to retirement. What nicer, then, for Mr Cook to succeed him? He would have the necessary international stature and European credentials and taste. According to *The Times*, he is learning French, not the *lingua franca* of Livingstone. That would leave the Foreign Office open for Mr Mandelson; and, if at some stage Mr Blair decided to spend more time with his young and growing family, the Treasury for Mr Byers. All three musketeers would be suited.

All this, of course, is pure speculation. And, as Mr Harold Wilson once famously remarked, a week is a long time in politics. But it was perfectly legitimate for the musketeers to have put down markers – *à toutes fins utiles*, as the *énarques* would say.

Sir Oliver Wright was British Ambassador to Washington 1982–86 and is a member of the European Foundation Advisory Board.

Advertisement

An EU-wide £4.50 Minimum Wage?

By Matthew Elliott and Allister Heath

A CONTROVERSIAL CAMPAIGN TO introduce a single statutory EU-wide minimum wage was launched in the European Parliament on 23 October 2000. Although the move was barely noticed and soon forgotten in Britain, many MEPs are known to be enthusiastic supporters of the proposed legislation. Most European parliamentarians consider it to be an innocuous – and perhaps even obvious – extension of the European Union's role in social policy. The reasoning behind the proposal will come as no surprise to readers of the *European Journal*. According to the received wisdom in Brussels, the completion of the single market requires the eradication of all national differences. The EU 'needs' a single system of weights and measures, a single set of rules and regulations, a single currency and now a single minimum wage. The report produced for MEPs typically states that:

"social policy must be a policy in its own right, with its own objectives, and it cannot be seen as an adjunct of economic and employment policy."

It goes on to argue that "the social agenda must be very ambitious." It will hardly come as a surprise that France – which currently holds the EU's rotating presidency – wholeheartedly backs the proposal.

Through the back door

At present, Article 137(6) of the Treaty establishing the European Community implicitly reserves issues of pay to member states and apparently rules out EU action in that area. The Article states that:

"the provisions of this Article shall not apply to pay, the right of association, the right to strike or the right to impose lock-outs."

This leaves two ways in which the EU could introduce a single minimum wage.

The first option is to introduce a section to that effect in the Nice Treaty, presumably by modifying Article 137(6). This route is unlikely, given there is no direct mention of the topic in the 'Draft Nice Treaty' (the 'Summary of the Progress Report on the Intergovernmental Conference' released on the Internet in November 2000). Nevertheless, the draft treaty did include controversial legislation to harmonise

social security systems by Qualified Majority Voting (the proposed Article 42 TEC) and other extensions of the EU's role in social policy and welfare.

The second option is to introduce an EU-wide minimum wage through judicial activism by the European Court of Justice. Even though President Jacques Chirac has described the Charter of Fundamental Rights as purely declaratory and not legally binding, in practice this distinction is pure sophistry. The Charter will inform any discussion of the 'principles of the Union', which, as Article 6(1) TEU proclaims, are based:

"on the principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law, principles which are common to the Member States."

It is not unimaginable that the ECJ would sympathise with workers who claim that a minimum wage of £3.70 violates their 'human rights' by condemning them to 'social exclusion'. The Court could draw on Article 31(1) of the Charter of Fundamental Rights:

"Every worker has a right to working conditions which respect his or her health, safety and dignity."

The ECJ may also be tempted to rule that the lower youth minimum wage in the UK is a form of 'youthism' – discrimination against the human rights of young adults. The ECJ could enforce the spirit of the Charter by applying Article 7 of the Treaty, which prevents states from violating the above mentioned Article 6 of the treaty.

How would the ECJ have the opportunity to introduce an EU-wide minimum wage? According to Article 21(2) of the Charter of Fundamental Rights:

"Any discrimination on grounds of nationality shall be prohibited."

Consider a multinational firm with plants in several different EU countries. For the purposes of exposition, assume that the firm pays its employees the national minimum wage in the country in which they are employed. This would mean that UK workers would be paid less than French workers – France has a higher minimum wage than Britain – despite the fact that

both groups of workers performed exactly the same tasks. Disgruntled employees would accuse the firm of discriminating on the basis of nationality, forcing the multinational to pay their workers a standardised minimum wage, regardless of where they live in the EU. The remaining problem with this – in the eyes of Brussels – would be that the employees of multinationals would be better treated than those who work for national firms. The final step would thus be the extension of the harmonised minimum wage to all employees – the introduction of an EU-wide minimum wage through the back door.

Methodology

The remainder of this article attempts to assess the impact of an EU-wide minimum wage on the British economy. In our opinion, the best way to do this is to calculate how exactly an individual making the minimum wage compares to someone on average earnings – for each member state. We then calculate this for the EU as a whole by weighting national figures according to the number of votes each member state wields in the Council of Ministers. These figures are then applied to the latest UK data and a new figure for a harmonised minimum wage produced.¹ The data for minimum wages and average earnings are for 1998 with the exception of the British and Irish figures which are for October 2000.²

We do not compare unadjusted national wage rates because this would not control for currency fluctuations between sterling and Eurozone currencies. The euro's collapse since its launch on 1 January 1999 would have artificially reduced the sterling value of minimum wages in other member states and hence biased their weighted mean downwards. Using Purchasing Power Parity would have overcome this difficulty but the data was unavailable.

This article is the first study of the consequences of an EU-wide minimum wage to be published in the United Kingdom and – as far as we can tell – the first analysis of the subject. It should therefore be emphasised that our findings are preliminary. We were confronted with the fact that statistical information available on national minimum wages and average

Minimum Wages as a Proportion of Average Earnings

	Average Monthly Minimum Wage	Average Earnings in Manufacturing Industry	Percentage of average earnings	Votes in the Council of Ministers
Belgium	BEF 43,343	BEF 109,912	39.4%	5
Greece	GRD 143,796	GRD 350,985	40.9%	5
Spain	ESP 79,380	ESP 233,610	34.0%	8
France	FRF 6,535	FRF 13,768	47.5%	10
Ireland	IEP 774	N/a	N/a	3
Luxembourg	LUF 46,275	LUF 109,630	42.2%	2
Netherlands	NLG 2,292	NLG 5,133	44.7%	5
Portugal	PTE 68,717	PTE 121,067	56.8%	5
United Kingdom	GBP 634	GBP 1,716	36.9%	10
EU wide weighted average			42.2%	

incomes is widely divergent and frequently antiquated.

Nine EU countries have introduced a legally binding statutory national minimum wage: Belgium, Greece, Spain, France, Luxembourg, Netherlands, Portugal, Ireland and the United Kingdom. (*See chart above.*) There are number of complications in comparing national figures, including the existence of a lower youth minimum wage in the UK and the distinction between manual and non-manual workers in Greece. The remaining six EU countries also have minimum wages but these are sector-specific and negotiated in collective agreements between the so-called "social partners". These countries include Austria, Denmark, Finland, Germany, Ireland, Italy and Sweden.

For the purpose of this preliminary examination, we only use data from those countries with a statutory national minimum wage. This is because adequate information for the countries with sector-specific minimum wages is generally nonexistent or incompatible with the rest of our data. We do not believe that a different approach would generate qualitatively different results.

A minimum wage at £4.50

The weighted mean minimum wage in the countries under examination stands at 42.2 per cent of mean earnings. Latest earnings figures for the UK show that full time adult employees had average gross annual earnings of £21,842 in the year to April 2000.³ This comes to £1820.20 per month. A minimum wage paying 42.2 per cent of mean earnings would be worth £768.04 per

month. This is significantly higher than the £634 per month currently pocketed by an average minimum wage earner (this monthly figure is based on a working month of 22 days, 8 hours per day). The EU would impose a minimum wage of around £4.50 or an increase of 21 per cent. It is sensible to assume that Britain's youth minimum wage would be abolished, given that countries such as France do not allow for a reduced wage for young people. The youth minimum wage, which currently stands at £3.20, would therefore be raised by 40.6 per cent, also to £4.50.

Impacting the labour market

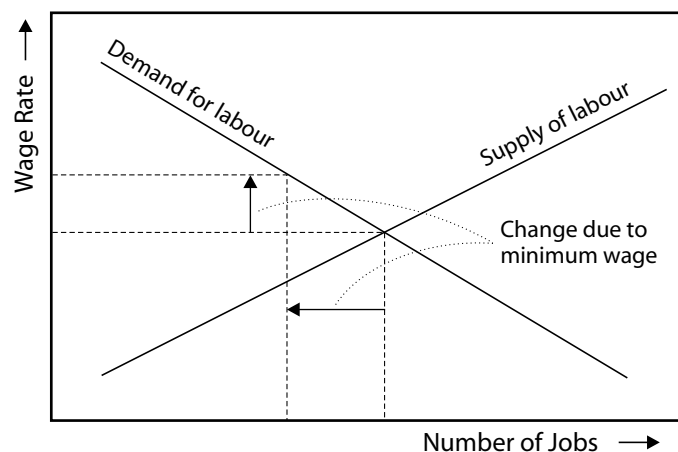
The quantitative estimates of different minimum wages on employment and

labour markets we had to rely on were two or three years old. Furthermore, these studies typically estimate the effect of a minimum wage from the basis of a free labour market, rather than compute effects of minimum wage increases. Despite these difficulties, we believe that we can quite comfortably predict that an EU-wide minimum wage increase unemployment in the UK (*see chart below*).

Most microeconomists accept that a minimum wage reduces employment. This can happen in two related ways. First, already existing jobs will be destroyed. Second, jobs that could or would have been created will no longer be. A simple example shows why employment is reduced. A worker whose output is worth £3 an hour will not be worth hiring if a minimum wage is introduced at £4 an hour. Conversely, a worker whose output is worth £5 will continue to find employment. There will invariably be some employees who are worth less to their employers than a minimum wage so *some* jobs will always be lost.

There has been some controversy – especially in the United States – concerning the likely effects of a minimum wage. Princeton University labour economists David Card and Alan Krueger are two prominent dissenters of the view that minimum wages destroy jobs. Nevertheless, a survey published in the *Journal of Economic Literature* in September 1998 revealed that the consensus view on the subject among US-based labour economists is that a 10 per cent increase in the

Effects of Minimum Wage



Job Losses Predicted by the Conservative Party

Minimum wage level (£ per hour)	0%	25%	50%	100%
£3.00	29,000	631,000	1,234,000	2,440,000
£3.50	62,000	518,000	974,000	1,886,000
£4.00	127,000	568,000	1,080,000	1,888,000
£4.15	154,000	618,000	1,820,000	2,010,000
£4.50	231,000	691,000	1,150,000	2,069,000
£5.00	375,000	868,000	1,360,000	2,345,000

minimum wage reduces youth unemployment by 2.1 per cent. Others are even more sanguine. In a fascinating paper, David Neumark, William Wascher and Mark Schweitzer drew on econometric evidence to argue that a 10 per cent increase in the US minimum wage will typically reduce the number of minimum wage paying jobs by a staggering 10 per cent⁴. Furthermore, it is widely agreed that hikes in the minimum wage hit disproportionately the employment prospects of the poor, the uneducated, the young and ethnic minorities. The minimum wage creates an artificial floor which prevents the market from achieving full employment, as illustrated graphically in the diagram on the previous page.

An EU-wide minimum wage would have several consequences for the UK labour market. The first and most obvious would be a reduction in the number of jobs that would otherwise have been available. Many low productivity employees would be forced to leave existing jobs while many jobs that would have been created would not be. We use the original projections made by the Conservative Party at the time of the last general election.⁵ Although these estimates are not perfect, they give an

indication of the order of magnitude involved. These figures suggest that around 250,000 jobs would be lost following the introduction of an EU-wide minimum wage of £4.50, compared with a free labour market (see chart above).

The worst hit sectors would include the hospitality and textiles industry as well as other traditional areas with proportionally high labour costs. There would also be a reduction in on the job training, fringe benefits, canteen provision in the economy as a whole. Working conditions would decline as employers cut down on the non-salary element of the total wage/labour bill. If the youth minimum wage is phased out and replaced with the new adult rate, school dropouts would increase, caused by a 40.6 per cent increase in the opportunity cost of staying in education (assuming that at least some jobs would still be available to young people).

Political implications for the Tories

A spokesperson for the Conservative Party told the *European Journal* that the current UK minimum wage 'is not doing serious damage to the economy, but we will monitor the situation as time goes on. We

thought the minimum wage would affect unemployment but the current rate is not doing serious damage. However, we will continue to monitor the situation.' When the Conservative Party accepted the minimum wage in principle shortly after Michael Portillo became Shadow Chancellor of the Exchequer, the statutory minimum stood at £3.20 (£3.00 for those between the ages of 18 and 21). Following the increase to £3.70 for the standard rate and to £3.20 for the youth rate, the Tories agreed to maintain the increase should they be elected. The question is whether or not they would accept an increase to £4.50 implemented by the Labour government under orders from the European Commission. The EU might end up forcing the Conservatives to campaign for a reduction in the minimum wage, a position they tried to avoid when they shelved their opposition to the idea last year.

Matthew Elliott is political secretary to William Cash, MP, and Allister Heath is Head of Research at the European Foundation.

1 The same technique was used to predict tax harmonisation by the European Union. See James Barr with Matthew Elliott (1998) *Moving on Up: EU Tax harmonisation plans and UK tax*, London: European Foundation.

2 Figures were provided by Eurostat and by national statistical agencies.

3 This data comes from the House of Commons Research Paper 00/85

4 Federal Reserve Bank of Cleveland *Economic Commentary*, February 1999

5 Estimates are taken from *Beware Blair*, by Alan Duncan, MP, published by CCO in 1997, and are based on the then latest figures from the New Earnings Survey.

... news in brief

Another Nice mess

The *Digest* reports with reluctance on the difficulties which are said to have arisen in the run-up to the Nice summit. This is because these summits have a nasty habit of snatching victory from the jaws of defeat: one is told for months that the negotiations are on the rocks and then some bogus deal is cobbled together in the wee hours at the last minute of the summit. However, it is now widely being reported that negotiations in the run-up to Nice have grown acrimonious, especially between large and small countries over the issue of the removal of the veto, the reduction in the number of Commissars, and the doctrine of "reinforced co-operation" which would institutionalise a Franco-German directorate of the EU. Smaller states are rightly worried that

these three policies are all directed against them. Roman Prodi has now stepped into the breach and warned the member states of the dangers of allowing Nice to fail completely. In addition to the concerns of the smaller states vis-à-vis the hegemonial designs of the larger one, there is apparently also disagreement over what further areas of policy should be subject to majority voting. [*Die Welt*, 1st November 2000] Finally, the Commission in Brussels is also worried that an increase in inter-governmental activity will reduce its own pre-eminence, something of which Commissar Prodi warned in a noted speech to the European Parliament recently. Mr Prodi has demanded that the member states make concessions, especially in majority voting. "After 2006," he has said, "no more decisions can be taken by unanimity." [*La Stampa*, 1st November 2000]

The Charter of Fundamental Rights: an insider's fight against the Monnet method.

by Georges Berthu, MEP

JEAN MONNET developed a highly successful strategy for achieving ever-closer European integration. He argued that a supranational European power could be constructed one step at a time through a series of technical decisions. These would be taken by a select elite of knowledgeable insiders. The beauty of the scheme – according to Monnet and his fellow travellers, that is – was that the peoples of Europe – whose reluctance to do away with national democracies was rightly perceived as a major barrier to integration – would naturally have very little to do with apparently arcane technocratic decisions. The first proper application of ‘Monnet’s method’ was by Robert Schuman in his declaration on 9 May 1950, which launched the European Coal and Steel Community.

Towards the total integration of Europe

Fifty years later, the strategy has come under fire from unlikely quarters. Speaking on 12 May 2000 at the Humboldt University in Berlin, Joschka Fischer, Germany’s Foreign Minister, railed against the Monnet method’s “limited use for the democratisation of Europe”. This is hardly contentious. The whole point of Monnet’s strategy is that it bypasses national democracies. More provocatively, Mr Fischer then went on to criticise what he saw as its limited usefulness to achieve “political union”. The Monnet method on its own would apparently not be sufficient to make the final leaptowards a full European Federation, Mr Fischer’s ultimate goal (the title of his talk was *From Confederacy to Federation: Thoughts on the Finality of European Integration*).

Mr Fischer’s interpretation of history will strike many – and especially long standing readers of the *European Journal* – as very strange indeed. Hardly anyone denies the remarkable success of Monnet’s strategy in integrating Europe’s nations (with the possible exceptions of the UK and Scandinavia). But what the EU has already achieved doesn’t go anything like far enough for Mr Fischer. He wants “a transfer of the heart of national sovereignty” and to achieve this deems necessary “a deliberate act of political re-foundation for Europe”.

What Mr Fischer is claiming is that he would like to ditch the Monnet method and proceed more openly with European unification.

The problem is that this will never happen. Jean Monnet devised his anti-democratic supranational power creation method for a good reason. It remains necessary because the people still believe the nation-state to be the most legitimate form of political organisation. They want ‘the heart of sovereignty’ to reside in the nation-state. This was true 50 years ago and remains the case today. This explains why Mr Fischer and his colleagues are publicly calling for “an act of political re-foundation” while privately putting the finishing touches to a modernised – and even more hypocritical – version of the tried and tested Monnet method.

A triumph of spin over substance

The Monnet method mark II is merely the old dressed up in the language of democracy. Its purpose remains as ever the total integration of the nations of Europe – Mr Fischer used the terms “integration” or “political integration” 37 times in his speech, always in a positive way. The way integration proceeds also remains the same – a tightly knit group of insiders push through centralising legislation. The only difference is that we are now told that federalising decisions were in fact taken democratically by the people, which is of course a triumph of spin over substance. The breathtaking effectiveness of this ‘new and improved’ Monnet method became apparent during the drafting process for the Fundamental Charter of Human Rights of the European Union.

Typically, the manner in which the Charter was put together was self-consciously novel. In June 1999, the Cologne European Council appointed 62 “delegates” to a working group – 32 members of national parliaments, 16 MEPs (including myself), 15 representatives of heads of states and governments and, last but not least, one representative of the Commission.

This is not the place for an in-depth discussion of the contents of the Charter. Suffice to say that it is meant to define a

single Europe-wide set of human rights – the EU’s version of *les droits de l’homme et du citoyen*. The Charter will ultimately become binding – an integral part of the treaties under the jurisdiction of the European Court of Justice. Vast powers are being transferred away from national governments, opening the door to massive amounts of ECJ-led harmonisation. The Charter therefore entrenches everything our politicians assured us they did not want for our continent.

A pretence of democracy

It is crucial to understand just why the peoples of Europe and their national politicians were conned in such an extraordinary way. Most importantly, the Monnet method mark II was applied with devastating results. The “working group” of which I was a member was set up with the pretence of democracy as its sole purpose. The sequence of events is best broken down into four stages.

The Cologne European Council of June 1999 decided – seemingly out of the blue – that Europe was in need of a Charter of Fundamental Rights. The idea was almost certainly put forward and sponsored by Germany, the Council’s host government. Although human rights legislation was an area reserved to member states, the proposal proceeded without national parliaments being consulted. The justification for this remarkable negation of democracy was that the Charter would deal with rights “usable at EU level”. In reality, the Cologne European Council’s unilateral decision can only be described as a judicial *coup de force* cloaked in the garb of democratic legitimacy – Monnet again – by inviting national parliamentarians to take part in the drafting committee.

Nobody having opposed this illegitimate decision by the Cologne Council, the working group started meeting from December 1999. By our second meeting, group members decided that our sense of self-esteem would be considerably boosted if we were to proclaim ourselves a “convention”. Because this “convention” was in fact no more than a working group or drafting committee of the Council, its unilateral decision to change its name was

clearly also illegal. The decision to rename it could only properly have come from the Council. I protested orally to that effect during the meeting and then in writing to the chairman of the proceedings, former German Chancellor Roman Herzog. Unsurprisingly, nothing came of my complaint. By keeping silent, national governments went along with the myth that the “convention” had some inherent legitimacy, despite the fact that none of the “delegates” had the slightest mandate from the electorate to work on this so-called Charter of Fundamental Rights. Manufacturing fake democratic legitimacy in this way is the key to a successful application of the new Monnet method.

An early version of the draft gradually emerged from the proceedings, albeit in a somewhat mysterious fashion. Oral debates took place on a number of – generally confused – points of order. “Delegates” submitted proposals or amendments which the “Presidium” (the presidents of the different components of the “convention”) would take away with them. These proposed changes would – in theory at least – subsequently be included in a “synthesis project”. In practice nobody really knows what happened to individual amendments and whether or not they ever were included in the draft. It is not clear what criteria the “Presidium” used to decide whether or not a particular proposal would be put to use or whether it would be discarded. This is not exactly what federalist propagandists are saying today. They are actually telling all those who will listen that the procedure used was open and transparent. In reality, this alleged transparency was limited to a) publicity surrounding the debates; b) the publication on the internet of updated versions of the document; c) hearings with various interest groups which claimed to represent civil society (we still do not know why a particular group rather than another was chosen to attend, nor what the extent of pressure groups’ influence on the outcome actually was). This is what I call organised confusion – not transparency – and the drafting of the Charter by the presidium can only accurately be described as a black hole.

Each component of the “convention” having deliberated separately, the Charter was declared unanimously adopted by all the components, as well as by the quasi-totality of the “delegates”. In actual fact – apart from those few who like me were totally opposed to the Charter – members of the “convention” were divided into two

opposing camps. There were those who would only approve the draft if it were to be binding and there were those who would only approve it if it were to be purely declaratory. Shamelessly, the Presidium proceeded to add up the two camps, announced that virtually everybody had approved the draft, and sent the proposed Charter back to the council. I opposed both

By keeping silent, national governments went along with the myth that the “convention” had some inherent legitimacy

turning the draft into a legally binding document and making it into a simple political declaration because I believe it to be appropriate for neither purpose. This is because it fails to mention national sovereignty and the right of citizens to express themselves democratically in a national framework.

No place for national parliaments

The next stage is for the Council, the European Parliament and the Commission to adopt the Charter at Nice. Astonishingly, there is no place in this process for national Parliaments. There may be a few debates here and there in the odd country but nowhere will the Charter be ratified according to legally acceptable procedures. Therefore the federalists now need to make the Charter binding without asking for a formal ratification by national parliaments. The way they will do it – another application of the Monnet method – can be found on page 7 of the European Commission’s communication dated 11 October 2000 and entitled *On the Nature of the Charter of Fundamental Rights of the European Union*. The ECJ will make the Charter compulsory by integrating it into its jurisprudence. Furthermore, the Nice IGC, even if it only uses the Charter as a political declaration, will almost certainly announce that the Charter helps define the values mentioned in article 6 of the Treaty of

European Union. This will provide the perfect excuse for the ECJ to step in.

It remains possible that the Charter will eventually be brought in one form or another before national parliaments. But by then the damage will have been done. MPs are unlikely to seek to undo a long-standing agreement, and especially not one that already has the full backing of their governments. Let us not forget that we are dealing here with attractively packaged human rights legislation phrased in deliberately anodyne language in a bid to increase its acceptability.

All this illustrates perfectly the inherent dishonesty of the Monnet method and how it avoids consulting the peoples of Europe or their representatives. The federalists are so impressed by their success so far that they are now planning to replicate the process on a larger scale. On 25 October 2000, the European Parliament suggested that the Nice IGC should imitate the Cologne European Council by setting up a new convention to draft a European constitution – which would incorporate the Charter.

Losing control

It is clear that national democracies are on the verge of losing control of the process of European integration. It is urgent, prior to the Nice IGC, to denounce the new Monnet method, and to reject as unacceptable the draft Charter of Fundamental Rights, even as a purely declaratory document. A political declaration that deliberately fails to treat the European Union as an association of nation-states is unacceptable. The peoples of Europe have a fundamental right to express themselves freely through the ballot box in a national framework and to see those decisions respected. We need to act without further delay.

Georges Berthu is a French Member of the European Parliament and is a member of the European Foundation’s International Advisory Board. He was one of 16 MEPs appointed as a “delegate” to the “convention” which drafted the Charter of Fundamental Rights of the European Union. This article was translated from the French by Allister Heath.

The Euro Letdown

by Armand Van Dormael

DANISH VOTERS made history on 28 September when they became the first European citizens to decide by popular referendum not to adopt the euro. The government had conducted a scare-mongering campaign and focused the debate on alleged economic benefits, while most people saw the monetary union as a political issue and a matter of national identity. A report commissioned from independent experts backfired, when the 'wise men' concluded that the economic benefits of the new currency were 'minimal and uncertain'. After the vote, a shocked prime minister acknowledged defeat, but stated he was proud of Danish democracy.

During the previous week, the European Central Bank had surprised the markets by launching an offensive that lifted the euro a few cents above its record low. The dealers were caught off-guard but not impressed. They were in fact happy to see the colour of the central bank's money. After the initial shock, their vastly superior fire power drove the currency down again.

Until judgement day the euro will face an uphill battle and remain permanently exposed to speculation. Intervention may prop it up temporarily, but will be unable to prevent subsequent concerted attacks by the markets. History keeps repeating itself. The ongoing power game provides a sobering reminder of past monetary crises.

Central bank interventions are an unusual occurrence, because they only have a transient effect. The sheer volume of money circulating throughout the world makes them inoperative. The 1985 Plaza Accord was effective because it aimed at squeezing out a speculative bubble; it drove the dollar down so successfully that it took the 1987 Louvre Accord to halt the decline. In both circumstances the market had overshot itself and quietly approved the correction.

These are agonising times for the promoters of the euro. The new currency was launched under dream conditions: after a period of stagnation, economic growth was back and inflation was clearly not in sight; the French franc and the lira had become strong currencies and fluctuations within the ERM were insignificant; commodities had fallen sharply through 1998, and oil prices had been halved during the previous two years. Europe's political

leaders were congratulating themselves for the way they had laid the foundations for the monetary union.

Almost immediately after its launch, the new currency started depreciating against the dollar and the yen, and has since shed more than a quarter of its value against both. The formerly strong currencies of its core members have been badly weakened. The reputation of the ECB as crystal-gazer and stalwart of the euro's stability has been dented, and the recent intervention carried out amidst controversy over who was in charge, will leave scars. Bundesbank president Ernst Welteke who, unlike his predecessor, stands by the monetary union, expressed fears that the euro's decline 'raises questions about the viability and the longer-run success.'

In many ways the euro's depreciation defies economic logic. America enjoys extraordinary growth rates while the Japanese economy is in the doldrums; yet the euro has depreciated more against yen than the dollar. This anomaly flies in the face of the multifarious explanations commonly given: high US interest rates (Japanese rates are minimal), a thriving US economy and stock market, better growth prospects, structural rigidities in the European economy, and so on.

The emergence of the euro on the financial stage has set fixed rates within the monetary union, but has not reduced global exchange rate volatility. By historical standards, the euro-zone economy is in robust condition and expected to grow well above three per cent this year. But the material and psychological effects of the euro's depreciation are beginning to be felt. The rising costs of dollar-denominated oil and other imported goods generate inflation, setting in motion the spiral of increased producer and consumer prices and wage demands. The central bank is losing its battle to keep inflation below its target of two percent. An increase in interest rates to counter these inflationary pressures involves the risk of endangering the proclaimed strong-growth policy across the euro-zone.

Monetary union is a political project rather than an economic issue. Helmut Kohl solemnly declared it was 'a matter of war and peace'. Considered a front-runner on the road to 'ever closer union', it has become

an article of faith that must not be called in question. The ultimate ambition is to move the sovereign European nation-states toward some form of United States of Europe.

Ever since the signing of the Maastricht Treaty started Europe on the road to a single currency, critics have warned that the plan was an invitation to disaster. Bundesbank President Tietmeyer was among the most outspoken opponents. Anyone familiar with the history of Bretton Woods, the Werner Plan, the Snake and the ERM could have predicted that the management of the monetary would be beset with hurdles and perils. The collapse of Exchange Rate Mechanism in 1993 was greeted as a triumph by the international banking community. The *Financial Times* published a statement signed by seven MIT professors, including Paul Samuelson, voicing their satisfaction.

Remembering how it was drummed out of the ERM, London decided to opt out of the monetary union. The ghost of Black Wednesday is still stalking Threadneedle Street. But the other governments turned a blind eye to the lessons of the past. They decided that the time had come to replace the dollar-centred global system by a bipolar currency regime dominated by Europe and the United States. The euro was to become the alternative to the US dollar in invoicing and foreign exchange interventions, a major investment currency, and an anchor for the exchange arrangements in world trade. The European Central Bank would steer the currency of the largest trading block on earth, and act as a global bank like the Federal Reserve. Europe would be an economic superpower, and its political leaders would once more stand tall at the forefront of world affairs.

Jacques Chirac sees in the European Union a means of countering America's 'attempt at domination in international affairs'. Wim Duisenberg told *Der Spiegel*: 'The euro will become in time as important as the dollar.' He expected that oil imports would soon be paid in euros. For Helmut Schmidt 'the euro would finally constitute a counterweight to the dollar and to the egoistic monetary policy of the United States.'

Sceptic questioning was deemed politically incorrect and anti-European.

Some argued that political union must precede monetary union; the Treaty of Maastricht settled the issue. The European Central Bank, independent of political control, has the mandate of conducting a single monetary policy intended to deliver price stability for eleven countries.

The monetary union has created a dichotomy of power centres without parallel in history: a supra-national monetary authority co-exists with eleven governments in principle sovereign in the domain of fiscal, economic and social policy. In the face of any kind of internal or external shocks, the individual members of Emu will no longer have the freedom to respond by devaluing or revaluing their currency, or changing interest rates. Nor, given the terms of the stability and growth pact, will they be able to use fiscal stimuli to support growth. It is a whole new world of unwonted pressures, prescriptions and priorities, in which the lines of demarcation about who makes the decisions are in constant flux, and sometimes hotly contested.

Setting monetary policy in such an environment will be a daunting task. The euro introduces a newfangled rigidity into the national economies, for which there is no textbook prescription. Short-term interest rates have been raised several times from 2.5 per cent to 4.75 per cent. This has so far suited certain countries, while it does not prevent price increases from developing in others. Ireland, with inflation exceeding six per cent has negative real interest rates, which is totally inappropriate. Time will tell whether one-size-fits-all fine tuning is feasible.

The euromarkets are as much interested in a growing economy as any government. They transformed the world's capital markets by getting around national controls. They widened considerably the access companies have to capital, while bringing down borrowing costs. As such they have been the major engine of global integration and economic growth.

With capital having gone worldwide, money has acquired a life of its own. The system is self-contained and self-controlled, operating without legislative rules, constraints, or sanctions. No supranational authority regulates or supervises its operations. The speculative segment of the market generates by far the largest turnover, handling over \$1 trillion a day; it is also the most obscure corner of the foreign exchange. Currency dealers are not concerned with fundamentals or political

issues, only with market psychology and profits. Having been expelled from their favourite playground, they may just be settling their accounts by picking a fight with the ECB, hoping Emu will collapse under the weight of its own contradictions. Between European governments and the financial community no line of communications exists.

Elsewhere, the national currency does not carry the same emblematic and emotional value.

From the creation of the European Coal and Steel Community to the common market, the single market, the European Union and now the monetary union, it took years of confused discussions and negotiations. In the final stages, toward the common currency, opposition leader Gerhard Schröder recommended postponement. Lionel Jospin warned that a strong euro would jeopardise French exports. Now it is the weak euro that creates problems. The complacency has been shaken, and the learning process has begun; but the autopilot is engaged, and a course change is unthinkable. The political leadership remains upbeat, entrenched behind the Maastricht Treaty. The mixture of political and economic problematics has, from the beginning, clouded the issues. The post-factum debate based on pragmatic analysis has not yet begun. The economic consequences of the monetary union were estimated on the basis of unsubstantial guesswork. The benefits and the risks may well cancel each other out.

Government 'of the people, by the people, for the people' implies majority rule. The Danish government bowed to the verdict. This is a fine example of direct democracy: the people are in power. A recent opinion poll indicated that 63 per cent of the Germans want to keep the D-Mark as symbol of their *Wirtschaftswunder*. The government is unlikely to run the risk of finding out whether a referendum would confirm this. One is left to wonder what would happen if the German people were

allowed to vote. The majority of Austrians have no love for the European Union, but their government intends to impose further integration top-down without democratic consultation.

Elsewhere, the national currency does not carry the same emblematic and emotional value. The Italians and the French expected that the lira and the franc, anchored to the D-mark, would result in a strong and stable currency. Ipsos opinion polls indicate that the euro's miserable track record has considerably deteriorated its image and that the original enthusiasm gradually makes way for disenchantment with the monetary union. But no government dares to put up the issue to a popular vote.

The worst of times may still be ahead for the euro. But it could also be the best of times. For years the people watched from the sidelines how the inner sanctum of the political establishments gradually led them into an unknown territory, promising it would guarantee steady and harmonised growth. Without the currency adjustments that used to take the strain of economic adjustment, sooner or later the euro will bring tension and pain. If people who trusted their governments so far, start to blame EMU for their troubles, passive acquiescence may turn into angry questioning and crystallise into a mainstream opinion contrary to the political majority. When people become massively disgruntled and cynical, they usually resort to street power. The unions have already begun to suspend the restraint they observed for some time.

Within the European Union, except in Britain, Sweden and Denmark, the democratic processes and institutions by which the major decisions are made leave no room for popular debate. The party system dominates the political landscape; the people are gagged and have no way of making their voices known. This raises some fundamental questions about the European model and about how we govern ourselves. Should we be proud of our undanish democracy?

Armand Van Dormael is the author of Bretton Woods: Birth of a Monetary System and The Power of Money.

Advertisement for
'Separate Ways: The Heart of Britain'
by Peter Shore, published by Duckworth

BOOK REVIEWS

The Spectre of Tax Harmonisation

by Kitty Ussher

Published by the Centre of European Reform, 2000, £10

Reviewed by David Heathcoat-Amory, MP

TAXATION is the compulsory acquisition of people's money by the state. History is littered with examples of how taxation can ignite and dispose of rulers, from the Peasants' Revolt to the Boston Tea Party.

Modern governments too have learnt to have a healthy respect for the politics of taxation. It was the Poll Tax which led to the downfall of Margaret Thatcher. The Fuel Tax blockade has already shaken this government to the core.

The European Union has never publicly faced up to the issue of where taxation powers will ultimately rest. In 1977 Roy Jenkins, as President of the European Commission, proposed that powers of taxation should be vested in the commission which would therefore enjoy its own directly levied tax revenue. The idea was too radical for member states but has never completely gone away.

The arrival of the euro raises the issue more starkly. What currency is not controlled by a state, and does not that state always have powers to tax?

The usual sophistry about 'pooling' sovereignty rather than giving it away cannot be used where taxation is concerned. If the EU acquires the right to set and control taxes, this is inescapably at the expense of national parliaments.

In Britain our constitutional development was largely about bringing taxation under parliamentary control. It took a civil war and many later struggles to wrest the power of taxation from arbitrary hands and give it to a parliamentary system accountable to an electorate.

It would be revolutionary indeed if parliament was now to reverse this process and give up its hard won powers over taxation to remote and non-accountable institutions in the EU.

Sensing resistance to any explicit transfer of powers, proponents of European integration have switched the debate to tax harmonisation. The EU is to have the job of

ironing out the distortions and 'unfair tax competition'. If this can be done under the guise of completing the single market, then majority voting might apply. Taxation could therefore become an EU competence without raising the usual objections.

Kitty Ussher's pamphlet for the Centre for European Reform makes the case skilfully for tax harmonisation and seeks to allay suspicions that it is an inescapable and inevitable part of the euro project.

She starts by asserting confidently that because tax matters require unanimity, 'if Britain doesn't want tax harmonisation, it won't happen'. But things are not that simple, are they? More and more quasi-taxes are classified as environmental or single market measures and therefore subject to majority voting.

For instance, the directive which imposes a levy on the resale of works of art, the so-called *droit de suite*, went through by majority vote because it was deemed to be a single market measure and not a tax. Britain objected and obtained a time limited deregulation but eventually it will bite and the London market will find itself at a competitive disadvantage to New York and other international centres which will not apply the levy.

Then there are the bargains and trade-offs which gradually erode national preferences. Treasury Minister Dawn Primarolo is chairman of the EU Code of Conduct Group, which investigates business taxes for signs of 'unfair' competition between member states. This is already having an effect. It is not generally known that in 1998 the government revised some tax breaks for small businesses in Northern Ireland which it had introduced in 1997. This was in response to EU concerns over unfair competition. It is not easy to assess the influence of the Code of Conduct Group on tax harmonisation because it does not publish an agenda and its deliberations are secret.

Kitty Ussher believes that tax harmonisation is nevertheless desirable in order to prevent trade distortion and tax evasion, for instance through smuggling. But surely the market itself delivers the right incentives to government to stop their taxes getting too far out of line. The British government is losing much revenue from smuggled alcohol, tobacco and now road fuel, a direct result of its high indirect tax policies. If the revenue loss and associated criminality become intolerable, then presumably the government will bow to market pressure and start to harmonise with our neighbours. No EU committee is required to deliver this simple message.

Indeed tax competition between countries is a healthy contrast to the high tax habits of modern government. The Treaty of Rome guarantees a competitive market economy. It should similarly guarantee that tax competition will be allowed. There are few enough restraints on the tax and spend habits of government: the behaviour of consumers in seeking out and exploiting low-tax jurisdictions should be respected.

Finally, Kitty Ussher seeks to prove that the advent of the euro does not require a harmonised tax regime. By implication, we could happily join the single currency without being exposed to any further pressure to harmonise our taxes (usually upwards) to EU levels. This is to ignore the dynamics of EU politics. It is only in this country that the euro is assessed as a financial undertaking. Everywhere else it is recognised as a political project. A currency needs a state and a state needs taxes. Tax harmonisation is a milestone on the road to a European state and should be assessed as such.

Rt Hon. David Heathcoat-Amory is Conservative MP for Wells and Shadow Secretary of State for Trade and Industry.

Intimate Relations

Can Britain play a leading role in European defence – and keep its special links to US intelligence?

by Charles Grant

CER Working Paper 2000

Reviewed by John R. Bolton

INTELLIGENCE CAPABILITIES, production and analysis are critical elements of any nation's foreign and national security policies. If intelligence is being used properly, it is not a separate and discrete element of decision-making, but an integral component, on a continuous basis, of sensible policy formulation. Recognition of the centrality of intelligence to effective decision making at all levels – from macro-political strategy questions to battlefield tactics – is one reason why, over the last half century, the United States has poured so many resources into its intelligence system. Over this last fifty years, as in so many other national security matters, the British view has been essentially the same. For this reason and countless more, US-UK intelligence co-operation and sharing have been essential to maintaining and deepening the special relationship.

Now, however, with the advent of a European Security and Defense Policy (ESDP) and Identity (ESDI), this unique bilateral relationship is coming under intense strain. Those who desire more extensive British participation in developing a separate EU foreign policy, and a military capacity able to function independently from NATO recognize, as they must, that neither shared policies nor shared capacities are truly realistic unless they involve shared intelligence as well. For continental Europeans, this raises two immediate problems. The first is that, on a global scale, their intelligence capabilities are inadequate even to the limited roles presently contemplated for ESDI. The second is that the one European country with a truly robust intelligence capability – the United Kingdom – shares on that score “intimate relations” (in Charles Grant's title) with the United States.

This is a terrible dilemma for the theological Europeanists. They know as well as anybody that their governments are decidedly unlikely to appropriate the funds necessary to develop a truly effective intelligence capability, just as they are equally unlikely to bring their military

expenditures up to the requisite levels. Accordingly, they see Britain's intelligence relationship with America as a potential “free” source of support, at least until the hypothetical day when European intelligence expenditures actually match European rhetoric. Tony Blair's government, ever eager to prove its European *bona*

certainly from the US perspective, but it has survived and prospered because of the larger interests at stake. By contrast, the risks to America from contrary EU national (or supranational) interests and policies, inadequate security and fear of penetration by truly adverse intelligence services, and the deliberate sale or transfer of sensitive information to others all argue against the possibility of continuing the special relationship if Britain becomes simply a cog in the ESDI. Continentals may want broader access to US intelligence, but the odds of any such development are remote at best.

To address the American problem, Charles Grant argues that Britain can have it both ways: it can continue to enjoy its special intelligence relationship with the United States, and it can participate fully in a European Common Foreign and Security Policy (CFSP). Grant contends that greater US-EU intelligence sharing will make it “easier ... for Britain to enjoy its special relationship with the US while at the same time playing a leading role in the construction of European foreign and defense policy.” As a corollary, Grant also belies that “the construction of a successful ESDP could, in itself, help to smooth Franco-American tensions.” Although Grant purports to acknowledge the importance of intelligence in formulating and implementing national policy, at bottom he accepts the Continental view that “intelligence is not often a crucial factor in its construction.” Of course, once one reaches that conclusion, it becomes surprisingly easy to conclude that putting Javier Solana and his aides in a separate, secure building will assuage most American concerns about its leaky European allies, and thus pave the way for the flow of goods across an intelligence superhighway from Washington to Brussels.

All of this is flatly wrong. Those who agree with Grant's observation that Britain “should be able to have its cake and eat it” are sadly misreading Washington's reaction to increased British subordination to a unified European foreign and defense

There is little or no enthusiasm for sharing intelligence extensively with the EU

fides even as prospects for British entry into European Monetary Union appear to be declining further, may well see it the same way. The United Kingdom will not be using the Euro any time soon, but, in this view (which implicitly underlies Grant's essay), its contribution to ESDP can be paid in raw intelligence and countless other intelligence products.

So what's the problem? As usual in EU affairs, at least in the EU view, the problem is the United States. There is little or no enthusiasm for sharing intelligence extensively with the EU, either in the “intelligence community” or in Congress. It is one thing for the United States to co-operate extensively with the United Kingdom, and selectively with other countries like Japan, Israel, Germany and even France on a bilateral basis. It is quite another to consent, in effect to allowing Britain to become a conduit for intelligence to the EU and its member governments. The special US-UK relationship in intelligence rests fundamentally not on “architecture” or written agreements, but on trust. Even this relationship has, of course, been sorely tested during several Cold War episodes,

policy. Intelligence matters are in fact among the most sensitive aspects of any nation's international policy, and they will be among the first things affected by a loss of trust or confidence even between two long-standing allies. This is an agonizing problem, not for Europe, but for the United States. It is unquestionably true that there is no sympathy here for jettisoning the special relationship in the intelligence area. The initial view in Washington, therefore, would undoubtedly be to look for some pragmatic way to avoid an open break with London. But if the costs to the United States of British payment of its EU dues in shared intelligence really began to mount, there is every prospect that the flow of information eastward would decrease dramatically. When it comes down to cases, sympathy and history will play no role in deciding that the United States will do what it needs to do to maintain security for sources and methods and other capabilities, as well as their products. Grant does not understand that the problem is not Solana's EU building, but the people inside the building.

Moreover, the basic premises of the "have it both ways" argument Grant is making are simply unreal, in large part because he and his EU sympathizers (particularly the Blair government) have misidentified the problem. As noted above, the Europeanist view is that the source of disagreement is the United States, its hegemonic monopoly of

intelligence capabilities, its biased and unbalanced sharing of the products, and especially its British Fifth Column inside the European Union. For Britain, however, the real problem is the EU's tacit (and increasingly not-so-tacit) desire to be a counterweight to the United States in world affairs, obviously not just in the intelligence field, but across the board. Indeed, that is precisely the central issue in US-EU relations, and not only in intelligence, and not only for the United Kingdom. In one policy area after another, both for countries already in the European Union and for those lining up to join, the Europeanists increasingly insist on a saliva test of European genuineness. Grant himself quotes one retired British intelligence officer as saying "The French will force us to choose."

We are simply past the point where anyone can continue to pretend that a truly functioning ESDI will be consistent with NATO as we know it. By its very logic and its express rationale, ESDI is for when the Americans do not participate, for whatever reasons, and that non-participation will inevitably be reflected in the intelligence as well as other dimensions. Accordingly, it is little more than propaganda to assert the contrary, as Grant does. The French and their friends have always understood that a separate European 'unity' was never necessary to support a United States

position, but it is certainly critical if one wants to *oppose* such a view. Characteristically, of course, they never say so when Americans are in earshot. For its part, American naïveté is not unlimited (surprising as that may be to some), as more in Washington see ESDI not as a partner, but as an alternative and possibly a rival for leadership around the world.

This leaves Britain with some hard, and decidedly unpleasant choices, as the EU insistence on "my way or the highway" grows louder. Yet, if even Denmark can reject the Euro, surely Britain is capable of withstanding the arguments about the "inevitability" of European political integration into full "statehood." Although intelligence has not to this point been at the forefront of that debate, its centrality to decision-making in both London and Washington make it an excellent test case for the future.

John R. Bolton is the Senior Vice President of the American Enterprise Institute. During the Bush Administration, he served as the Assistant Secretary of State for International Organization Affairs.

The Impact of the Euro on Transatlantic Relations by Steven Everts

Published by the Centre for European Reform, 2000, £10

Reviewed by Sir Oliver Wright

THERE MAY WELL BE A ROLE for a Centre for European Reform offering fresh ideas to the British debate on Europe, but this pamphlet on "the impact of the euro on the transatlantic relationship" is not a serious contribution to it; nor, from internal evidence, is Mr Everts the person to write it.

I must justify so harsh a critique. On page 2 of the pamphlet, Mr Everts sets out his stall by writing: "the euro threatens the dollar's role as the dominant global currency". Only days after I read this, the G7 collectively, led by the US Fed, had had to come to the rescue of the euro by intervening in the market to prevent this "threat" disappearing through the floor. On

page 3, Mr Everts quotes with approval a senior French official saying that the superpower status of the United States during the Cold War allowed it "to get away with monetary murder". Perhaps he is too young to remember that during the cold war the French, by remaining members of the North Atlantic Treaty while withdrawing from the military organisation of the alliance, were effectively freeloaders on the US for their security. He goes on for another fifty pages in this vein until he comes to the resounding conclusion that "Euroland will, most likely, have greatness thrust upon it." As the man from Missouri said, "Show me".

It would be an unkindness to Mr Everts to draw further attention to the political naïveté and ignorance of the United States which runs through his essay. He was apparently educated at the universities of Grenoble and Leiden, admirable institutions both, but the continental bias shows; and he is apparently finishing his PhD at Oxford. It was unwise of the Centre for European Reform to print such juvenilia. Bin it.

Sir Oliver Wright was British Ambassador to Washington 1982-86 and is a member of the European Foundation Advisory Board.

Servants of The People: The Inside Story of New Labour

by Andrew Rawnsley

Published by Hamish Hamilton, 2000, £17.99

Reviewed by Jeremy S. Bradshaw

NO BOOK has so successfully exposed the contradictions, tensions and ultimate vacuity of New Labour. Its success lies in the extensive private briefings given to its author by the key players in this unfolding drama. Quite why Labour's top brass would want to expose all the poisonous in-fighting and cynical machinations that underpins the Blairite 'Project' is a mystery. Although a centre-left sympathiser, Rawnsley does not hesitate to reveal in great detail the sleaze and personal animosities engulfing Tony Blair's government. That such a book could be published three years into a new government does little credit to New Labour: the sleaze accumulated is far worse in many ways than which struck the last government down – and that was after 18 years of power.

Wisely the author declines to divulge his sources; yet it is widely understood that the prime minister was one. The central theme that emerges from this book is encapsulated in a comment of Blair's: what unites Labour is its success and power; not shared beliefs and principles.

To achieve power Blair first gutted the Labour party of all its socialist baggage and consciously side-lined the left in the full knowledge that they have nowhere else to go. He then assiduously sought to win over the media. He had learnt this from Margaret Thatcher. To achieve it, he relied on Peter Mandelson, someone who took the black arts of spin-doctoring and media manipulation to a new level. Together they forged a message which was consistently designed to reassure the middle classes that they were safe with New Labour.

His reliance, perhaps over-reliance on Peter Mandelson was to prove costly. For Mandelson was a complex, brilliant but ultimately, undependable political ally. He showed that lust for power corrupts. As Rawnsley's chapter on the Fall of Mandelson over the Geoffrey Robinson loan shows, the Prince of Darkness, whilst able to bend the media to Tony's ends, was himself unable to deal with the press when it came to defending his own wrong-doings. His judgment deserted him: when all the world

demanded his resignation, including Blair, he pleaded with the Prime Minister to let him hang on. "Jesus Christ Peter", the prime minister screamed. How could *you*?

To his permanent discredit, Mandy had to be pushed by Blair. (Remember Mellor?, the prime minister said). Lunch at Chequers a few weeks later was little compensation to Mandy. His world had caved in. But the lunch showed the outside world that Mandy still mattered to Blair. After a few months in the political wilderness, but filled with rich consultancies, Mandelson returned to government as secretary of state for Northern Ireland. Blair, like Thatcher, could easily forgive friends.

Blair shared Mandelson's arrogance and lust for power. From day one, Blair centralised as much power as possible in Downing Street. Parallel departments were effectively established in Number 10. No prime minister had ever, says Peter Hennessey, the respected Whitehall-watcher, been so presidential. The most powerful words in Whitehall were "Tony wants..."

Blair's arrogance manifested itself time and time again. The new prime minister omitted to include the Queen in Bill Clinton's visit after the general election victory. (Ironically, the Queen had to resort to a Labour rouse and let her displeasure be known through leaks to the press). Prime Minister's Question Time was reduced to once a week; likewise the Cabinet (and even then Blair frequently failed to attend). The prime minister regularly missed his weekly audiences with the Queen. He over-rode the Dome-sceptics in his cabinet (who formed a clear majority) and pressed ahead with building the Dome. (It was Frank Dobson who led the sceptics charge, arguing that the Dome should be fired into outer space and new hospitals built instead. This soon became the Tory view.)

If Blair tried to appear uninterested in the trappings of office by, for example, declining to take his full prime ministerial salary, his colleagues begged to differ. They had not waited 18 years in opposition to decline the privileges of power. (It's all right

for Tony, said one, his wife earns a quarter of a million. Mine spends that!)

In truth, Blair shared his cronies lust for the trappings of power. The new premier insisted on having his own plane – dubbed by an indignant press, *Blair Force One*. He shamelessly accepted offers of free holiday homes from Geoffrey Robinson and the mayor of Tuscany. He revelled in hosting parties – more than any former prime minister – with the fleeting stars of *Cool Britannia* at Number Ten or Chequers. Not surprisingly, his colleagues followed his lead. Mo Mowlam refused to leave the Northern Ireland office without a promise of a grace and favour apartment in Admiralty Arch; Jack Cunningham squandered thousands of pounds on new sofas in his office; Brown insisted on always flying concorde; Lord Irvine spent £300,000 of tax-payers' money on Pugin wallpaper; and Prescott, the 'environmentalist', insisted on having two Jaguars. (Infamously, this former ship steward insisted in being driven 300 yards at the party conference; "it's for security reasons" he claimed; in truth it was to protect his wife's permed hair.)

Behind this grab and raid on the perks of power lurked a cancer gnawing away at the 'Project': the jealousies and fratricidal enmities of Blair's courtiers. The animosities were far worse than those experienced in the ancien regime of John Major. Brown hated Blair; Mandelson hated Brown; Blair envied Mowlam; Dewar so hated Derry Irvine, the Lord Chancellor, who stole his wife that he refused to speak to him for 25 years and so on. The whole cabinet was united only in its hatred of Robin Cook, the hapless foreign secretary. The early victims of this in-fighting were Charlie Whelan, Brown's press aide (a former communist and appointee of Blair and Mandelson) and Derek Draper, a Mandelson aide who claimed to know the 17 people in Blair's government that mattered.

The differences in personalities translated into serious policy differences – on Europe, the euro, the Anglo-American relationship, an ethical foreign policy, devolution, PR etc.

As Blair's magical touch deserted him, the media honeymoon ended, his hair fell out and his performances on the Commons floor floundered. Week after week Hague teased and mocked a prime minister who had promised to be "whiter than white" over the Ecclestone million pound donation; the arms to Indonesia; and the bogus promise of a Lib-Lab pact and a vote on PR. Hague taunted a prime minister whose control freakery was so shamefully exposed in the dirty deals surrounding the election of a Welsh first minister and the London mayoral candidate. He savaged Blair's half-baked policy of Lords reform and his packing of the Lords with 200 cronies.

By the time this book was ready for publication, the Labour government was haemorrhaging support from the media – with the Sun leading the pack – and, more

significantly, from the public. (The fuel crisis in September 2000 gave the Tories a 13% lead for the first time and look set to become as damaging to Labour as the poll tax had been.)

The electorate demanded that Labour end its high-minded rhetoric and deliver on its promises on pensions, the hospitals and the schools. Blair was looking more isolated than ever: he had marginalised Old Labour; lost the support of Brown's allies; and lost the PR skills of Mandelson (who was preoccupied with Northern Ireland) and Alastair Campbell (who had taken on a back room role while seeking a safe Labour seat).

The prime minister's savage attack on the "dark forces of Conservatism" in September 1999, made Blair look hysterical and unhinged. Some suspected Blair was taking

leave of his senses. When a year on the Women's Institute jeered and booed a speech the prime minister, himself, had written, it was clear that Middle England no longer trusted 'our Tony'. Cynicism and disillusionment was setting in. No one believed New Labour any more. Tony was just another politician.

Those that had believed Blair would be a three term prime minister began to worry that New Labour would be lucky to win even a second term of office.

Jeremy S. Bradshaw is President of the Conservative Britain Club and a former Chairman of the Bow Group

The Death of Europe

How demographic decline will destroy the European Union

by Anthony Scholefield

Futurus £3.95 ISBN 1-903672-00-7

Reviewed by Yahya El-Droubie

THE DAY that the overenthusiastic, chipped shouldered wielding members of the masses became armed with a personnel computer at home, has been the bane of my in-tray. There is only so many hours in a week, let alone in a day, one can wade through yet another A5 booklet. So what a pleasant surprise to come across something worth reading and well presented, *The Death of Europe* by Anthony Scholefield. This is the first publication by Futurus, "an independent group formed to provide studies which aim to be original and thought provoking".

Most politicians and commentators are well aware of the ageing population, the threat of a pensions time bomb, as well as the need for economic migration. The topic most recently dominated the headlines at the beginning of summer. Other issues surrounding demographic decline are hardly acknowledged, though.

This lack of acknowledgement fuels Britain's assumptions about her relationship with the EU. The economic and political balance between the member states is considered more or less unchanged since the 1960s. The impact of an implosion of

the EU's population, however, is about to be felt.

The EU has is still being sold to the public as being all about trade. The decline of the populations in the EU means that the importance of these countries as a market will inevitably shrink and those that supply them, like Britain, will have to reorientate their business elsewhere. Expanding the EU eastward is ultimately a short term but necessary fix.

To function an expanding EU needs to become more "democratic". This will be problematic for countless reasons, one being the EU agreed that it would eventually admit Turkey as a member. As Turkey's increasing population is second only to the declining population of Germany, Turkey could become the most powerful economic if not political state within the EU. This would fundamentally, if not unacceptably alter the whole nature of the EU.

Technological innovation is often seen as a panacea to demographic decline, but as Anthony Scholefield points out, a market in decline from a falling population has some peculiar characteristics, which set it apart

from other economic contractions. It exhibits a severe case of over investment. There are too many houses, shops and factories for the people left. The remaining population is increasingly inheriting property, cars and consumer durables, which it takes a long time to use up. So investment plummets alongside demand. The knock on effect being a reduction of technical innovation.

Authoritatively backed up with a plethora of tables and statistics this publication draws attention to the population crisis and its effect on Britain's entanglement with the EU. The slow relentless tick of demography, however, lacks the immediacy that the headlines demand. Demographic projection does not have a very good record. The comparable fall in fertility in the 1930s. was reversed. It seems unlikely, however, that reversal will happen again and we ignore the writing on the wall at our own peril.

Yahya El-Droubie works in publishing and has previously contributed to Bruges Group publications.

Associated, Not Absorbed

by Bill Cash, MP

European Foundation, 2000, £6.00

Reviewed by Nevil Johnson

THE NICE SUMMIT is now not far off. It was mark the end of the current French presidency of the European Union and no doubt the French Government hopes that its efforts to mobilise support for further European Union treaty revisions will by then have proved successful. Such revisions are urgently needed, so it is asserted in many European capitals, in order to push the EU yet further forward on its road to 'ever closer union' and to prepare it for the admission of new members within the next three or four years. Faced with what seems to be an ineluctable growth in EU powers and a concomitant diminution in the member states' scope for self-government, there are many who are worried about this process and where it is taking us. Yet at the same time they find it exceedingly difficult to decide what to do about it. Indeed, most of them may well suspect that nothing can be done and that we are all destined willy-nilly to cling on to the European bandwagon regardless of where it is going and of the accidents it may run into on the way. The policy stance of the Conservative party in Britain vividly illustrates the problem. Ideally they would like to halt the process of every more integration, even in some spheres to turn back the tide. But basically they do not know how to do that and so are at the moment committed to little more than going slow in a piecemeal way on future new commitments inside the EU. The only firm commitment is to refuse to join the euro zone during the lifetime of the next Parliament – an approach which Tony Blair looks like appropriating any moment now.

Bill Cash's pamphlet is a counterblast to such passivity. He argues forcefully that the Conservative party should have a coherent policy with which to oppose the Government's hesitant and yet compliant approach to the Nice Summit and to make clear the party's refusal to go any further down the road to 'ever closer union'. Most of the pamphlet deals with Bill Cash's specific proposals for equipping the Conservatives with what he holds to be a credible policy alternative to what they now offer. In essentials he is advocating a challenge to the EU as a whole to accept within its current framework what he calls a European

Associated Area. This would bear a close resemblance to a free trade area and to achieve it there would have to be extensive treaty revisions. Thus the proposal amounts to a demand for the renegotiation of the bases of the EU and for the acceptance within it of a European Association limited in functions to trade and environmental matters – perhaps what should be called an

The policy stance of the Conservative party in Britain vividly illustrates the problem

outer skin in contrast to the inner core. It is assumed that Britain would be the leading player in this venture, joined, so it is hoped, by Denmark and Sweden and eventually perhaps by some at least of the aspirant new member states.

There can be no doubt that one of the greatest difficulties for Britain arising out of EU membership is that so far it has been impossible to get the whole enterprise into a state of rest or equilibrium. Instead a dynamic is at work which always drives the EU on, even though nobody has a clear notion of what the destination might be. It inevitably follows from this state of perpetual motion that there is constant tension between what the EU and many of its members say they want to do, and what British governments are willing and able to go along with. In some degree similar tensions exist in other member states such as Denmark, but they are peculiarly acute in Britain as a result of enduring popular opposition to the steady erosion of the rights of self-government inherent in membership of the EU. Clearly Bill Cash believes that he has devised a policy which would halt the slide towards some kind of European state and give Britain some assurance that, at least for the members of

the European Association he envisages, integration would not go any further than they expressly agree to. But we have to ask whether the policy he proposes would be viable: what would be involved in trying to put it into effect?

There are at least two main objections to what is sketched out in this pamphlet. The first is simply that it would have no chance of securing enough support inside the EU to make it a starter. Though the proposal is not fleshed out in any detail (a weakness, I am afraid, of the pamphlet), it does look rather like a scheme for resurrecting the European Free Trade Area. Many EU member states would dismiss such an idea out of hand and even those who might in some degree hanker after such an alternative, are unlikely to believe that a return to what turned out to be a doomed experiment is feasible. The second problem – and perhaps far more serious in practical terms – is that it is very hard to see how so much that is now embodied in the acquis communautaire could easily be unravelled even for member states anxious to move into a less integrated relationship with the EU. Bill Cash seems to assume that somehow or other many existing commitments could be quickly shed. But we have only to think of all the existing legal ramifications of the Single Market to realise that, even if the states anxious to press on with further measures of integration were willing to countenance something like the arrangements suggested here, the process of contracting out for those wanting to do so would be enormously complicated and time consuming. In other words, the timetable for action recommended here with all the essential agreements reached at Nice or soon after looks quite unrealistic.

Bill Cash has made a brave attempt in this pamphlet to provide William Hague and his party with a more comprehensive policy approach to the EU and our future involvement in it than they currently have. But I am afraid that it hardly sounds like practical politics either here in Britain or out there in Brussels, not to mention many other European capitals. In practice the policy recommended here would almost certainly mean early withdrawal or even

something like self-expulsion. But I suspect that in reality the complexity of our present relationship with the EU and of our commitments in it is such that we are condemned to a continuing rearguard action, trying to hold back in a piecemeal way and as best we can the continuing tide of experiments in 'ever closer union', until eventually the 'European house' begins to crumble under the weight of its own over-ambitious and unrealistic projects. This is not a comforting prospect since it means

that everything is likely one day to end in tears and with losses all round. It is a reflection of the peculiar nature of the EU that it could perhaps only achieve a state of rest by actually becoming a genuine European state. Short of cataclysmic events outside the EU which drive the existing nation states into the surrender of their historically rooted identities, such a construction, regardless of whatever internal constitution it might have, is plainly not going to be achieved even over a long

period. Meanwhile, we have to be grateful that there are people like Bill Cash with the energy and boldness to keep on reminding us what an unsatisfactory political experiment the EU really is.

Nevil Johnson is an Emeritus Fellow at Nuffield College, Oxford.

A Reply from Bill Cash, MP, to Nevil Johnson

The real issue is one of political will and leadership based on firm principles and the real views of the electors as the Danish vote shows. There is good evidence that under the surface many of the member states including most of those listed for the proposed AEA, object to the continuing drive to political union.

It would be a council of despair not to bite the bullet and propose a constructive alternative to the single state.

When dealing with treaties implemented within a legal framework by national parliaments, there is no alternative but to propose amendments reversing this and appealing to the electorate for support in the ballot box at a Referendum.

In reply to Nevil Johnson's suggestion that this pamphlet resurrects the European Free Trade Area (EFTA), the fundamental difference is the *acquis communautaire*. As regards the timetable for action, I did not

believe that this could be achieved before Nice but included it to add a note of urgency. I become distinctly concerned when I hear commentators arguing for 'practical politics', or 'that we are condemned to a continuing rearguard action', particularly when what is at stake is the question, 'Who Governs Britain?' and the very essence of our democracy in the ballot box.

My pamphlet is, in line with my campaign for the last 15 years, "to warn and inform." Nevil Johnson says that "The European house will crumble." He is right to say (as I have argued before) that this will end in tears and with losses all round. Surely it is only responsible, even against the odds, to argue for renegotiation to avoid this happening, which will precipitate even worse problems for Europe, Britain and the rest of the world.

Ultimately the decisions belong to the MPs and unless and until they are prepared

to resist the whip as in the case of Maastricht, there is little likelihood of a solution, unless of course the Conservative Party ceases its obsession with party unity at the expense of the national interest.[†] It is not enough to observe the problem – we must do something about it or be swallowed up.

In *Political Quarterley*, 1993, 67% of Tory MPs in a private poll said they were opposed to Maastricht.

[†] *Britain and Europe, Challenging Questions for Tony Blair, Kenneth Clarke and Michael Heseltine* by Bill Cash MP European Foundation, 1999, £5

... news in brief

Germans demand ban on French beef

Following nine recorded cases of BSE outbreaks in French cattle last month, two German *Länder*, as well as the spokesman for the Green Party, have demanded that an export ban be imposed on French beef. The German Foreign Minister, Joschka Fischer, has invited his colleagues from the Agricultural Ministry and health officials for a "crisis meeting". However, consumer protection bodies in Germany have said that an export ban on French beef is senseless since the nine new cases have been discovered in France thanks to rapid tests which are not even carried out in Germany. "Since we do not have these tests here, we cannot rule out that there is BSE in Germany," said a representative. [*Handelsblatt*, 1st November 2000]

Dear America, ...

The president of the European Parliament, Nicole Fontaine, has written an open letter to the American people on the subject of the death penalty. The letter begins, "Within the European Parliament, which is the democratic voice of the 370 million Europeans who now make up the European Union, the vast majority of Members, irrespective of

nationality and political persuasion, cannot understand how it is that the United States is now the only major democratic state in the world not to have renounced the use of the death penalty." She seems unaware that other "major democracies" which retain the death penalty include India, Russia and Japan, as well as scores of other states which, we are constantly being told, are democracies, like Indonesia and Ukraine. Madame Fontaine also seems to have forgotten the fact that, while she nominally does "represent" 370 million Europeans, she is not elected to discuss the domestic policies of the USA. The best part of her letter comes, however, when she admits that the death penalty is supported by the majority of Americans and that it is considered constitutional by the Supreme Court. "I am aware that the majority of people in your country still favour maintaining the death penalty and that, in any democracy, the people are sovereign," she writes. However, she concludes that there are many occasions when leaders must go against the wishes of the people. Under such circumstances, one wonders, what is the point of even bothering to genuflect to the principle of 'democracy' if, in reality, Madame Fontaine's view is that democracy is not the highest value? [*Letter published at Biarritz summit*, 13th October 2000]

Once Upon Another Time

by Jessica Douglas-Home

Published by Michael Russell, ISBN 085955 2594, 2000

Reviewed by Ramona Gonczol-Davies

ONCE UPON ANOTHER TIME is the second book to be written by Jessica Douglas-Home, "a very dangerous woman" according to the files of the Securitate, due to the support she offered to Romanian dissidents in the last years of the Ceausescu regime (1987–89). The book evokes a series of journeys made by the author in the "collective memory of Central and Eastern Europe" during the Communist period. Jessica Douglas-Home first came into personal contact with this part of the world almost by accident in 1982, when her late husband, Charles Douglas-Home, then war correspondent for *The Times*, brought home a copy of the *Salisbury Review* journal. The magazine contained within it an anonymous editorial about the dire situation in the Communist states of Eastern Europe. The editorial also, however, spoke of the forms of resistance and survival in the various regimes, which differed according to the national identity of the people of each state.

Shortly after reading the article, Jessica Douglas-Home made the acquaintance of renowned philosopher and writer and editor of the journal, Roger Scruton, through whom she was introduced into the London circle of intellectuals (which also included Oxford professors Anthony Kenny and Stephen Lukes) engaged in offering active support to Czech intellectuals. The group had succeeded in creating a clandestine university where the ideas and defiance of the Czechs could find a free outlet.

Thus began the author's travels through Central and eastern Europe, which, as well as to Czechoslovakia, would take her to Poland, Hungary and Romania, where she made the acquaintance of those countries' most prominent dissidents and played an active part in the history of Communism during that period. The most concrete form of help she could offer the writers, philosophers, artists and thinkers was to bring them books, and to smuggle their banned articles out of the country for publication in the West. Together with the other intellectuals who made up the group, Jessica Douglas-Home set up foundations to sponsor the buying of books, as well as the visits to the East. The clandestine

activities undertaken by Jessica Douglas-Home and her friends placed them in many dangerous situations. The smuggling of books and anti-Communist propaganda behind the Iron Curtain clearly requires courage and daring. One of the tensest, but also most amusing, moments experienced by the author took place at Warsaw airport, when she was returning to England. After passport control, she was stopped by a customs officer, who led her into a room to be searched. She knew only too well that she had in her handbag a series of maps and pages where she had noted the names of those she had visited. Although the names were written in code, if the papers were discovered they would have dire consequences for the persons mentioned within: arrest, beatings, psychological torture, perhaps even prison. Therefore, she decided to intimidate the woman officer assigned to search her by screaming as loud as she could, in order to buy enough time to destroy the evidence. She managed to tear up and swallow some of the papers in question, thus averting any danger of those mentioned within being discovered.

The Romanian segment of Jessica Douglas-Home's travels only begins with Chapter 14 of the book. In 1987, Serbau Camacuzino, a descendant of the ancient Romanian family, the Camacuzinos, published an article in *The Times* about the mass destruction of historical buildings and monuments in Romania, and about Ceausescu's plans to 'systematise' the country. The article convinced Jessica Douglas-Home to enter into contact with Romania. Looking for useful contacts, she soon realised that very few Romanian émigrés were to be found in London. Among the few people able to help her were Doreen Berry, who had formerly worked in the Romanian section of BBC World Service, Christian Mittielu, the head of the Romanian section of BBC World Service, and Dennis Deletant, professor of Romanian Studies in the School of Slavonic and East European Studies.

The first contact Jessica Douglas-Home made inside Romania was Mariana Botez Celac, herself under permanent surveillance due to the fact that her husband,

Mihai Botez, had fled to America. A powerful emotional bond formed between the two women, serving as a source of strength for the Anglo-Romanian collaboration. Jessica Douglas-Home was also put in contact with Andrei Pippidi, then at the start of his career, with Gabriel Luceanu, Doina Cornea, who was by that time already known to the West, Eugen Simion, Dan Petrescu, Constantin Noica and Nica Steinhardt, who all gave their approval to the initiatives being undertaken to help Romania by the group of which she was a member. The group was made up of intellectuals, professors and researchers at British universities, and those with a knowledge of the history of the Balkans, who all helped to disseminate the ideas and writings of Romanian dissidents in the West, as well as bringing books and materials to the Romanians.

Very soon after her first visit to Romania, the author established an Anglo-Romanian foundation, called the Mihai Eminescu Trust, whose aim was to sponsor the buying of books in England and in particular the sponsoring of a film about the destruction caused by the Ceausescu regime.

Both Jessica Douglas-Home and other founders and patrons of the foundation went on to publish articles about the situation in Romania in a number of English newspapers, in the hope of creating international pressure that would discourage the implementation of systematisation in Romania, and encourage a relaxing of the strict censorship stifling Romanian intellectuals. Hugh Arbutnot, the British ambassador in Bucharest, played an important role in the activities of the foundation, offering accommodation to Jessica Douglas-Home in Bucharest, facilitating the smuggling of articles and coded papers about her visits to Romania out of the country and even inviting dissidents such as Mariana Celac to dinners at the ambassador's residence.

One of the less well known, but no less important, figures that Jessica Douglas-Home meets in Romania is Victor Gradinariu, whom she meets in a train and who offers her first-hand experience of the life of an ordinary Romanian citizen under

the Communist regime. He speaks with composure and courage about his attempts to defy the regime and about his hopes for some kind of salvation from the West.

The epilogue of the book is completely 'Romanian', recounting the author's visit to the Securitate archives in order to examine her own file. There she meets Virgil Magureanu, who justifies his position to her, presenting himself as an innocent victim of the KGB.

The book is written in the style of a realistic adventure novel, both sharp and vivacious, which somehow makes one wish for a continuation, in which Jessica Douglas-Home's enthusiasm is expressed in a more personal and less factual manner, as in the scene in which she meets Victor Gradinariu.

Jessica Douglas-Home's writing manages to evoke suggestively the gloomy mood of the '80s, where nonetheless a sense of

solidarity still existed. For a Romanian it is both useful and instructive to glimpse Romania through the eyes of a foreigner, a '*rara avis*' in those days.

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On Fundamental Rights

by David Radlett

IT IS WELL KNOWN that Orwell's '1984' derived its title from a simple inversion of the last two digits of the year in which it was written. It now seems likely that Newspeak, his most prescient creation in '1984' will obtain a date of its own, and that will be 2001 or 2002, when the European Union's draft Charter of Fundamental Rights receives approval. Newspeak gives meaning to slogans like "War is Peace" and "Freedom is Slavery" and "Ignorance is Strength." The draft Charter does its bit for Newspeak – *"making thoughtcrime literally impossible because there will be no words left to express it"* – by distorted language from start to finish. It begins with the following portentous proclamation in its preamble:

"Conscious of its spiritual and moral heritage, the Union is founded on the indivisible, universal values of human dignity, freedom, equality and solidarity; it is based on the principles of democracy and the rule of law. It places the individual at the heart of its activities..."

A whole essay could be devoted to the absence in Europe of a shared spiritual and moral heritage. An historian would balk at the suggestion that the Union has roots in freedom. Freedom implies choice, and the peoples of Europe have had precious little choice about the creation or content of the Union. The lawyer would be constrained to point out that laws – the antithesis of freedom – have increased in volume by 65% in the Union in the period 1992–96 alone.

The authors of the draft Charter must jest when they assert that the Union *"is based on the principles of democracy and the rule of law,"* unless of course they are simply writing in Newspeak. The principle of democracy is nowhere to be found amongst the institutions of the Union. The Council, the Union's lawgivers, consists of nominee ministers none of whom are directly accountable to their people for the laws that they create. Neither the Commission nor the Court of Justice (ECJ) would recognise democratic accountability if they fell over it. The Parliament lost its last tenuous claim to be democratic from the UK perspective when its electoral base was destroyed by the joke constituencies and proportional misrepresentation introduced in 1999. Thank goodness, as reported by Dr Alan Sked of the London School of Economics, that the

only people who listen to MEPs are their interpreters.

The principle of the rule of law requires at the very least the existence of equality before the law and a predominance of regular law over arbitrary power. Unfortunately for the Union, it fails on both counts. *Article 220 Treaty of Rome 1957* sets the basic task of the ECJ to:

"ensure that in the interpretation and application of this Treaty the law is observed."

However, the late Judge Mancini of the ECJ has told us that the Court will opt for the federal solution – not the just solution – to a problem whenever possible. He wrote of a preference for Europe determined by the task of ensuring that the law is observed in the application of a Treaty whose primary objective is an ever closer union among the peoples of Europe (*Mancini & Keeling – "Democracy and the ECJ" 57 MLR 175*).

Thus there is no equality for a person seeking to assert a claim which runs counter to a cherished Community principle. Legal professional privilege is an example in point. In *National Panasonic -v- Commission* [1980] 3 CMLR 169 the ECJ made it clear that the "right" to legal privilege gives way to the Community's competition policy. The draft Charter will not change this unusual approach to the concept of "rights." *Article 52* provides in part:

"... limitations may be made only if they are necessary and genuinely meet objectives of general interest recognised by the Union..."

Nor is the ECJ particularly known for asserting regular law over arbitrary power. On the contrary, it was recorded in this journal that the ECJ:

"... is renowned for making the rules up (and dispensing with them) as it goes along. The doctrine of supremacy of Community law, direct effect, exclusive jurisdiction ... and other declared principles have had no foundation in the text of the Treaty," On the Guardianship of Justice *European Journal* (1997) Vol 4 No. 6."

The heart is lacking to explore the remarkable claim in the preamble to the draft Charter that the Union *"places the individual at the heart of its activities."* The greater need, perhaps, is to examine the contents of the Charter in order to

determine whether the rights it proclaims really are what they seem.

The Charter declares in *Article 1* that:

"The dignity of the person must be respected and protected."

The Council's Secretariat explains that:

"The dignity of the human person is the real basis of fundamental rights. For that reason the 1948 Universal Declaration of Human Rights ("UDHR") enshrined this principle in its preamble..."

They claim that the effect of *Article 1* will be twofold. It will ensure that the rights laid down in the Charter cannot be used to harm another person's dignity. Further, including dignity makes it part of the other rights in the Charter, even if any of those rights is restricted.

There is a basic problem with this explanation. The Council's Secretariat seems to have overlooked the fact that, like their Charter, the UDHR enshrines the principle of preserving human dignity in its own *Article 1*, which reads in part:

"All human beings are born free and equal in dignity and rights."

So dignity appears in the text of both documents, not simply in their preambles. Further, and unlike the UDHR, the Union's Charter is intended to be legally enforceable. This is made clear in *Article 51 (1)*, which states:

"The provisions of this Charter are addressed to the institutions and bodies of the Union with due regard for the principle of subsidiarity and to the Member States only when they are implementing Union law. They shall therefore respect the rights, observe the principles and promote the application thereof in accordance with their respective powers."

The ECJ will take note of the Charter, which is addressed, to it as one of the Union's institutions. Night will, after all, follow day. There is no reason to suppose that the ECJ will accept the Secretariat's view that the right to respect for dignity is not a complete right in itself. As drafted it is, and that is why the authors of the European Convention on Human Rights did not reproduce *Article 1 UDHR* in their legally enforceable document.

So, proceeding no further than *Article 1*, it appears that the authors of the Union's draft Charter have no idea as to what they are doing. This is cause enough for concern,

but further digging produces deeper worries.

After a somewhat convoluted reproduction and extension of the contents of the ECHR and like documents, the draft Charter declares in *Article 27* that workers have a right to industrial democracy. *Article 37* speaks of environmental protection “in accordance with the principle of sustainable development.” *Article 38* states that “Union policies shall ensure a high level of consumer protection.”

The one thing that these and other provisions of the draft Charter have in common is that they are not, on any sane understanding of the issues at stake, fundamental rights at all. Dworkin famously described rights as:

“political trumps held by individuals. Individuals have rights when, for some reason, a collective goal is not a sufficient justification for denying them what they wish, as individuals, to have or to do, or not a sufficient justification for imposing some loss or injury upon them, (‘Taking Rights Seriously’, Duckworths, 1977 at p xi).”

These articles are not speaking of rights. Instead, they seek to enshrine mere political aims, about which there may well be intense and genuine disagreement. Now the

preamble to the draft Charter ends with the words:

“The Union therefore recognises the rights, freedoms and principles set out hereafter.”

Does this mean that the draft Charter is concerned with more than rights? No, because industrial democracy, environmental and consumer protection are not obvious freedoms. They are no more matters of legal principle than the precise percentage of income tax.

All this matters because respect for rights depends primarily not on judges or courts but on a broad acceptance of what is regarded as fundamental to human existence. The Court of Human Rights regularly determines whether a particular view of a right can be sustained with reference to what is traditionally recognised as fundamental in its’ Member States. An example is *Cossey -v- UK 13 EHRR 622* (the predominant view of who can contract a valid marriage in 1990 precluded recognition of same sex marriages).

Enshrining consumer protection and suchlike in a charter of “fundamental rights” simply devalues the concept of rights even to those of us who actually support such policies. The United States has only once fallen victim to the folly of mistaking

policies for rights in constitutional matters. *Amendment 18 (1919)* prohibited the sale of alcohol. Experience led to *Amendment 21 (1933)*, which left it to the states to decide.

But here, perhaps, is the real problem. The Union cannot leave such things to the States. Instead, the whole catalogue of Euro-follies and achievements has to be dressed up as “rights”, turned into a phoney totem of constitutionalism. Hidden in this process are *Articles 48–50*, which recognise that the Union will have a criminal law. What price now on the adoption of *Corpus Juris* at Nice? Hidden in the whole process is the idea that the Union has any law at all since, despite some muddying of the waters by the *Treaty of Amsterdam (1997)*, it is still the European Community that generates the vast bulk of European law. The draft Charter is either a masterpiece in Newspeak or an example of thoughtcrime. Either way, it should be spurned as one would spurn a rabid dog.

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... news in brief

The Balkan euro

Despite the grand gestures being made in the run-up to Nice – those of a “superpower”, as Tony Blair would say – the European currency continued to fare badly. In a week in which the United States has been plunged into political chaos following the inconclusive outcome of the presidential election, the dollar has not budged, leaving the euro around 85 cents despite three interventions by the European Central Bank, and despite attempts by EU finance ministers to talk up the currency. The French Finance Minister said that a strong euro was good for growth in Euroland, while the Spanish and German finance ministers said that slackening growth in the USA might help boost the European currency on foreign exchanges. Hans Eichel, the German Finance Minister, even said that European growth was higher than American. [*Handelsblatt*, 7th November 2000]

This weakness is hardly likely to improve in the future. Following the report in the last *Digest* that Greece is shortly to submerge the drachma into the euro, Montenegro has announced that the German D-Mark, i.e. the euro, is the only legal tender in the country. The Deutsche Mark has been a parallel currency with the Yugoslav dinar for over a year; now the dinar is to disappear completely. Montenegrins were given two days, to exchange their remaining dinars, for which they had to prove the provenance. The government in Podgorica has announced that it will adopt the euro when the European currency physically enters circulation in 2002. Montenegro and Kosovo, where the D-Mark has been the official currency since the UN started administering the province last year – two Mafia statelets – will therefore have the euro before Britain or Denmark does. [*Handelsblatt*, 12th November 2000]

Klaus tells EU to mind its own business

The speaker of the Czech Chamber of Deputies, Václav Klaus, has criticized the EU commissar for enlargement, Günter Verheugen for “interfering with the electoral campaign in the Czech Republic.” Verheugen had said in an interview on 8th November that the Czech republic’s low standing in the pecking order for EU membership was due to the errors of past governments, i.e. of Mr Klaus, in reforming the Czech economy. These remarks came days before elections to the Czech senate and at regional level. Mr Klaus therefore branded Mr Verheugen’s remarks as “crude”. [*RFE Newsline* 10th November 2000]

Rainier loses his rag

In this regard, it is perhaps relevant that Prince Rainier of Monaco has reacted vehemently against what he calls “totally false” accusations about his principality’s “financial delinquency” emanating from France. He has vowed to re-negotiate the treaties signed with France which limit Monaco’s sovereignty and “to recover full sovereignty”. Since 1918, France has had the role of defending Monaco and thus guaranteeing the principality’s sovereignty. In particular, he has said that he demands “the right to appoint the head of government of my choice.” Since 1930, indeed, the tiny principality has de facto been governed by French officials, while France also appoints the head of the government. “I am not going to declare war on France,” the Prince reassured, “but Paris must respect us and this has not been the case now for some months.” Monaco, being a tax haven, is one of the places often accused of being at the centre of money-laundering. On 10th October, Paris issued an ultimatum to Monaco to clean up its act, saying that if it did not do so then France would take matters into its own hands and push through the necessary reforms itself. [*Le Figaro*, 31st October 2000]

Towards a Lawless European State: the European Charter of Basic Rights and the destruction of law in Europe

by Professor Dr Karl-Albrecht Schachtschneider,

THE CHARTER OF FUNDAMENTAL Rights of the European Union, whose latest draft was published on the 28th September, is intended to become an essential part of a future constitutional law for the European Union – without that aim being openly stated. Through a constitutional law, the Union's existence as a state is to be further developed, by integrating the Community treaties and the Charter of Fundamental Rights together into a constitutional pact. Together, these will then be presented as the constitutional foundation of a European state.

However, the existential statehood of the European Union can be founded only by the peoples of the member states themselves. Each people by itself will have to give up their own statehood (sovereignty). This presupposes constitutional referenda in each member state. A constitutional law for Europe needs preparation by a European constitutional assembly, elected for this purpose by all citizens of the Union. Through such an election, Europeans would constitute themselves as a state people. Then the European people would have to vote on the constitutional law elaborated by that assembly.

The present representatives of the peoples of the member states in the governments and parliaments of EU countries have no the authority to develop the European Union into a state. The "united Europe" to which the German Basic Law refers (Article 23, paragraph 1, page 1) is clearly intended to mean that the Union is an alliance of states. This presupposes that statehood is enjoyed by the Union's constituent member states. The goal of a European state with its own constitution is therefore contrary to the German constitution, as well as to that of all EU member states. It would destroy the "continued existence of the Federal Republic of Germany" as a state, and thus the sovereignty of Germany, which, despite all the powers which are exercised at Community level (thanks to the transfers referred to in Article 23 paragraph 1, page 2 of the Basic Law), allows Germany, like any other member state, to leave the European Union. The Charter would do this by removing the

principle of integration, as it is currently understood, from the Basic Law, and by superseding the laws of accession to the Community treaties. These principles were all laid down in the so-called Maastricht Judgement of the German Constitutional Court, which resulted from the appeal

Experience teaches us that our national legislatures have no real influence over the course of European integration

lodged with that court against Maastricht in 1992. The organs of the European Union have absolutely no mandate or authority to create a European state. Their task instead is to realise the goals of the Communities within the framework of the limited powers which have been given to them.

THE CHARTER is being forced upon us. In less than one year, the so-called Convention – the body responsible for drawing it up – has produced a draft on the request of the heads of state and government. The leading role was played by the presidency of the Convention, the former German president and former president of the German constitutional court, Werner Herzog. The members of the Convention were: one representative from each head of state or government; two members of parliament from each member state; fifteen members of the European Parliament and a representative of European Commission and the European Court of Justice. No member of the Convention was elected by the people to draw up this Charter of Basic Rights. The Convention is not a European constituent assembly, nor does it have any authority to pronounce

on basic rights. The members of the Convention have no democratic legitimacy for their task: even the parliamentarians do not have this legitimacy because the national parliamentarians represent their people according to the laws of their national constitutions, while the European parliamentarians do so according to the laws of the treaties. Those deputed to the Convention by the heads of state and government have only a leadership-based legitimacy which is quite contrary to democracy.

Yet the European Council will "solemnly" proclaim this Charter in Nice in December. But this proclamation gives the Charter no validity in law, just a political obligation. If the charter did become binding in Union treaty law and was integrated into the primary law of the EU, the legislative organs of the member states would have a theoretical legal power, but in reality no political possibility, to change the Charter. Any change would contradict the solemn proclamation of the Charter and it would also require new votes in all member states. Indeed, it would require the Convention to have to start its work all over again. Experience teaches us that our national legislatures have no real influence over the course of European integration. They can only ratify treaties and thereby give them a democratic legitimacy which is no more than formal and which in fact has no democratic substance.

The policy of European integration is in the hands of governments. So even basic rights are imposed on Europeans by their heads of state and government. Accordingly, the Charter is in fact directed against citizenship. Above all, it does not really give freedom to people. A higher state-like authority is arrogating to itself the power to accords to its subjects certain rights and freedoms, while undertaking to respect principles: yet it can hardly be expected that these principles will respect the humanity of citizens, precisely because citizens have been simply bypassed in drawing them up.

The very procedures by which the Charter has been concocted and imposed means that it has no free, democratic legitimacy. The procedure for ratifying

treaties, which requires the subsequent agreement of legislatures, will not fill this gap because national parliaments are themselves controlled by party oligarchies. They are therefore not even democratically legitimate themselves, at least not in Germany. Members of parliaments simply follow the orders of their party leaders, without studying the matters on which they are voting. A legitimate process of European constitutional law-making would require that the political order in the member states of the EU was itself democratised, i.e. that the current party-states become true

republics, liberated by the rule of law. This Charter is an imposture, not a common recognition by free people of their rights.

The Charter therefore pursues the anti-constitutional aim of creating a European state through a process of constitutional law-making in which the peoples of Europe have not been consulted about whether they want to surrender their statehood (sovereignty) in favour of a European state. The Charter thus displays a fundamental contempt for liberty. It is little more than a tawdry manifesto which belittles the citizenship of citizens, to whom small rights

are accorded which render it easier to bear their subjection. The Charter will not strengthen rights; it will weaken law. The draft Charter endangers the status of the person and the citizen in Europe. The manner of its creation is anti-democratic, for it has been drawn up neither freely nor generally nor openly. The draft Charter must never become the basic constitution of a present or future Europe.

Dr Karl-Albrecht Schachtschneider is Professor of Public Law at the Friedrich-Alexander University, Nuremberg

... news in brief

The kiss of death

With the euro continuing to languish, Greece is gearing up to throw the full weight of its own reputation for monetary and financial rectitude into the balance by joining EMU. For the first time since the Second World War, the Greek budget is in surplus and this is intended to enable Greece to become part of Economic and Monetary Union on 1st January 2001. The total Greek national debt, at 103.2% of GDP, is in third place (in percentage terms) behind Belgium and Italy and it is

shortly expected to dip below 100%, meaning that Greece 'fulfils' the debt criterion (which stipulates that total debt must not exceed 60% of GDP) as much as those other two EMU members do. [*Handelsblatt*, 1st November 2000] It will be interesting to see how other Euroland states react to Athens' demand to be admitted: now that Denmark has signalled her vote of no confidence in the euro, the inclusion of the Greek drachma will risk making the dealers' present nickname for the ailing European currency, 'the lira in disguise', sound like flattery.

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CHUNNEL VISION

Dem Pesky
Injuns

by Lee Rotherham

EVERYBODY LIKES INDIGENOUS PEOPLES. Long gone in this politically correct, caring world is the era when one would pop out into the swamp and bag a couple of pygmies before tiffin. These days, it's cool to wander around in a grass skirt wearing paraphernalia torn from some exotic animal on the endangered species list.

This must be the case. How else can one explain to our Attenboroughesque fans the reappearance of that elusive beast in the Conservative MEP contingent, the Man Who Has Gone Native?

Dances With Wolves it is not.

Until recently deemed to be extinct, like the ancient Coelacanth it has resurfaced in the cold light of day in the 21st century (which is at least more than the Royal Navy submarine force can presently achieve).

Partly at fault, ethnologists have advised, may have been the recent circular sent to all offices from the Popular Front for the Independence of the Canary Islands, possibly twinned with Tooting. This chastened the Spanish and other foreigners as bloodthirsty imperialists, who exported all the locals to Venezuelan salsa bars under Franco.

Allow me to paint the Brussels context. It is once again the time of year when MEPs can prang the whole machinery of EU governance, in theory at least. If a majority of them can agree, they can play with the budget: not only tinkering with the wording of where the money flows, but even slashing (or, of course, booting up) the sums involved. And with 80 billion euro in the pot, a lot of pocket money is at stake.

The prize for this year's most entertaining pestering falls to the various factions in the Women's Fund. The European Women's Lobby has had seriously to fight its corner as it came under concerted attack from an international consortium of completely different women's lobbies who wanted to point out that women's lobby number one, while claiming to represent half of humanity, was in fact a self-serving bunch

of lefty gender obsessed freaks who wear sandals. At stake was a quarter of a million, which can buy an awful lot of sandals.

The Portuguese and Irish enjoyed themselves the most. UK national pride can be salvaged at the determination of our farmers not to be left out of the trough. The NFU was demanding continued expenditure to encourage people to eat and drink, as if they needed reminding. Pushing the boat out was its attempt to secure a budget for publicity to get consumers buying flowers for the house ... on health and safety grounds, as they reduced carbon monoxide levels. Nice try, better luck next year.

Let's face it, the whole budget is a farce. In one budget line alone, as everyone knows, several hundred million quid is spent annually on encouraging small farmers to grow grotty tobacco, which is of such poor quality it has to be dumped on the third world and Russia. Cynics view it as revenge for unleashing Chernobyl and Senegalese dance music on the west. It is enough to make the most ardent Europhile wheeze with Euroscepticism. (Is it mere coincidence that the Danes account for 5% of the world's pipe smokers? Strange but true.)

Other lines actively support federalist organisations. Yet others demand dutiful recognition of the EU as the "source" of any funding. The twelve star flag proliferates on huge billboards in building sites across the continent; the Union's present is magnified. Bilingual countries, such as Ireland, carry double the flags for free.

Some of our MEPs were going to cut out this fat and brainwashing, and a phalanx of amendments went down. Sadly, inevitably, they almost all bounced, at least on the first attempt at Committee stage. What do you expect when priorities are so twisted amongst the vast majority of MEPs?

Which brings us back to our Nabob. No names; the blush that such would bring would light up his constituency for miles. Here is what he told the Assembly:

"A word on the position of the British Conservatives. To the surprise of many in my delegation, we established a core strategy unanimously at the beginning of September and the 400 amendments introduced by some of my colleagues came as somewhat of a surprise to many of us in

the Budget Committee. While some had a legitimate purpose – to improve financial control of this House over the budget, many more had a destructive intent – not to save money, but to delete very worthy organisations such as the European Union Youth Orchestra. As it turns out, the moderate face of conservatism has for the most part prevailed over the more ideological and unacceptable one. There are some 30 amendments now retailed over and above those of our core strategy. I personally did not put my signature to them because one or two of them still go a little too far. Yet a healthy majority of the Conservative delegation wishes to play a constructive role in the European process – unlike one or two Members who can only think of deconstructing what is here."

The hubris of this statement only becomes apparent when one considers the strength of support that had actually existed amongst Conservatives in Westminster and Brussels for pursuing this line, and attempting to erase these wretched and utterly inexcusable failings from the budget – a policy, moreover, that marked Conservative MEPs out from the obsequiously uncritical LibDems and the pliable Labour contingent, both of whom happily appreciate such institutions as the European Union Youth Orchestra (which has even been spotted parading around the Proms in tailored EU flags).

Clearly, to our domesticated native, merely to possess an "ideology" is to act as John Wayne to the "constructive" Europe he himself seeks, as opposed to the "deconstructive" one which the vast majority of his colleagues press for – the Europe of free trade, democracy and the nation state.

Do not fret, gentle reader. Politicians come and politicians go, but ideologies outlive such Mohicans.

Dr Lee Rotherham is Secretary of Conservatives Against a Federal Europe.

THE EUROPEAN FOUNDATION

The *Great College Street Group* was formed in October 1992 in order to oppose the Maastricht Treaty. The group, consisting of academics, businessmen, lawyers and economists, provided comprehensive briefs in the campaign to win the arguments in Parliament and in the country. The European Foundation was created after the

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- to increase co-operation between independent sovereign states in the European Community and the promotion of the widening and enlargement of that Community to include all applicant European nations;
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