

THE EUROPEAN JOURNAL

THE JOURNAL OF THE EUROPEAN FOUNDATION



LORD HANSON
WAR AND THE EURO: BLAIR'S SHAMEFUL AGENDA



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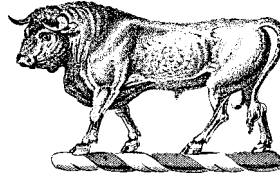
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Business As Usual

IT SEEMS that the European Union is following spin-doctor Jo Moore's crass advice on making the most of the barbaric terror attacks on America. On 11 September 2001, Moore, a now disgraced special adviser to the Transport Secretary, infamously emailed her colleagues a memo explaining why "it's now a very good day to get out anything we want to bury." At a time when all eyes are on the Taliban regime in Afghanistan, EU officials and their fellow travellers in member states have found it impossible to resist the temptation to try to push through as much of their agenda as possible.

A mere two days after the bombings, the Young European Federalists, a powerful Brussels-based lobbying group which claims over 30,000 members in more than 30 different European countries, gave the game away. *"Europe is still a ghost in world politics... We Europeans should wake up from our irresponsibility. Peace and security are not ensured forever. Nobody is invulnerable. A world order able to ensure democracy and freedom, justice and prosperity will not fall from heaven. And it will not come from the United States alone. It's time for us Europeans to take up our responsibilities... We need action. A European Federation is the only solution,"* they argued candidly. *"It is high time for the Europeans to unite into a true European Federation, encompassing progressively the entire European continent. A Federation able to promote – side by side with the United States and the international institutions – a more democratic world with a fairer distribution of resources, power and prosperity. A Federation able to take its share of responsibility in the fight against terrorism, fanaticism and threats to world*

security. This is the real issue at stake after Nice, today and towards 2004."

At least the Young European Federalists were being honest, which cannot generally be said of our homegrown Europhiles. The events of 11 September have already been used to deflect the British public's attention from several major developments on the EU front. The most important of these was of course the Third Reading of the Nice Treaty, which took place on 17 October in the House of Commons. Despite being of immense significance, the debates were barely mentioned in the media. Although the Conservative Party rightly voted against the Treaty, the government used its huge majority to ram the Bill through 392 votes to 158. At least the result was not as bad as the vote in the Bundestag the next day, where Deputies crushed the 'No' side 570 to 32, blatantly disregarding the German public's uneasiness about much of the European project and its downright objection to the euro.

Despite this latest setback, the struggle continues. Readers will hardly need reminding that the *European Journal* has campaigned against Nice since its inception, just as it has fought the Maastricht and Amsterdam Treaties. As Lisbeth Kirk explains elsewhere in this issue, the EU is already preparing the next Intergovernmental Conference, which will be held in 2004 to design a European constitution. It was decided on 8 October that the new Treaty would be drafted in a 'constitutional convention' similar to that used to prepare the Charter of Fundamental Rights. We may have lost a battle at Nice but the war is certainly not over.

SEVERAL OTHER MAJOR DEVELOPMENTS have been overshadowed by the war against terrorism. The most obvious is the British government's renewed push for the euro. In his speech to the Labour Party Conference on 2 October, the Prime Minister shamelessly compared the unity of the counter-terrorist alliance with the unification of Europe's currencies. In addition, Peter Hain, MP, a Minister of State at the Foreign Office, is to begin a tour of the UK to promote the abolition of the pound. Even more worrying is the proposed new European Arrest Warrant based on the mutual recognition of court judgments for *all* crimes, not merely terrorist offences. No final decision has yet been taken on this crucial issue, which was discussed at length in last month's column.

Meanwhile, a huge number of new directives are in the pipeline. On 25 October, temporary workers were granted the 'right' to paid holidays from their first day at work. They will no longer have to wait until they have been employed by the same

company for thirteen consecutive weeks. And in April 2002, the End of Life Vehicles Directive will come into force, making it compulsory for car manufacturers to recycle their cars. In a textbook example of 'gold-plating', the Department of Trade and Industry's consultation paper suggests that car manufacturers could be responsible for recycling *all* cars ever produced under their name by next year. This would be five years earlier than required by the Directive and could potentially jeopardise the future of Britain's newly independent car firm, MG Rover. In the same vein, the European Commission's planned EU Prospectus Directive will saddle every listed UK-based company with £150,000 in additional costs per annum, according to the Quoted Companies Alliance. The Commission wants to force every quoted company to produce an annual prospectus for use across Europe. The cost is estimated at £500 million for British companies alone. It is truly business as usual on the European front.

The Euro Will Lead to a Massive Redistribution of Wealth by Stealth

A young Czech economist has uncovered a fact overlooked by many in the debate about the single European currency. Petr Mach shows that Germany will lose € 41.5 billion and France will gain € 35 billion as a result of the pooling of central bank assets on 1 January 2002. The German exchequer will lose out on interest receipts whereas the French will gain.

ON 1 JANUARY 2002, the single European currency, the euro, will replace national currencies in 12 EU countries. National central banks will effectively hand over control of their assets – government bonds and foreign-exchange reserves – to the European Central Bank, and give people euros in exchange for their national monies.

The single European currency is, among other things, a tool of redistribution. It will

be an additional source of public revenue in all countries throughout centuries. Today, monetary creation is typically achieved in the following way. The government issues bonds to cover budget deficits. These bonds are sold to commercial banks and other private sector investors who are attracted by the interest rate and effectively become lenders to the government. The central bank subsequently purchases government

bonds from the private sector. By doing this it increases the money supply (its liabilities) and as a counterpart increases its assets (the monetary base). The newly issued money is a form of seigniorage and covers part of public expenditures. In this way, governments usually collect about 1% of GDP, equivalent to approximately 2% of government expenditure. Usually, when the bonds expire, governments issue new bonds to pay off the old bonds.

Financing public debt by printing money leads to the growth of the volume of interest-bearing securities held by the

central bank and of the money in circulation. If a country carries out its own independent monetary policy, paying the interest on the bonds held by its central bank represents no real burden for the state budget. This is because the central bank's income derived from the interest-bearing assets is also a source of revenue for the state budget. Not so in the System of European Central Banks. The central banks' revenue

The Redistribution of Wealth within the European System of Central Banks

Participating countries	National bank assets given up to ECB		Population		GDP		Calculated * "capital share"		Gains and losses
	€ bn	%	millions	%	€ bn	%	€ bn	%	€ bn
Austria	15.6	3.91	8.0	2.68	161.1	3.23	11.8	2.96	-3.8
Belgium	11.9	2.98	10.1	3.38	188.0	3.77	14.3	3.58	2.4
Finland	10.2	2.56	5.1	1.71	82.9	1.66	6.7	1.69	-3.5
France	47.6	11.94	57.9	19.40	1097.3	22.03	82.6	20.71	35.0
Germany	163.1	40.90	81.4	27.27	1680.6	33.73	121.6	30.50	-41.5
Greece	8.2	2.06	10.4	3.48	81.6	1.64	10.2	2.56	2.0
Ireland	3.8	0.95	3.6	1.21	42.8	0.86	4.1	1.03	0.3
Italy	54.4	13.64	57.2	19.16	869.6	17.45	73.0	18.31	18.6
Luxembourg	0.1	0.03	0.4	0.13	10.7	0.21	0.7	0.17	0.6
Netherlands	22.8	5.72	15.4	5.16	275.9	5.54	21.3	5.35	-1.5
Portugal	6.3	1.58	9.9	3.32	69.9	1.40	9.4	2.36	3.1
Spain	54.8	13.74	39.1	13.10	421.6	8.46	43.0	10.78	-11.8
Total	398.8	100.00%	298.5	100.00%	4982.0	100.00%	398.8	100.00%	0.0

* National share of ECB monetary income, which equals 50% of the population share plus 50% of the GDP share

Sources: National bank assets, Population and GDP; Hans-Werner Sinn, Holger Feist (1997), *Eurowinners and Eurolosers: The Distribution of Seigniorage Wealth in EMU*, CEPR Discussion Paper No 1747, London: Centre for Economic Policy Research.

bring gains to some nations and losses to others. The advantages of the euro are negligible in comparison with the amounts that some nations will lose as a result of the redistribution of assets.

NATIONAL CURRENCIES GENERATE REVENUE FOR STATES

ISSUING MONEY IS LUCRATIVE, since the value of newly printed money far exceeds the costs of producing it – after all, paper and ink are not very expensive. States have therefore monopolised the issue of banknotes. Printing money has become an

additional source of public revenue in all countries throughout centuries. Today, monetary creation is typically achieved in the following way. The government issues bonds to cover budget deficits. These bonds are sold to commercial banks and other private sector investors who are attracted by the interest rate and effectively become lenders to the government. The central bank subsequently purchases government

comes from receipt of interest on its assets; an income which previously went into the state budget and which is going to be redistributed by the European Central Bank. Payment of the interest, however, still has to be made by the state concerned.

comes from receipt of interest on its assets; an income which previously went into the state budget and which is going to be redistributed by the European Central Bank. Payment of the interest, however, still has to be made by the state concerned.

THE EURO: THE BIGGEST INTERNATIONAL TRANSFER IN HISTORY

WITH THE INTRODUCTION of the euro, the interest paid by national governments on their debt that their central bank held will be put into a European pot. This debt interest, plus income from all the other

assets that their national central banks held, will then be redistributed according to a formula which will prove beneficial to some states and disadvantageous for others. The shares of different countries in the total income of the European System of Central Banks is defined in the *Protocol on the Statute of the European System of Central Banks and the ECB* of the Maastricht Treaty: "The sum of the national central banks' monetary income shall be allocated to the national central banks in proportion to their ... shares in the capital of the ECB." (Article 32(5)) But the problem is that the share received by each country does not reflect the capital amount that country handed over to the ECB.

"Each national central bank shall be assigned a weighting in the key [for subscription to the ECB's capital] which shall be equal to the sum of 50% of the share of its respective member state in the population of the Community ... and 50% of the share of its respective member state in the gross domestic product ... of the Community." (Article 29(1)) This formula means that some countries will receive a much greater income from the ECB than if they continued to receive income in proportion to the total capital that they put in.

The euro will probably be the biggest property transfer in history. If the statistical data does not change dramatically, Germany alone will transfer assets amounting

to €163 billion to the ECB, getting back as its share €121 billion, which means it will give up property equalling the annual GDP of Ireland, or four times greater than that of Luxembourg. Germany's share in the ECB's monetary income will exceed that of France by a half, while the Bundesbank will give up 3.5 times more assets than the Banque de France.

Although the assets will *de jure* continue to belong to the national banks, all the income derived from them will be assigned to the ECB. This situation is, *de facto*, the same as if the national banks were to transfer their assets to the ECB. The annual net gain/loss for the national banks will be equal to the calculated capital gain or loss multiplied by the interest rate accrued on the assets. The German exchequer will lose out, as regular interest payments to the ECB will exceed Germany's share of the ECB's income. By contrast, the French government will gain.

There will be a transition period during which the Governing Council of the ECB may decide that "If [this reallocation] results in significant changes in national central banks' relative income positions, the amount of income to be allocated pursuant to Article 32 shall be reduced", but "for not more than five financial years after the start of the third stage." (Article 51) After this period, the "significant changes" will become permanent, and it will be virtually

impossible for a member state to leave the system once its assets have been transferred to the ECB.

POLITICAL RISKS

DESPITE THE MAGNITUDE of the figures, there has been no public debate in the European Union on this aspect of the single currency; and European voters are utterly unaware of the problem.

This lack of discussion and the remoteness of the decision-making process is pervasive in supra-national legislation. It is a general problem of the European Union. Unjust transfers of money cause conflicts even between family members, let alone non-related nations. What if one day the citizens of Germany ask: "Why should we send substantial subsidies from our taxes every year to another country?" What if an angry political leader should call the payments to the neighbours unjust and stop them? How will the other states enforce continuation of these payments?

The concept of the euro is not only economically dubious, but it is also politically dangerous.

Petr Mach is an economist at the Centre for Economics and Politics in the Czech Republic and a PhD student of monetary theory at the University of Economics in Prague.

... news in brief

Phone-tapping harmonised

The members of the "European Institute for the Standardisation of Telecommunications" (EIST) have voted in favour of a single standard for phone-tapping by the police. There will now be one technical interface which will enable the police and the secret services of EU states to tap phones on all networks and in real time. These measures involve not only ordinary land lines but also all generations of mobile 'phones. The technical means for tapping e-mails are also currently under consideration. In the EU, through this group, all providers of telecommunications are currently therefore putting the final touches to a vast harmonised and simplified system of tapping. The interface does three things. First, it puts the police or security agency in contact with the network to be tapped. Secondly, it intercepts all data relative to the communication being tapped: not only the phone numbers dialled but also text messages, voice messages, redirected calls and information about the whereabouts of the caller. The third and final function is of course to track the content of the communication itself.

According to *Le Monde*, this system of phone tapping is different from the American system, Echelon, because the latter has been developed outside of any legal framework. The European system, by contrast, can be used (in theory anyway) only according to national laws. There is in addition a resolution of the Council of Ministers on phone-tapping, dated 17th January 1995. In January 2000, the European Commission

ordered a study to be made of this question which concluded, with the usual ineffable Euro-logic, that because telecommunications crossed national frontiers, there needed to be a single European system to harmonise phone-tapping. Indeed, there exists a subgroup of the Council of Ministers, called Enfopol, a committee on which sit all the Ministers of the Interior of the 15 member states. It concluded in December 1998 that the judicial procedures for tapping phones ought to be "lightened" so that communications could be tapped both within the EU and beyond. The suspicion is now that members of Enfopol were involved in the elaboration of the EIST's technical interface: according to *Le Monde*, two officials from the British Home Office helped EIST develop it. *Le Monde* comments that Britain, together with Russia, is the country most often criticised in Europe for the way in which it taps phones. [*Le Monde*, 3rd October 2001]

Bosnian official denies terrorist links

Bosnia & Herzegovina has faced a barrage of criticism that Islamic terrorists operate on its territory: its government has strenuously this. The Deputy Foreign Minister, Ivica Misic, said a recent spate of arrests had discovered no links with Osama bin Laden or Al-Qaida. Nearly all the detainees were released or deported. The Bosnian President, Alija Izetbegovic, blamed Serbs and Croats for spreading the view that Bosnia harboured terrorism. These rumours reached their apogee when it was alleged – and denied – that Bin Laden himself had been given a Bosnian passport. [*Radio Free Europe Newswire*, 16th October 2001]

War and the Euro: Blair's Shameful Agenda

by Lord Hanson



YOU HAVE READ FREQUENTLY in these pages of the dangers of the euro. But now is the hour to be ever more on our guard against a sudden lethal shot from the Prime Minister when he is hiding behind "war talk".

Despite his well-received "terrorism" speech at the Labour Party conference, he could not resist taking advantage of that moment, with appalling timing, to try to foist the euro upon us. I can just picture Alastair Campbell, now no longer his PR man, but some sort of highly paid (by us) Civil Service panjandrum at the heart of Number 10, saying, *"This is your chance, Tony. For once you've got them on your side, push the euro now. They'll never notice."* Really? Stay with me ...

Do Blair and Campbell seriously fail to understand that the majority of the nation's voters, not only its business folk, refuse to abandon our pound and with it our financial and legal heritage? This in exchange for a central European federal system, run by non-elected officials in, of all places, Brussels?

Enjoying his moment in the international spotlight, while rightly supporting the American war against terrorism, the Prime Minister nevertheless seems hell-bent on dismantling as much of this country's heritage as quickly and quietly as possible. Usually there is no logical thought why

much of this change is necessary, or how our institutions are to be replaced, with not a jot of care for others' views.

With his new presidential airs, Blair, (Government motto number one: *"Spin over Substance"*), attends Parliament insufficiently, preferring rule by spin-doctorial announcements. He and his team appear unaware that the press – and therefore the public – is on to them.

The most blatant, totally unacceptable instance is that of the now infamous Jo Moore, the 'temporary civil servant' (also paid by us) and special adviser to the Transport and Local Government Secretary. Within minutes of the ghastly Twin Towers tragedy she disgracefully e-mailed a colleague on the subject of press announcements: *"It's now a very good day to get out anything we want to bury."* Do you believe the use of that word "bury"? Even Home Secretary David Blunkett called it *"extraordinarily stupid"* and it prompted the usually mild Archbishop of York to explode.

Moore managed to compound that error four days later with a foul-mouthed lie in reply to a question from a *Sunday Times* reporter about Railtrack. Incredibly, her boss Stephen Byers, MP, himself under fire for his heavy-handed and possibly illegal handling of his Railtrack responsibilities, refuses to dismiss her and, even more unbelievably, has been supported by

Number 10. What has happened to standards and responsibility to the public on the part of our elected representatives? This Government's motto number two: *"Never Resign Or Take Blame"*.

To return to Blair's plan to force the euro upon us, we are already swamped with the bungling, corrupt Euro-bureaucracy of Brussels and, let's face it, its endless stream of pointless regulations. The majority of British business people, employers and employees, in any small to medium-sized business, who create our nation's wealth, will tell you they are totally opposed to adopting the euro and its federalist baggage.

IN NO WAY am I 'anti-Europe'; in fact I am I 'pro-world', having worked far and wide and with some experience. I am totally confident about Britain's ability to stand on its own financial feet both at home and globally. To paraphrase George Bernard Shaw, why can't our Continental friends and allies be more like us? Although we enjoy visiting their delightful countries, we Brits really dislike the idea of Continental federalism and regulations.

So why hand over our finances, laws and sovereignty to Euro-bureaucratic Brussels and its misguided powers? And, worse, why become a powerless member of a United States of Europe under President Blair?

The UK prospers as a non-participant in the euro because our determination to set monetary and fiscal policy in our own interests has produced excellent economic conditions and prospects. To quote the Governor of the Bank of England, Sir Edward George: *"The City had thrived outside the euro and suggestions that we would be disadvantaged by staying out were irrational."* But be clear, a country which loses control of its finances loses control of its sovereignty.

OUR ORIGINAL BELIEF that the EU was to be a common market to ease our way into Continental business on a level playing field has changed completely as a result of the Eurozoners' political objectives. The overwhelming majority of Britons refuse to be forced into a Brusselised federal state as a condition – a condition, mark that – of adopting the euro currency. Make no mistake, that's a fact.

Let me quote Joschka Fischer, the German Foreign Minister, who tells it the way it is: *"The introduction of the euro was a political act. There must be a transition to a federation."* Fischer was followed by Gerhard Schröder, the German Chancellor, brought on stage at the Labour Party conference by Mr Blair to say *"Europe is a political area."*

Next on stage was Tony Blair, with the announcement of his new plan (or is it new – who knows what plans lurk in his opportunistic mind?) for a quick euro referendum *"in this Parliament"*. With massive hype from the Treasury – at taxpayers' expense no doubt – it could happen any time. So *"en garde, citoyens"*. Incidentally, two-thirds of German people polled would still like to return to the deutschmark and 60% of the French population still oppose the introduction of the euro. But if you bring on the referendum now, Tony, the country will give you and the eurofanatics a much-deserved black eye.

Euroland is anti-competitive, anti-enterprise and anti the Anglo-American classic attitude to law and government. It would mean government not by our own Parliament but by non-elected officials in Brussels. Most of all, however, Britain must not be part of a protectionist, old-fashioned superstate, dominated by countries that believe bureaucracy and regulation are more important than enterprise. We don't need a euro. We're going very well with our own pound. Let's keep it that way and let British enterprise continue to flourish.

There is much talk from the pro-euros about the convenience of having one currency when we travel. Internet technology, mobile phones and credit cards have completely changed that scenario and the advent of internet currency converters means one currency can be translated instantly into any other.

What Mr Blair fails to understand in his moment on the world stage is that we are a nation of conservatives, not radicals. He even has an obsession with the word 'conservative' and constantly uses it scornfully, so let's look up its true meaning. Is it bad, as Tony and his spinners seem to think? No, it's good. And it's traditional for us.

According to the dictionary, the word conserve means *"to maintain, to preserve, to save, to store, to keep intact or to possess in greater quantities. The wise use of a valued item, difficult to replace once used up."* 'Conserve' concentrates the mind on what we already have, to maintain a balance. It means careful use and replenishment. And yet what Tony and his cronies want to do is to dissipate and dismantle much of what we've treasured for centuries. No. We want especially to conserve our currency and the control that it represents.

SHOULD WE FEEL ASHAMED for creating the world's most honourable society which the entire world considers to be fine, intelligently creative and, yes, truly conservative? In his haste to reduce our sovereignty, Blair has already given away Scotland and Wales and, without a sensible replacement plan, has started to dismantle the ancient powers of the House of Lords, which has existed successfully for centuries to review and control his or any party's excesses.

Our traditions are not just the trappings of heritage, fine as these are. They are the basis of our civilisation and our freedoms. Must we now destroy centuries of effort to conserve all that we Britons have created and for which we have fought and died? Institutions created over centuries have benefited from the gradual efforts of previous generations. To believe we know better than they shows excessive pride.

We are an insular nation and we welcome change – but slowly. *"If it ain't broke, don't fix it."* Britain is still a most pleasant place in which to live, something recognised by the thousands clamouring to come here from places where law has broken down.

In these dangerous and troubling times, despite his fighting rhetoric, Blair is actually reducing our armed forces and the power to

defend ourselves. On law and order, reduction after reduction in police manpower, methods and money. Education is out of control. Don't even talk about our dilapidated and dangerous health service, a national disaster more akin to that of a third world country.

Blair's Government is anti-motorist and anti-lorry driver; those who make up more than half our nation. The hopeless two-Jags Prescott, lightweight anti-freedom fist-fighter of the Government, even though demoted to a non-job at the Cabinet Office, introduced plans to cancel new roads and by-passes. He wants to make us give up our cars or tax them out of sight. Walk, take the bus or, God forbid nowadays, the train. All this by stealth, not to conserve our rights but to destroy them. Tony, why not concentrate on righting those wrongs?

RECENTLY I had the pleasure of delivering a lecture at the Adam Smith Institute to a very bright group of youngsters aged between sixteen and late-twenties, on their prospects for success in Britain. Since these *"kids"*, as they described themselves, are Britain's future, there was no need to emphasise the importance to the nation and to industry in particular.

What they decide to do with their lives and how they pursue their personal goals will determine not only what life in Britain will be like, but also how the world will see Britain. The decisions they make now will determine our future.

Despite a variety of political affiliations, the audience of about 150 was virtually unanimous in its animosity to the euro, the abandonment of the pound and with it control of our finances and sovereignty. Britain's future depends on trade. Napoleon Bonaparte said we were a nation of shopkeepers. Well, that seems to have worked all right for us. (And whatever became of Napoleon?)

All of us in business, especially those who, like me, are retired, are vitally interested in tomorrow and the youth of today. Where the youth of this generation will take us and what it is going to do with its lives matters above all else to keep Britain great.

Do not let the misguided euro plans of Blair and his Eurozone friends destroy the present excellent prospects for these young people.

Lord Hanson is a co-founder of the original Hanson company.

Towards an EU Constitution in 2004

by Lisbeth Kirk

IT WAS JUST ANOTHER AFTERNOON in the Chamber of the European parliament's Constitutional Affairs Committee in Brussels. Shortly after the Nice summit, members of the Committee were gathered to debate its outcome. The least one can say is that their enthusiasm was not overwhelming. In fact, nobody was happy with the new Treaty. The federalist Committee members knew that they had not yet achieved a European federation. Euro-sceptic members realised that the Nice Treaty meant that nations had yet again lost more powers to Brussels. The bureaucrats, meanwhile, looked forward to an even more complicated decision-making process for the Union.

THE VETERAN GREEK MEP for Pasok, Dimitrios T. Tsatsos, rose in his committee chair. Mr Tsatsos, an elderly professor of law and President of the Association of Greek Constitutional Lawyers, is a member of the Party of European Socialists. He was present at the meetings drafting the Nice Treaty and represented the European parliament in the negotiations. But now he was furious: never again should important EU legislation be left to civil servants and officials, he raged. Such important matters, he argued, ought to be negotiated by democratically elected politicians, by people who know how to work out lasting policies and who are prepared to take responsibility afterwards in confrontations with citizens.

However, less than a year later, it is already time for Mr Tsatsos and the other members of the Committee in Brussels to draft the next EU treaty, which is due to replace the Nice Treaty. Following the problems encountered during the Nice negotiations, a totally different procedure will be used to prepare the next treaty.

Instead of civil servants, it will be up to politicians from the European parliament and MPs from national parliaments to draft the Treaty, together with representatives of the governments and the Commission, in a so-called 'Convention'. The same method was used in 2000 to draft the Charter of Fundamental Rights. That process lasted only a few months and was thus relatively speedy by EU standards. The summit in Nice in December 2000 adopted the Charter only as a 'political declaration', because some member states could not agree to

include it into the Treaty. But this does not bother the Court in Luxembourg as it refers regardless to the Charter of Fundamental Rights in its rulings.

The Bureau of the Charter Convention, which was headed by the former German President Roman Herzog, drafted the final Charter text in private. Demands from representatives of the Convention for a final vote, or at least the possibility to present amendments to the Charter, were simply ignored. We have to hope that the same procedure will not be used by the new Constitutional Convention.

THE MINISTERS OF FOREIGN AFFAIRS of EU member states agreed on 8 October 2001 in Luxembourg that the new Convention should be composed of 16 representatives from the European parliament, 30 representatives from national parliaments, one representative of the Commission, and one representative from each EU government. Each candidate country will be represented by three nationals – one from the government and two from the parliament – who will serve as permanent observers of the Convention without voting rights. The applicant countries claim that they should be members on equal footing with the present members, as the Convention will discuss options for reforms that are going to affect directly all candidates upon their accession to the EU. Also, the European parliament is not too happy with the composition of the Convention. It is demanding the same representation as that enjoyed by national parliaments.

One thing that was not decided by the ministers in Luxembourg on 8 October was who should serve as Chairman of the Convention. This decision will be taken by the heads of states and governments during the Laeken Summit to be held in December 2001. That job is much coveted because it appeals to those who want to be remembered in future history books as the 'founding father' of the first European Constitution. So far, four names have been regularly mentioned as possible candidates for the chairmanship: Jacques Delors (a French socialist and former President of the European Commission), Martti Ahtisaari (a former President of Finland), Wim Kok (the Dutch Prime Minister) and Giuliano Amato (a former Prime Minister of Italy).

The Convention will probably be a playground for federalists while the voice of more sceptical Europeans will likely only be represented by a few MEPs from the EU critical groups in the European parliament. But what sort of document is this body going to present by the end of 2003? It is not easy to say. We know, however, that the summit in Nice adopted a Special Declaration (number 23) on the future of the EU. The declaration, which is not part of the Nice Treaty, commits the European Union to call an Intergovernmental Conference in 2004 in order to change the treaty to address four questions:

1 How to establish and monitor a more precise delimitation of powers between the European Union and the member states, reflecting the principle of 'subsidiarity'.

2 The status of the Charter of Fundamental Rights of the European Union, proclaimed at Nice in accordance with the conclusions of the Cologne European Council.

3 A simplification of the Treaties with a view to making them clearer and better understood without changing their meaning.

4 The role of national parliaments in the new European political architecture.

The word 'Constitution' does not appear in Declaration number 23, but the document is suggestive of a basic treaty which would resemble the constitution of a federal state.

The trick prepared for the 2004 treaty is to break up the existing treaties into two parts. The first half would be a classical Constitution including the Charter of Fundamental Rights, clauses related to human rights, religion and other sensitive issues such as the 'right to life'. As a consequence the EU court in Luxembourg would become the highest court in these matters.

The second half of the 2004 treaty is due to include areas of concrete EU policies such as agriculture, transport, industry, the internal market, the environment and so on. While the constitutional half of the treaty would only be changed in the future by unanimity among the EU member states, clauses in the political half of the treaty would have a more flexible revision mechanism. We can foresee that tax,

defence, foreign policy, asylum and other important matters could be dealt with through Qualified Majority Voting in the future if the plans are accepted.

National parliaments have generally been the great losers during the construction of EU institutions which has taken place over the last half century. But now some national MPs are starting to seek a way to regain political influence. There have been a number of proposals ranging from Tony Blair's idea of a Second Chamber of national MPs to a Danish proposal to create a body of six national MPs from each country with the authority to postpone EU legislation until the next EU summit.

The SOS Democracy Intergroup in the European parliament has also produced proposals including the idea of holding meetings between 20 MPs from each member state twice a year, with the right to take initiatives on EU legislation and to decide the legal basis for new legislation – that is, whether a new EU law should be binding on member states or just serve as a recommendation.

AT PRESENT only the European Commission can propose new legislation in the European Union, which the elected MEPs can then only amend. The SOS Democracy Intergroup, which mainly

comprises anti-federalists who support parliamentary democracy and national sovereignty, advocates a return of powers from Brussels to national parliaments in all areas, and a clear definition of areas where the EU holds power. Finally, SOS Democracy demands that any new treaty be ratified only after a referendum in each EU member state.

Lisbeth Kirk is Editor of EUobserver, an Internet-based news service. The EUobserver provides detailed daily reports on the Convention as well as on other EU-related news and events at www.EUobserver.com

The EU Threatens American Entrepreneurs

by Dr Alejandro Chafuen

DEFENDERS OF FREE ENTERPRISE have recently enjoyed some short-lived relief from the trend towards government over-regulation. With a Bush administration focusing more on the creation rather than on the regulation of wealth, American bureaucrats may now be kept on a tighter leash. Regulators, however, have powerful friends in the Senate and in the international bureaucracies, especially in the European Union.

EU meddlers are on the prowl – and are increasingly looking to get involved on America's side of the Pond. Even if the United States reaches bi-partisan de-regulatory agreements, that no longer guarantees American entrepreneurs the protection it once did.

In recent months, European Union regulators have flexed their muscles in an effort to warn American companies that they, rather than free markets, will determine their access to European countries. That would be bad enough given that Europe's regulatory culture has traditionally been farther to the left than America's. Worse, however, the European Union, which was supposed to streamline multi-lateral problems, may in fact be increasing them.

In recent years, the EU's 'Competition' Commissioner, Italy's Mario Monti, has increasingly made his presence be felt. Monti, who recently travelled to the United States to meet officials at the Federal Trade Commission (FTC) and the Department of Justice, almost nixed the recent merger of McDonnell-Douglas and Boeing – two American companies whose marriage the

Pentagon and FTC both endorsed. The merger went through, but the chill was felt throughout the global market. That was a first warning call. His opposition to the GE-Honeywell merger now confirms Mario Monti's wealth destroying potential. He is an all-but-unaccountable bureaucrat in Brussels with no responsibility to the United States, its taxpayers or investors. The EU may be more of a roadblock than an on-ramp on the highway of free trade.

European leaders have also lobbied Latin American leaders to encourage them not to take the fast road to free trade. While they argue that their aim is to avoid the dominance of US companies, their real aim is to preserve trade agreements they, rather than the markets, create. Thus, an American continent united by free trade would be their greatest nightmare.

AMERICANS have reason to worry about the potential problems posed by a EU accountable only to its rulers. Monti has finally been granted authority unilaterally to break up companies his committee (read: he) finds too 'anti-competitive'. While the same authority exists in the United States, it is conducted by accountable judicial and politically appointed bodies. If, for instance, the Justice Department tried to break up Microsoft (which it did for a time), there would be a groundswell of resentment against such actions (which there was, too).

The EU has no such guarantees, and certainly not to Americans. For instance, there is no way of knowing where Monti would get his targets, but his recent comments about Microsoft echo very closely

the comments of rival software firm Sun's well-connected European lobbyists. The EU has been investigating Microsoft on anti-trust grounds and the commission recently announced additional proceedings.

Are backroom deals afoot? We have no way of knowing, even though, theoretically, Monti's new authority could hand him the power to break-up Microsoft and other companies, leaving millions of Americans' pension and retirement plans in doubt.

Nor is the US alone. Europeans are also the victims of this seemingly arbitrary power. Spain, for example, wonders why Monti's committee does not investigate the barriers placed by his Italian compatriots to the entry of Spanish textiles. Perhaps some economic cultures deserve more competition than others?

Europeans often complain that letting the companies with the best products win in the marketplace is the equivalent of 'economic Darwinism'. They forget that government bodies have typically been the most voracious predators of productive companies and innocent bystanders. Did you ever feel more threatened by the maker of your computer than by your country's tax collector or regulator?

While Americans must always be vigilant in keeping an eye on Washington, the time has come for Washington to start keeping a very keen eye on Brussels.

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A New Parliamentary Group for Europe?

by Georges Berthu, MEP

‘BLOC TORY’, a recent publication from the Centre for Policy Studies, outlines some largely unknown realities of the European parliament.[†] Its authors demonstrate with hard facts and figures that the British Conservatives’ membership of the European Peoples Party (EPP – a centre-left and federalist group in the European parliament) does indeed lock them into a fool’s bargain. In order to obtain the largely illusory advantages of belonging to a large group, they are losing almost all political visibility. They are becoming incomprehensible to their electorate.

I would like to explain, from a continental point of view, how the current situation damages the prospect of necessary reform of the European institutions.

BESIDES the traditional ‘left/right’ divide, in order to understand Brussels it is vital to recognise the split between *souverainistes* and integrationists. For integrationists, ‘European democracy’ is paramount. For *souverainistes*, who are in favour of a Europe of Nations, only national democracies have real legitimacy. Relegating this division to the background would inevitably lead to serious misunderstanding. This *souverainiste/integrationist* divide is the one that influences the decision making process in Europe. Not only is this true in the institutional field, but also in virtually all other areas. Integrationists, by nature, support unification and are automatically drawn towards restrictive and detailed European legislation. Meanwhile, those who place paramount value on national democracy lean towards the adoption of more flexible co-operation and are more respectful of the wishes of each individual country. This really does make for two different mindsets in regard to each and every decision that an MEP must address on a daily basis.

Under these conditions, the near neutralisation of the British Conservatives within the EPP, and as a consequence the dispersion into small groups of the other *souverainistes*, has weakened the defenders of national democracies and of a flexible Europe.

Paradoxically, this federalist domination of the European parliament chessboard comes at a time when they are in disarray. The federalists are facing new problems, which they are unable to solve with their usual supranational instruments.

First, most conscientious federalists, particularly those within the European institutions, realise that most people remain indifferent to the ‘Europe’ they are building, and do not believe the project to be legitimate. Even worse for the integrationists, it seems that with each new move towards supranationalism the gulf grows wider. This is deeply worrying for the more honest federalists because it completely contradicts their forecasts. It also makes very remote – perhaps even impossible – the chance of building a strong European democracy, which from their perspective is absolutely essential to legitimise their actions. This absence of popular support, almost a recoil from the project, throws immense doubt on the nature of the institutions which they have been constructing.

Second, the federalists have not yet found the institutional supranational formula that would make it possible to integrate the Eastern Block into the EU. But the deadline is getting closer: people are talking about the arrival of 10 countries as early as 2004. The Treaty of Nice does not solve the problem in a satisfactory way. In fact, many commentators would argue that it makes it more difficult by breaking with one of ‘Europe’s’ earliest principles: the equality of the largest nations.

IN BOTH CASES, the creation of a flexible Europe, founded on the mutual respect of national democracies, would be the solution. Sadly, at a time when the political wind is blowing in our direction, we lack the sail in Brussels to catch it. This is why it is essential to create a new parliamentary group, to defend the freedoms of national democracies, with the support and leadership of the British Conservatives. Though a new group would not be enough to change the face of Europe overnight, it would be one plank in a raft of new circumstances that, together, would improve the overall climate.

This new parliamentary group could develop in two ways. The first possibility would see the EPP evolving to include the whole of the centre-right, leaving behind the group’s current exclusively federalist vocation. Instead of tolerating the British Conservatives as an anomaly to be ignored or neutralised, the EPP would have to agree to be transformed into a confeder-

ation comprising two autonomous pillars, one *souverainiste* and the other integrationist. The first pillar would stand in its own right. It would be autonomous and would have the right to take decisions in important areas; notably in the admission of new members. On paper, this solution would appear tempting. It would clarify the debate and rationalise the current divisions. It would preserve the links between people who share the same broad liberal values (even though we may believe that federalists are misinterpreting these values).

Unfortunately, the federalist old guard of the EPP, as far as we are aware, is not ready to accept such a transformation.

GIVEN THESE CIRCUMSTANCES, a second, more realistic suggestion is that the *souverainistes* should set up a new parliamentary group which would include the British Conservatives. This new group could, of course, maintain friendly relations with the EPP, and even have an alliance with it in some areas. This cooperation could evolve later on into the confederation which I mentioned earlier. But to achieve this, the Conservatives would have to be initially free to negotiate, and not remain in the subordinate position that they now occupy. This would be a precondition of a new deal. The current federalist stalemate in Brussels has handed a golden opportunity to take the initiative to all of us who believe in national democracy.

[†] Gawain Towler with Emmanuel Bordez and Lee Rotherham (2001), *Bloc Tory: A New Party for Europe*, London: Centre for Policy Studies.

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RESEARCH ROUNDUP

by Allister Heath

THE 'RIGHT' NOT TO WORK

The war against terrorism has done nothing to stem the regulatory onslaught from Brussels and Strasbourg. From 25 October 2001, following yet another interventionist ruling from the European Court of Justice, employees are entitled to paid holidays from their first day at work. Previously they had to wait until they had been working for the same employer for 13 consecutive weeks. The ruling, which was made in June, was specifically intended to 'benefit' short-term workers who, unsurprisingly, were seldom given any paid time off. It applies to all employees, including part-time and contract workers. Workers will begin to accrue paid holiday at the rate of two days per month from their first day with an employer.

The ruling signifies in practice that companies, including small businesses, will have to grant the equivalent of twenty days annual leave, including public holidays, pro rata for the period of short-term contracts. Companies will be able to choose when holidays are to be taken but employees will have the right to be paid in lieu if employment ends before their entitlement has been fully taken up.

Although most of the media commentary surrounding the ruling focused exclusively on the perceived benefits of the new regulation for temporary workers, this latest measure will in fact seriously harm the prospects of those it seeks to help. Many industries will be severely affected, including broadcasting, employment agencies, catering and security contractors, supply teaching, tourism and seasonal farming. As ever, smaller firms will be hit harder. The effect of the new law will be to increase labour costs per employee quite significantly. Given the relative short term rigidity of wages in most industries, and especially in highly unionised ones such as teaching, the ruling will almost certainly lead to a reduction in employment compared to what would otherwise have been the case (only in the extremely unlikely case where the demand for labour is totally unresponsive to wage rates would this not

happen; in such a theoretical case, profits would suffer, reducing long term investment and hence employment). In the medium term, firms will attempt to reduce real per capita labour costs by cutting down on training and slashing all non-wage benefits.

Even the usually supine Confederation of British Industry condemned the ruling. John Cridland, the organisation's Deputy Director General, said: "*The rule will be an inconvenience for employers and employees. Employers who take on people for short contracts of three or four weeks will want staff available to work the whole duration of the contract. Planning for holidays will cause disruption and inconvenience.*"

THE RULING

The issue at stake was Regulation 13(7) of the Working Time Regulations (1998), the UK Act which was used to implement 93/104/EC. As was explained above, the British Regulation provided that workers did not acquire the right to four weeks annual paid leave until they had been in the same job for 13 weeks.

The Broadcasting, Entertainment, Cinematographic and Theatre Union (BECTU) brought a High Court claim seeking a declaration that Regulation 13(7) was incompatible with the European Working Time Directive. BECTU also asked for clarification on whether, once the 13 week period had elapsed, those 13 weeks were to be taken into account when calculating how much paid leave the worker was entitled to.

BECTU v UK was referred to the European Court of Justice, which upheld the opinion of the Advocate General, ruling that the 13-week qualification period was unlawful. The Advocate General said that the right to paid holiday was "*an automatic and unconditional right granted to every worker*". There was no provision within the Working Time Directive to make it subject to any qualification period. In its ruling, the Court added that paid leave was "*a particularly important principle of [European Social] law from which there can be no derogations*".

This recent case is a topical example of a piece of EU legislation adopted under what could be called 'false pretences'; in other words adopted under a legal base which is subject to dispute. The question is solely about whether or not nation states have granted the EU a specific power i.e. if they have listed that power in the Treaties as part of the EU's competences. Such legal actions

are not about whether a particular article or provision *should* have been included.

In other words, such disputes are – at least in theory – not about normative issues but are about matters of fact: whether or not the UK has surrendered a particular power and hence whether or not directives based on that power are legal. Unfortunately, judgements in the ECJ show a pronounced tendency to increase its sphere of influence. Politicised judges seek to enhance the powers of the EU and further to extend the scope of the *acquis communautaire* at the expense of national law. Judicial activism means that the Treaties support an ever-growing body of law.

On a day-to-day basis, the Commission proposes legislation based on what it claims is a relevant Treaty Article. This determines which legislative procedures apply. The Commission's Legal Service decides on the Treaty base which will be used for the new measure. This is usually considered straightforward and uncontroversial, but is sometimes queried by the European parliament or by a member state during consideration in the Council of Ministers. Unfortunately, it is impossible for outsiders to track developments in the Commission stage and difficult during the later stages. A government may indicate its objection to a proposed Treaty base in its Explanatory Memoranda to the European Scrutiny Committee, but it would be impossible to track all new measures without spending huge amounts of time sifting through details.

Once legislation is adopted, those countries to which it applies must implement it. The legal base may be challenged, however, via legal action under Article 173 at the ECJ. As we shall see below, this is what the Conservative Government did in 1996, unfortunately unsuccessfully, in the case of the Working Time Directive, the legal basis for the current dispute. In 2001, the ECJ was asked to rule yet again on the matter of temporary workers and came to the decision we have just dissected.

THE WORKING TIME DIRECTIVE

On 12 November 1996, the ECJ rejected John Major's Government's challenge to 93/104/EC, the Working Time Directive.¹ The directive was adopted on 23 November 1993 and was due to be implemented throughout the European Union by 23 November 1996. The Working Time Directive was adopted using Qualified Majority Voting under Article 118(a) TEC (in other

words under health and safety provisions). The UK argued that working time was not a health and safety issue, and that a different article requiring unanimity should have been used (basically because of John Major's opt-out from the Social Chapter). But, typically, the ECJ interpreted the scope of the Article extremely broadly to cover all matters relating to the physical, mental and social well-being of workers in their working environment.²

Article 118(a) of the Treaty of Rome, as amended by the 1986 Single European Act, is reproduced below:

1. Member states shall pay particular attention to encouraging improvements, especially in the working environment, as regards the health and safety of workers, and shall set as their objective the harmonisation of conditions in this area, while maintaining the improvements made.
2. In order to help achieve the objective laid down in the first paragraph, the Council, acting by a qualified majority on a proposal from the Commission, in cooperation with the European parliament and after consulting the Economic and Social Committee, shall adopt, by means of directives, minimum requirements for gradual implementation, having regard to the conditions and technical rules obtaining in each of the member states.
3. Such directives shall avoid imposing administrative, financial and legal constraints in a way which would hold back the creation and development of small and medium-sized undertakings.
4. The provisions adopted pursuant to this Article shall not prevent any member state from maintaining or introducing more stringent measures for the protection of working conditions compatible with this Treaty.

JUDICIAL ACTIVISM

What the Tory government attempted to do was quite straightforward: they sought the annulment of the Directive on four grounds. They argued that the Directive breached the Principle of Proportionality; that it was a misuse of powers; and that it violated essential procedural requirements.³ But their most important objection was that Article 118(a) was not an adequate legal base for the adoption of a directive on the organisation of working time. The government's legal team argued that directives adopted under Article 118(a) must

have "a genuine objective link between health and safety, on the one hand, and the situation to be regulated, on the other". However, neither the (arguably politically motivated) Advocate General nor the European Court of Justice were swayed by this argument.⁴ They agreed with the Council's much broader interpretation of the scope of the Article. With the benefit of hindsight, the ECJ's ruling was predictable:

"There is nothing in the wording of Article 118(a) to indicate that the concepts of 'working environment', 'safety' and 'health' as used in that provision should, in the absence of other indications, be interpreted restrictively, and not as embracing all factors, physical or otherwise, capable of affecting the health and safety of the worker in his working environment, including in particular certain aspects of the organisation of working time. On the contrary, the words 'especially in the working environment' militate in favour of a broad interpretation of the powers which Article 118(a) confers upon the Council for the protection of the health and safety of workers. Moreover, such an interpretation of the words 'safety' and 'health' derives support in particular from the preamble to the Constitution of the World Health Organisation to which all the member states belong. Health is there defined as a state of complete physical, mental and social well-being that does not consist only in the absence of illness or infirmity".⁵

The UK had also argued that there was no scientific evidence of a link between the organisation of working time and health and safety. But in a particularly shocking section of the ruling, the ECJ decreed that they did not wish to see their policies of social engineering threatened by rational arguments.

"Legislative action by the Community, particularly in the field of social policy, cannot be limited exclusively to circumstances where the justification for such action is scientifically demonstrated."⁶

The ECJ did support the UK on one point, however. It annulled the second sentence of Article 5 of the Directive which stated that the minimum weekly rest period (amounting to 35 hours) should "in principle include Sunday". The Court stated that:

"The Council has failed to explain why Sunday, as a weekly rest day, is more closely connected with the health and safety of workers than any other day of the week."⁷

The ECJ's interpretation of Article 118(a)'s expression "encouraging improve-

ments, especially in the working environment, as regards the health and safety of workers", was a breathtakingly obvious example of judicial activism. Such behaviour should have put paid once and for all to any hope of obtaining justice from an EU-controlled court. A whole range of measures, particularly those concerned with job security, could of course be said to contribute to a worker's "physical, mental and social well-being".

HISTORY REPEATS ITSELF

At the time, it was rightly feared by Euro-sceptics that many proposals relating to working conditions, for example, on parental leave or equal rights for part-time workers, possibly even on pay or dismissal, could be dealt with under Article 118(a) and so be subject only to Qualified Majority Voting. The recent decision to make employees eligible for paid holidays from their first day at work, once again based on an interpretation of the same Working Time Directive, shows that European judges will mercilessly impose their favourite 'social' model on Britain at each possible opportunity. Ironically, this latest regulation was a bridge too far even for a Labour government – even though that party in opposition actually supported the incorporation of the Directive into British law in 1996.

¹ This section follows closely the House of Commons Library Research Paper 96/106, *The Working Time Directive*, which was released on 19 November 1996.

² *ibid*

³ *ibid*

⁴ See *ibid*; and also the Legal Opinion of Advocate General Leger delivered on 12 March 1996, case C-84/94, *United Kingdom v. Council of the European Union (Council Directive 93/104/EC of 23 November 1993 concerning certain aspects of the organisation of working time – Action for annulment)*, paragraph 37.

⁵ See *ibid*, paragraph 15

⁶ See *ibid*, paragraph 39

⁷ See *ibid*, paragraph 37

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How Long will the Euro Last?

by John Mills

AS THE TIME approaches when euro notes and coins are issued to the public, and as Tony Blair gives further indications that a referendum on the euro may be in the offing, it is easy to assume that the Single Currency will be there for ever, as its proponents have always suggested. Of course it is true that the Maastricht Treaty makes no provision for any state to re-establish its own currency. Every EU member state which has joined is bound by the Treaty's clauses, which make it clear that the abolition of national currencies is permanent and irrevocable. History, however, has a way of making a mockery of supposedly permanent and irrevocable arrangements. It is not nearly as clear as enthusiasts might lead us to believe that the future of the Single Currency is anything like as secure as is often assumed.

A useful starting point is to survey briefly past attempts to establish currency unions which extend beyond unitary states (a category into which the European Union does not yet fit, however much some powerful groups would like it to). The record is one of almost unrelieved failure. Perhaps the most celebrated example is the Latin Union, established by treaty between France, Belgium, Italy and Switzerland in 1865. France, which took the lead, hoped that Britain would also join, with Germany in train. Both *The Times* and *The Economist* welcomed the prospect of monetary union on the continent. *The Times*, somewhat extravagantly in the light of subsequent events, described the proposal as "*the most important step in the progress of civilisation*". Interestingly, however, despite their enthusiasm, both publications advocated that Britain should not join. This turned out to be good advice, for the same reasons which have bedevilled all currency unions – their innate instability.

In the case of the Latin Union, the immediate reason for its collapse came in the form of the Italian government's handling of a budget crisis. The inability of the authorities to collect sufficient taxes to meet the state's outgoings led to the introduction of a paper currency in which there was less confidence than in the silver coins it replaced. The result was that everyone tried to buy silver coins with the paper currency, driving the metallic currency out of the market. Eventually, in 1883, the Italians

withdrew from the currency union. By this time the other participants, including Greece, had also had enough of the monetary crises which the Union had generated. Amid much recrimination, the Union collapsed.

Many subsequent attempts to establish currency unions have met the same fate. These have included three major initiatives within what is now the Commonwealth: in East Africa, Central Africa and the Caribbean. Egypt and Syria tried a common currency at about the same time, as did the Philippines, Malaysia and Indonesia, all of them with equal lack of success. Meanwhile, other areas previously covered by single currencies, but where the states to which these currencies corresponded had broken up, all established their own new forms of money. The most numerous examples were in the successor states to the Soviet Union. An interesting case closer to home was the Czech Republic and Slovakia, where the original intention had been to keep the same currency operating in both successor states. Within weeks of their separation this arrangement had broken down. Current attempts by Argentina to lock its currency to the US dollar look just as unlikely to withstand the test of time. Finally, we should not lose sight of the eventual collapse of the two earlier attempts made to lock currencies together in the EU, first with the Snake from 1969 to 1975, and subsequently with the Exchange Rate Mechanism (ERM) from 1979 to 1993.

THERE IS A LESSON to be drawn from all these experiences. Over time, the differential pressures which build up within sovereign states in a single currency area whose policies are not held in lockstep – e.g. by a central government with substantial powers to tax and spend – have a very strong tendency to destabilise currency unions. It is hardly surprising that this should be the case. The political pressure to do whatever is necessary to keep the economy on track in any country is very strong. Once maintaining currency parities becomes too costly in terms of balance of payments problems, deflation, unemployment, and slow or even negative growth, the temptation to abandon the single currency becomes overwhelming. Sometimes this process takes quite a few years. The British

and Irish pounds were locked together for decades before they parted company. The exchange rate between the Austrian schilling and the German Deutschmark had also been very stable for a long time before they both joined the euro. Cases like these, however, tend to involve economies with common languages, similar cultures and a high degree of interdependence. Even then – as in the British and Irish case – the union was not permanent.

THERE ARE a number of problems which could eventually overwhelm the euro. Few can doubt the determination of those who have established the Single Currency to make sure of its long term success, so the political commitment to its permanence – at least among the political elite currently in power in the EU – is not in doubt. On the economic front, however, it is much less clear that all is going to be plain sailing. Inflation, although relatively low nowadays by historical standards, remains non-negligible. There are significant differences in the rates at which prices are rising in Eurozone countries. This may well betoken the sorts of variances in economic performance, as the cost base for export industries in some euro countries becomes higher or lower than in others, that in the end sank both the Snake in the 1970s and the Exchange Rate Mechanism in the 1990s. World events, such as major changes in energy prices, may well have sharply different effects on Eurozone members, further aggravating variations in economic performance. Over a period of a few years, these pressures are usually relatively easy to contain. They have a painful tendency, however, to get cumulatively worse as time goes on – exactly as happened with the ERM. If the outcome is that some countries suffer cumulatively worse from economic decline, this may wash over into political extremism which could add another heavily destabilising influence.

Faced with the accumulation of problems of this sort, what could the EU do to contain them? There is a simple answer, and one which would not be unwelcome to many leading politicians on the continent. They believe that the EU should become a unitary state. It would then be much more likely to be able to assume the sorts of powers required to raise taxes and to disburse

public spending on the scale required to hold the Single Currency together. This was calculated by the MacDougall Report, published in 1977, as being at least 7.5% to 10% of GDP, on the assumption that the EU budget concentrated much more heavily than before on both reducing geographical disparities in productivity and living standards, and the cushioning of temporary fluctuations. This estimate may well, however, turn out to be too low. The average EU state has about 45% of its GDP in government hands. The proportion for the EU is currently only 1.27% – a far lower figure. Meanwhile, of the EU's existing budget almost 50% still goes on the Common Agricultural Policy, which does not redistribute resources between member states in any way designed to counterbalance overall disadvantage. There is therefore a huge amount of ground to be made up.

What then would need to be done to augment the EU's resources to a point where it could realistically expect to hold the Single Currency together when the going got rough? The answer is that there would have to be a massive transfer of taxation and spending powers from the national governments to Brussels. Candidates for expenditure would be programmes such as social security and defence, and possibly education. And this is where the shoe could really begin to pinch. Not only in Britain but in many other member states, there would be massive opposition to the transfer of responsibility for these core programmes to the EU machine, which simply does not, in most peoples' eyes, have either the political credibility or the democratic legitimacy to be trusted with this sort of responsibility.

Perhaps there will be a period of ten or twenty years during which massive

problems of this nature do not materialise, giving the Single Currency time to bed down to long term credibility. Perhaps also during this period the EU will reform itself to a point where sufficient democratic confidence in its institutions is developed for huge fiscal transfers to Brussels to take place with widespread agreement. Both history and experience, however, suggest that neither of these requirements is likely to be fulfilled. As long as this is the case, it may well not be wise to bank on the Single Currency still being with us, at least in its present form, in a decade or two's time, whatever the Maastricht Treaty may say.

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Public Expenditure: the European Dimension

by John Tate

PUBLIC EXPENDITURE in the United Kingdom and the rest of the European Union is subject to treaty obligations that directly influence how many nurses, doctors, teachers, and policemen we have. The link between public expenditure and the debate on Europe is little understood; its two most neglected aspects are:

1 The constraint that the 'Maastricht criteria' (the economic rules laid down in the Maastricht Treaty) place upon public expenditure in general and upon health expenditure in particular.

2 The fact that the UK has not opted out of EMU (of which the Maastricht criteria are part) but has instead opted in to all but the final, Single Currency stage.

This lack of understanding is comparable to misreading the 'E' in EMU: standing as it does for *Economic*, and not European Monetary Union. This is more than a semantic distinction, for it explains why the full economic role of the EU is neglected in favour of a focus upon the European Single Currency.

THE CRITERIA

THE MAASTRICHT CRITERIA are a set of rules underpinning the economic policies of EU member states and include the stipulations that:

- Inflation must be within 1.5% of the best 3 performing countries.
- Annual deficits (defined more inclusively than the traditional UK definition) must not exceed 3% of GDP.
- Outstanding debt must not exceed 60% of GDP.
- Exchange rates must be within tight margins without severe tensions/devaluations for 3 years.
- Long-term interest rates must be within 2% of rates in the 3 countries with the lowest inflation.

Adherence to these criteria is correlated closely with public expenditure in general and, as shown in the accompanying chart, with health expenditure in particular. The relationship between overall public expenditure and adherence to the criteria is similarly close, with a 10% change in one factor associated with a 6% change in the other in the same direction.¹

THE UK POSITION

THERE IS a widespread misconception that the UK has 'opted out' of EMU and so is not subject to the Maastricht criteria. The UK has in fact only opted out of Stage III of EMU (the Single Currency stage) and not, as is more commonly supposed, out the project as a whole. The UK remains party to

Stage II of EMU, which covers the economic rules accompanying the Single Currency, as well as to Stage I, which provides for the existence of EMU itself. The UK remains party² to the element of EMU stipulating that:

"Each member state shall: adopt ... multiannual programmes intended to ensure the lasting convergence necessary for the achievement of Economic and Monetary Union, in particular with regard to price stability and sound public finances."

What constitutes 'sound' is a matter for EU financial institutions, among whom the overriding concern is currency stability and not the state of public services. A further economic rule accompanying EMU concerns general deficit control under the Stability and Growth Pact (SGP) of the Amsterdam Treaty. The chief function of the SGP is to fine member states who incur general budget deficits greater than 3% of gross domestic product. The UK has an opt-out from the SGP but, again, it is an incomplete one. The relevant section of the SGP in this regard is its first footnote, stating that *"the obligation under Article 109(e) [now Article 116] of the Treaty establishing the European Community to endeavour to avoid excessive deficits shall continue to apply to the United Kingdom."* Thus, whilst the UK is formally exempt

from the SGP, it remains party to the Pact's core element: the requirement under Article 116 "to avoid excessive general government deficits".

Abstruse in law, one practical effect of these and other economic rules is plain: public expenditure within the European Union is being squeezed. Were this effect evident only in deficit avoidance it would be less important. European rules in fact bite upon the full range of public expenditure decisions. The UK, though not in Stage III of EMU, still tracks most of these rules. The meeting of European Finance Ministers, ECOFIN, highlighted the implications of the EU's economic rules for the UK at its meeting on 12 February 2001, declaring:

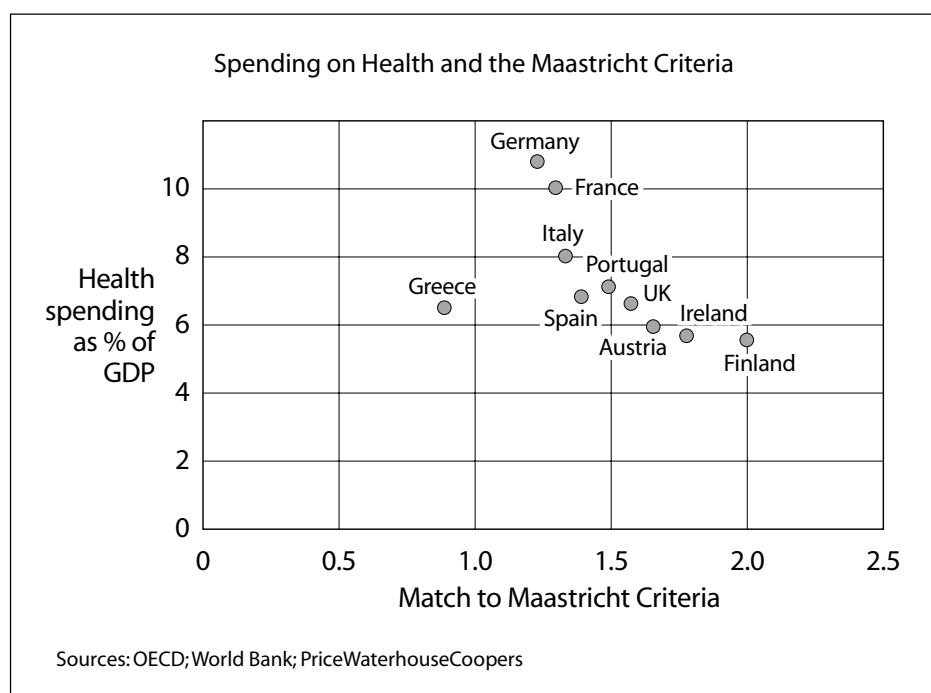
"The Council notes that a persistent deficit of 1% of GDP emerges in the latter years of the [UK's] plan; larger than the deficits of

around .5% of GDP in the two final years of the previous update. This would not be in line with the prescription of 'close to balance or surplus' contained in the Stability and Growth Pact. Therefore, the Council encourages the government to be alive to any deterioration in the public finances that would take them away from the Stability and Growth Pact and, if necessary, to take remedial action."

The essence of the plan that ECOFIN objected to was billions of pounds in extra expenditure on public services, in particular on the National Health Service. What ECOFIN now offers as guidance would, if the UK adopted the Single Currency, be delivered as an official reprimand – a reprimand that unheeded would trigger fines up to a maximum of 0.5% of GDP.

IMPLICATIONS

EUROPEAN ECONOMIC GOVERNANCE represents a profound shift: from governments administering their economies and public services subject to electorates, to EU institutions applying economic policy subject to supranational rules and procedures. This new economic governance is workmanlike: concerned with the practical application of known principles. The old order was uncertain: subject to fickle electorates and the changing views of politicians. The pressure that the new order places upon public expenditure will be particularly unwelcome in the UK, where Government faces domestic pressure to improve and not to find further efficiencies in public services. Other governments for whom difficulties will be most acute include all those with relatively low adherence to the criteria and relatively high public expenditure, such as Germany, Greece, and France.



¹ Computed as follows: adherence to the Maastricht criteria in Austria, Belgium, Denmark, Finland, France, Germany, Portugal, and the United Kingdom (as estimated by PricewaterhouseCoopers) regressed against public expenditure as a percentage of gross domestic product (OECD, 1999) yields a coefficient of 0.6 (using Pearson product moment correlation).

² Under Chapter Four, Article 116 (formerly Article 109(e)) of the Consolidated Version of the Treaty establishing the European Community.

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... news in brief

Huge anti-war protests in Europe

If London was surprised to host a 20,000-strong march against war, this was nothing in comparison with the hundreds of thousands who marched from Perugia to Assisi in support of peace. Between 200,000 – 300,000 formed a 24 km-long procession between the two Italian cities to protest against the American attacks on Afghanistan. The route is that taken by St Francis of Assisi himself and has hosted a peace march annually since 1961. But there has never – not even during the Kosovo war – been so many people. This massive protest was in spite of the fact that Italy's main left-wing party, the Olive Tree alliance, voted with the government in support of the American strikes. It coincided with the visit of the Italian Prime Minister, Silvio Berlusconi, to Washington, where he went to see his 'friend' George Bush. The march was distinguished by its eclecticism: it was not a collection of

straightforward anti-Americans or old-fashioned lefties. Indeed, cries of "Shame!" and even "Murderer!" went up when Massimo d'Alema, the leader of the left and former neo-communist Prime Minister, addressed the crowd. [*Corriere della sera*, 14th October 2001; Danielle Rouard, *Le Monde*, 15th October 2001]

In traditionally pacifist Germany, the turnout was much lower. Some 15,000 people marched in Berlin to protest against the American intervention. Like the Italian protest ten times its size, it passed off peacefully. There were also protest marches in Stuttgart, Bonn, Jena and Munich, bringing the total to perhaps 25,000. [Georges Marion, *Le Monde*, 16th October 2001] Newspaper reports have been at pains to stress that this is a low figure and that the turnout disappointed the organisers. The fact remains that, a week into the bombing of Afghanistan, peace protests started on a scale vastly greater than that ever seen in protest against the NATO attacks on Yugoslavia.

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The Nature of Anti-Americanism

by Dr Nigel Ashford

ALMOST THE WHOLE WORLD reacted with shock and horror at the events of 11 September 2001 when inhuman terrorists killed thousands of people in the World Trade Centre, the Pentagon and three planes. There followed a flood of expressions of sympathy for the loss, to the victims, their families and the country. Unfortunately, too many of these expressions were accompanied by an 'however', which attributed responsibility for the attack on America's own actions. How often did we hear the phrase, "*America is now reaping what it has sown*"?

This anti-Americanism revealed itself in a variety of different ways. On *BBC Question Time*, the audience was dominated by hostile sentiments. The claim that "*the Americans had it coming*" was greeted with applause. The former US Ambassador, Phil Lader, and members of the audience were shouted down. "*They only got what they deserved.*" "*This will teach them not to be so arrogant.*" These and similar comments have been expressed in numerous articles, letters, radio shows and television programmes. Anti-Americanism is now the acceptable prejudice of the chattering classes, now they can no longer embrace anti-semitism and racism. Anti-Americanism was reflected in pre-terrorist coverage of the Bush administration and is rooted in a deep set of beliefs and assumptions about America. Leaders in Europe must challenge it.

THE NATURE OF ANTI-AMERICANISM

SOME CRITICS of the USA have fervently denied they are anti-American. John Humphreys of the influential *Today* programme protested in his column in the *Sunday Times* on 21 September 2001 that he could not be anti-American because he liked Americans as warm and friendly people. It sounded rather like the person who protests he is not racist because "*some of my best friends are black*". It is pro-American to love American values and deplore the failure to live up to them; for example, in the denial of equal civil rights, first to African-Americans, and now, through positive discrimination, to white males.

However it is anti-American to assume that the USA is likely to be in the wrong and to do wrong. It is anti-American to deplore its values. It is anti-American to turn its

virtues into vices. Oscar Wilde reflected this prejudice when he proclaimed, "*It was not the average American I disliked. It was the ideal American.*" Anti-Americans carry around with them almost entirely negative images of the US.

BUSH BEFORE 11 SEPTEMBER

COVERAGE of President George W. Bush in the European media was almost universally hostile before the events of 11 September 2001. The French paper *Libération* summed it up with the term "*superficial buffoon*". He was represented as a cowboy quick to use the trigger, ignorant of the world, and a unilateralist with no interest in the consequences of his actions for Europe. The Pew Centre studied public opinion in the UK, France, Germany and Italy, and found it overwhelmingly critical of the new administration. 80% opposed it over the refusal to ratify the Kyoto agreement on global warming and 60% opposed it on missile defence.

Three issues then personified G.W. Bush in the eyes of Europeans: Kyoto, missile defence, and the death penalty. Bush's decision not to send for ratification to the Senate the Kyoto Protocol on global warming met with almost universal condemnation. On Kyoto the media gave almost no coverage to the large number of sceptical scientists. Global warming is treated as a confirmed fact. The media therefore could only explain Bush's action as due to the influence of the energy companies. Europeans had no incentive to explain how the rules of the Kyoto treaty were written in such a way as to do most damage to the US economy and least (although still considerable) to Europe. This showed great hypocrisy by the Europeans. First, no European country had ratified the treaty, although they had plenty of opportunity. None could have achieved the targets without considerable economic costs, which were never explained to their peoples. No one was allowed to question the cause or extent of global change. The fact that the treaty required the endorsement of the US Senate, which had previously voted 95 to 0 against, was barely mentioned. The US mishandled the timing and presentation of the decision but not its wisdom.

The second issue was missile defence. The focus was on the US demand to renegotiate the Anti-Ballistic Missile treaty of 1972.

Europe saw this as a major threat to world peace. European leaders did not explain to their peoples that they were defenceless against 13,000 ballistic missiles in 37 countries. They allowed defence expenditures to fall, so they could continue to buy votes through welfare programmes, neglecting their primary responsibility. They presented themselves as peace loving, but were driven by the desire to avoid sharing the burden. The US initially made mistakes by labelling it National Missile Defence, raising fears that it would not contribute to the defence of their allies. This term was dropped.

The third issue was the death penalty. The *Observer* declared Bush to be "*a serial killer*". An EU delegation went out especially to see Bush in Texas to demand the end of the death penalty. Personally, I am deeply opposed to capital punishment, but find the EU actions disgraceful. The Europeans did not explain that the death penalty for most crimes (with a few exceptions) is a matter for the states and not the federal government or the President. They did not explain that their own public opinion is divided on the issue. In the UK, opinion remains strongly in support of capital punishment, as it was elsewhere in Europe when initially banned. This was an example of 'cheap virtue', where the Europeans could display a sense of moral superiority but where the costs in votes (and perhaps crimes) would fall on others.

In their reaction to these three issues, and then to the terrorism in America, many Europeans displayed their fundamental suspicions and assumptions about the USA. They carry around with them negative stereotypes of the USA, combined with positive images of Europe, which enable them to feel morally superior. Here are some of them.

1 CAPITALIST AMERICA AND CARING EUROPE

THE US is portrayed as a selfish society based on materialism and greed, in contrast to an allegedly more compassionate and caring Europe. My students frequently quote the famous "*Greed is Good*" speech of Gordon Gekko in the movie *Wall Street*. These critics are unable to distinguish between the legitimate pursuit of self-interest, which America respects, and

selfishness, the pursuit of goals at the expense of others. Capitalism is really one of America's greatest virtues. It has created the most successful economy in the world, which has given its people the highest standard of living in real terms, together with the freedom that prosperity allows. It is a society where those defined as poor have a standard of living that would be considered luxurious in most parts of the world. Charitable donations, in terms both of money and time, are far greater than in Europe. A 'caring Europe' condemns its people to lower living standards, higher unemployment and miserable conditions for its poor.

2 IMPERIALIST AMERICA AND POST-COLONIAL EUROPE

EUROPE was once the centre of the world and deeply resents its displacement by the USA. It is embarrassed at its own history of empires, so it accuses the US of economic and cultural imperialism. It continually claims that the US "*imposes its own values*" through Coca-Cola, McDonald's and Nike. Europe seeks to claim moral superiority by redefining what is imperialism and what are human rights. Imperialism is no longer allowed to mean direct rule of other nations (i.e. European imperialism) but must mean the adoption of non-native cultural values and symbols. Human rights no longer means life, liberty and property (embodied in the American Declaration of Independence), but must be extended to banning the death penalty, and providing welfare rights (as in Europe). This justified ousting the US from the UN Human Rights Committee and voting for the disgusting regimes of Sudan and Libya. European leaders are explicit about their desire to build the EU as a force against a too powerful America. Goran Persson, the Swedish Prime Minister, and Karl Lamers, the German Christian Democrat foreign affairs spokesman, both proclaim one of the *raisons d'être* of the EU is to act as a counter-balance against US domination.

The US has economic and cultural influence because it stands for the universal values of freedom and choice. People throughout the world, when free, choose these values, in contrast to the European imperialism based on force not consent.

3 VULGAR AMERICA AND SOPHISTICATED EUROPE

THE CULTURAL ELITE sees Americans as vulgar, uncouth, ill-educated, religious,

patriotic. Not the sort of people to invite to a dinner party. This can be seen in the assumption that European culture is superior. This leads to the EU law that seeks to restrict US television programmes. The French intellectual Alain de Benoist declared during the Cold War that he could reluctantly accept wearing the cap of the Red Army but never eating American hamburgers on the Champs Elysée. He could not distinguish between military invasion and commercial choice. The British journalist A.N. Wilson wrote, "*It is hard to know which is more disgusting: the brutal rape of European women by the Red Army in 1945 or the enormous escalation of VD in Europe after the Americans entered the war.*" He could not distinguish between rape and consent. The *Independent* declared that Americans would like public executions when they "*would be laughing, drinking beer, cheering*". America "*would be revealed in its true colours*". The death penalty is thus used to illustrate US 'vulgarity'.

What is really illustrated is that American culture is governed by 'We the people'. Culture is more likely to reflect the values of ordinary people. I find the preferences of the majority of Americans to be sometimes good and sometimes bad. However it is preferable to government in Europe by 'We the rulers', when culture reflects the preferences and prejudices of the elite.

4 NAÏVE AMERICA AND WISE EUROPE

AMERICANS are portrayed as naïve, ignorant and idealistic. I remember when Ronald Reagan condemned the Soviet Union as the evil empire and predicted that communism was destined for the dustbin of history. The European reaction was to describe Reagan as provocative, rude, and lacking understanding of how diplomatic relations should be conducted. Reagan of course was right. He understood the difference between good and evil. The US has a strong understanding of the power of ideas, of 'soft power'. Bush is much more willing to use the language of evil to describe the terrorists than Europeans too influenced by moral relativism.

5 DANGEROUS AMERICA AND PEACE-LOVING EUROPE

THE USA is portrayed as dominated by violence, crime, and guns. US foreign policy is viewed as trigger happy, too eager to resort to force. This is why Europe loves the cowboy image of American leaders. This

should be turned into one of its virtues. The US knows that peace through strength is the best way to deal with bullies. You have to stand up to violence. They know, as did Winston Churchill, that appeasement never works.

6 UNPREDICTABLE AMERICA AND CONSISTENT EUROPE

THE US often fails to speak with a single voice. This is a consequence of the principles of the separation of powers in which power is divided between the executive, the legislature and the judiciary, all of which have varying roles in foreign policy. In Europe foreign policy is conducted almost exclusively by the executive, in secret, advised by an elite, but with largely unchecked power in the hands of Prime Ministers. In the US checks and balances, designed to ensure that one person does not have too much power, leads to a more open policy-making process in which the people are more fully involved. This does lead to a cacophony of voices that makes US foreign policy less predictable. It also makes policy more accountable and therefore more legitimate than in Europe.

THE NEED FOR LEADERSHIP

EUROPEAN POLITICIANS, media, and intellectuals endlessly repeat these negative images. What are required are European leaders willing to challenge them, and to support the values and principles of the USA, even while they advise on how they might effectively be pursued. Thankfully both Prime Minister Tony Blair and the Leader of the Opposition Iain Duncan Smith, MP, have done so. Not so Charles Kennedy, MP, whose words feed anti-Americanism rather than rebuke it, with his oft-expressed fear of giving America a blank cheque. The leaders of Italy, Silvio Berlusconi, and Spain, Jose Maria Aznar, have given unambiguous support. Not so the French and German leaders whose declarations of opposition to terrorism are accompanied by doubts about the wisdom of US policy.

All who love liberty have a responsibility to defend America, not only now in the aftermath of terrorism, but on future occasions. A Europe built on hostility to the USA will be one created on values antithetical to freedom.

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Truly Joined Up Government

by Professor Antony Flew

THE 'BIG LIE' of British politics is the pretence that the decision to replace the pound by the euro as the official currency of the United Kingdom is of no or negligible constitutional significance, and should be treated as purely a matter of economics. And here the worst and most widely persuasive offender must surely be the Prime Minister, Tony Blair. But even he could not hope to succeed in this enormously important exercise without the active or at any rate the passive co-operation not only of many of his usual opponents but also of much of the media.

In the June 2001 general election the Conservatives limited their objection to entering the euro to the period which is now the present Parliament. Thankfully, that policy has now been abandoned following the election as Leader of the Party of Iain Duncan Smith, MP, who has ruled out the euro on principle. The old policy prevented Conservative spokespersons – from the leader down – from presenting to the electorate the decisive constitutional or indeed any other really persuasive objection to joining the euro. It also prevented these spokespersons, and above all Mr Hague himself, from meeting the objection that the electorate was simply not interested in 'Europe' – a term, of course, constantly and conveniently misemployed as equivalent to the 'European Union'. (It is of course their sustained and systematic talk of 'Europe' which, in their view licenses propagandists for the EU to dismiss and abuse all objectors as xenophobes.) It was presumably the same inhibition which prevented Mr Hague or apparently anyone else from so much as mentioning, let alone making anything of such excellent promises in the 2001 Conservative Party manifesto as the following:

"We will renegotiate the CAP so that many decisions currently taken at EU level would be taken by the governments of individual member States... We will also renegotiate the Common Fisheries Policy. We will insist on national or local controls being established over our own waters."

If Mr Hague always knew that he was going to be inhibited from even mentioning during the election campaign items which actually appeared in the Party Manifesto, it becomes easy to understand why, as has since been revealed, he had to be persuaded

not to resign his leadership of the Conservative Party as early as late 1999.

The co-operation of the media in sustaining the Big Lie has consisted and continues to consist in their failure to make and keep the public aware of which and how many of the torrents of laws and regulations which appear to be spontaneously produced by our parliament at Westminster are in fact dictated by Brussels and – until and unless the United Kingdom escapes from the EU – can neither be amended nor repealed by that of our Westminster Parliament.

One topical example of such a dictatorial imposition by Brussels, an example of which much more should have been made in that General Election, was compulsory metrication. It is one of the cases – like that of the drive to force UK taxes on industry up to the level of those in France and Germany – where even the frankly stated purpose of the exercise was precisely and only to damage the interests of the UK.

The Hon. Martin Bangermann, who decided that this system had to be imposed in the United Kingdom, made this decision as EU Commissioner and Director-General for Industry. He made it shortly before he was himself, along with so many other Commissioners, forced to resign in the great 1999 Brussels corruption scandal. His stated reason for making his metrication decision was that he considered that the fact that UK industry used the same system of measures as industry in the USA gave us an unfair competitive advantage against our EU 'partners'.

THE REASON why abandoning the pound in favour of the euro is not purely a matter of economics but instead one of supreme constitutional importance has been stated clearly and repeatedly by leading political figures in Germany, France, and Italy as well as in several other member countries of the EU. Romano Prodi, for instance, the sometime Prime Minister of Italy who was – it should be remembered – originally appointed to the Presidency of the European Commission at the instigation of Prime Minister Blair wrote in 1999: *"The euro was not just a bankers' decision or a technical decision. It was a decision which completely changed the nature of the nation states. The pillars of the nation state are the*

sword and the currency, and we changed that. The euro decision changed the concept of the nation state and we have to go beyond that."

As the then Spanish Prime Minister Felipe Gonzales said in May 1998 in an address to the Spanish Parliament: *"The single currency is the greatest abandonment of sovereignty since the foundation of the European Community... it is a decision of an essentially political character... We need this united Europe... We must never forget that the euro is an instrument for this project."*

Again in an address to the European parliament on 13 October 1999, Romano Prodi said: *"We must now face the difficult task of moving towards a single economy, a single political entity for the first time since the fall of the Roman Empire we have the opportunity to unite Europe."* In another speech to the European parliament on 13 February 2001, Mr Prodi made it clear that the objective is to build a single superstate, a world power: *"Are we all clear that we want to build something that can aspire to be a world power? In other words, not just a trading bloc but a political entity. Do we realise that our nation states, taken individually, would find it far more difficult to assert their existence and their identity on the world stage?"*

IN THE EARLY DAYS of the administration recently re-elected there was much talk of how it was supposed to be going – so unlike of course its immediate predecessor – to provide a salutary example of 'joined-up government'. There was later, but so far as I noticed not during the General Election itself, some discussion of whether in its actual treatment of transport or of education or of whatever else it was providing or had provided an example of examples of this promised new kind of government.

Paradoxically, by far the best example of such a comprehensive and integrated policy actually being successfully pursued by that administration is one which was rarely noticed and, for compelling reason, is never admitted. For that best example was and is the comprehensive and integrated policy of abolishing the United Kingdom and all distinctively and traditionally British institutions, with the consequent total subordination of the resulting fragments of a formerly independent and democratically self-governing nation state to

the centralised Pan-European superstate presently under construction.

When British enthusiasts for this project insist that they are themselves not federalists they may well be telling the truth, albeit in a misleading way. For in a confederation of formerly sovereign states – such as that originally provided for by the Constitution of the United States of America – central government possesses only those powers conceded to it by the constituent states. In contrast, the regions of what former Chancellor Kohl used to call the “*one country Europe*” will have only those few and limited powers which are reluctantly conceded to them by its future super-centralised central government.

For a start we need to recognise that it is precisely and only because abandoning the pound and joining the euro is a necessary condition of the UK's ceasing to be an independent and democratically self-governing nation state that the Prime Minister has been so stubborn in his mendacious insistence to the general public – if not always to the less easily deceivable House of Commons – that the decision to abandon the pound and adopt the euro is of no or negligible constitutional significance and so should be treated as purely a question of economics.

It was again surely no accident that there was no official commemoration of the Bicentenary of the United Kingdom; no accident that there is to be no review of

the Royal Navy in the Jubilee year of the Queen's accession; no accident that the man appointed to chair a Task Group to produced a Report on *Education for citizenship and the teaching of democracy in schools*² was one who could be relied on to include in it no mention of the significance of EU membership for British democratic self-government. (As a retired Professor of Politics he presumably knows full well that already most of the legislation emerging from the UK Parliament is Directives from Brussels which that British body can but merely ratify. As long ago as 1993 the Hansard Society found that the figure was already sixty per cent.)

PERHAPS the most remarkable indication of the existence and the nature of this joined up policy is the fact that the Millennium Dome contained no exhibits referring to a thousand years of British history, British achievement or British (pre-pop) culture. Since those were the obvious candidates for inclusion and since those responsible notoriously had great difficulty in finding satisfactory substitutes, the exclusion of these must have been deliberate, and presumably effected by Peter Mandelson,³ in order to prevent the likely consequent increase in British national pride. For any such increase could scarcely have failed to promote opposition to the project to subordinate Wales, Scotland, and the dozen newly EU created artificial

regions of England to the centralised pan-European superstate presently in course of construction.

Finally it is certainly no accident that Tony Blair is surely the first British Prime Minister ever to feel the need publicly to protest that he is a patriot.

1 Tony Blair, *Financial Times*, 9 April 1999

2 This scandalous report was enthusiastically accepted by the Minister and promptly implemented. Apparently the only available critique is Antony Flew (2000), *Education for Citizenship*, London: Institute of Economic Affairs.

3 Peter Mandelson has often expressed a well-grounded admiration for his grandfather Herbert Morrison. Herbert Morrison himself might have admired, even envied, his grandson's famous political skills. But as the initiator of the 1951 Festival of Britain commemorating the centenary of the Great Exhibition that grandfather could not have admired his grandson's surely deliberate exclusion from the Millennium Dome of any reference to great British achievements.

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... news in brief

EU tightens rules against “money laundering”

New rules governing the reporting of financial transactions have been agreed by a meeting of the 15 EU finance ministers. Lawyers, tax advisers and estate agents, together with auctioneers, jewellery dealers and casino owners, are to be placed under new reporting requirements by 2003. The directive still has to go through the European parliament and will have then to be implemented in national legislation. Until now only minimal rules have applied, mainly to financial institutions. [*Die Welt*, 16th October 2001]

At the same meeting, a joint Council of Finance and Justice ministers added a protocol to the May 2000 Convention against money laundering; once this agreement is ratified by eight member states, they will undertake to provide on demand the list of bank accounts held by a suspect and the details of all his transactions. The ministers have also expressed their wish that the Financial Action Group within the OECD should have its responsibilities extended to the fight against terrorism. “Counter-measures” are already being envisaged for those states who do not cooperate, particularly the Philippines and the island of Nauru in the Pacific. The ministers have also strongly ‘recommended’ that EU candidate countries abide by the OECD recommendations: Hungary is on the black list of countries where money-laundering is said to be rife.

In the EU, meanwhile, work is being done on reaching a common

definition of terrorism and on the European arrest warrant. A decision on these is expected by December. The European arrest warrant is designed to bypass the current complicated extradition arrangements which exist between EU states. Commenting on the political difficulties in reaching an agreement, one diplomatic source has said, “Terrorism is brushing everything out of its way. But the French Justice Minister, Marylise Lebranchu, said, “We’ve got the European arrest warrant. The European judicial space will exist.” [Philippe Gélie, *Le Figaro*, 27th October 2001]

According to some reports, however, the Minister may have spoken too soon. [*Neue Zürcher Zeitung*, 18th October 2001] It is apparently proving more difficult than at first thought to draw up the European arrest warrant. Although several EU states (including the United Kingdom) have a legal definition of terrorism, other member states treat terrorism just like any other crime. The European directive tries to give some minimal definition to terrorism. It defines as terrorist acts whose aim is “to damage or destroy the political, economic or social structures of a country or of an international organisation, especially by intimidating the population.” Quite apart from the fact that the NATO attacks on Yugoslavia, and even the present attacks on Afghanistan, would seem to qualify under this definition, EU justice ministers have found problems with this attempted definition. They also cannot see how to harmonise their penal codes on things like prison sentences.

EU Subsidies and Self-Interest: the Case of the CAP

by Marian L. Tupy

THERE CAN BE NO DOUBT that the European Union's Common Agricultural Policy (CAP) damages both the British and the European economies. I am a firm believer in the idea of 'Europe' as a free trade area without tariffs and other forms of protectionism. Of course, we have nothing of the sort at present. However, I do not accuse the Continentals of conspiring against British interests. For all that I know their intentions may be perfectly laudable. But, no matter what their intentions may be, there is no escape from the constraints of economics. The CAP provides one of the most glaring examples available of the perversion of both the laws of economics and of common sense. Before going any further, however, a small dose of economic theory is necessary.

THE ECONOMICS OF POLITICS

PUBLIC CHOICE THEORY has as its basic assumption that public sector employees are no more altruistic than their private sector counterparts. This assumption, however, is the complete opposite of the popular view. Every time we face yet another proposal in favour of greater regulation of business by government, it is automatically assumed that the bureaucrats who will have to enforce it will behave with the public interest at heart. But, is this really the case? The winner of the 1986 Nobel Prize in Economics, James Buchanan, Professor of Economics at George Mason University, does not think so. He defines Public Choice Theory as: *"nothing more than common sense, as opposed to romance. To some extent, people then and now think about politics romantically. Our systematic way of looking at politics is nothing more than common sense."*¹

To illustrate Buchanan's point, let us paraphrase one of his examples. Let us assume that, in order to achieve the laudable objective of promoting safety standards, the local council decides to issue, for a small fee, taxi-driving licences to any qualified applicant. Let us also assume, on the basis of the law of supply and demand, that more licences will result in decreasing fare prices and, consequently, decreased income for licensed taxi-drivers. Self-interested licensed taxi-drivers will naturally form a pressure group and convince the council to limit the number of taxi-drivers to a

particular number (perhaps the current number of drivers). As the demand for taxis grows, fare prices will rise above what they would have been in a free market. The licensed taxi-drivers will, in other words, begin to receive what is called a 'monopoly rent', or benefits from the lack of competition.

By its decision to limit the number of licences, the council has not only distorted the market. It has also created a tradeable asset. If a retiring taxi-driver is permitted to sell his licence, he will do so, charging the highest possible price. The council, seeking to increase its revenue, will spot the potential for additional income and decide that it will now determine not only the recipients of the licences, but also the total number of licensed taxi-drivers. The council could establish an appropriate licensing Commission to deal with the matter. It may determine that this newly created Commission will keep the proceeds from the issuing of the licences. As soon as this happens, the Commission members and not the taxi-drivers will become 'rent-seekers' and issue licences to the highest bidders.

Of course, the successful applicants for the licence will then recoup their investment by increasing the prices of their fares and passing the cost onto the consumers. This is not all, however. The Commission has now become a source of power and, possibly, a recipient of bribes with which the potential taxi-drivers will try to influence the allocation of licences. It is easy to imagine that the members of the Council will start bribing and blackmailing each other for a place on the Commission so as to 'partake in the loot'. The corruption will become such that laws against bribery will be passed. These, however, will need to be enforced and the Council will thus have to expend additional resources on policing the anti-corruption measures.

Alternatively, we could assume that seeing the corruption among the members of the Commission, the members of the council decide to remove the cause of corruption and rule that the proceeds from the licensing process will now go directly to the council itself. Of course, this would not make the problem go away. Now it will be membership of the council that will become the prized possession. Members of the public will expend time and money in

costly campaigns to win a seat on the Council. Of course, matters may get even more complicated. If, through vigorous enforcement of the law, licensing receipts find their way to the common coffers, rent-seeking will emerge in a different form. Different special interest groups may now begin to pressure the council to use this 'public' money for their own goals. These might include the purchase of a brand-new fleet of cars for the use of councillors, 'fact-finding' missions to Hawaii or a new public building, the subcontractors of which will just happen to be related to the councillors. The possibilities are infinite.

SELF-INTEREST

OF COURSE, Public Choice Theory does not entirely dismiss other motivating factors such as pride, loyalty and even altruism in their entirety. But it does assume that public officials do, at least in part, behave out of self-interest. Therein lies the problem. Self-interest in the public sector produces fundamentally different results from self-interest in the private sector. As Adam Smith argued, self-interest in the market place contributes not just to the well-being of individuals, but also to the prosperity of society as a whole. He wrote:

*"Every individual necessarily labours to render the annual revenue of the society as great as he can. He generally indeed neither intends to promote the public interest, nor knows how much he is promoting it. He intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good."*²

Self-interest in the public sphere, on the other hand, is unambiguously damaging. This is how Paul Starr describes it:

"Public choice", ill-named because the only choices it recognises are essentially private, is both a branch of microeconomics and an ideologically-laden view of democratic politics. Analysts of the school apply the logic of microeconomics to politics and generally find that whereas self-interest leads to benign results in the marketplace, it produces nothing but pathology in political decisions. These

*pathological patterns represent different kinds of 'free-riding' and 'rent-seeking' by voters, bureaucrats, politicians, and recipients of public funds. Coalitions of voters seeking special advantage from the state join together to get favourable legislation enacted. Rather than being particularly needy, these groups are likely to be those whose big stake in a benefit arouses them to more effective action than is taken by the taxpayers at large over whom the costs are spread. In general, individuals with 'concentrated' interests in increased expenditure take a 'free ride' on those with 'diffuse' interests in lower taxes. Similarly, the managers of the 'bureaucratic firms' seek to maximise budgets, and thereby to obtain greater power, larger salaries, and other perquisites. Budget maximisation results in higher government spending overall, inefficient allocation among government agencies, and inefficient production within them. In addition, when government agencies give out grants, the potential grantees expend resources in lobbying up to the value of the grants – an instance of the more general 'political dissipation of value' resulting from the scramble for political favours and jobs."*³

The trouble, in other words, is that the money that finds itself – through taxation or otherwise – in the political process is seldom used constructively. Instead of being invested in the economy, it is used to purchase political favours. It is misdirected and misused.

Let us now look at the process of 'rent-seeking' more closely. Societies normally exhibit a need for certain collective or 'public goods'. The trouble is that unanimous consent on the level of public provision of goods and services is impossible to achieve. Our societies therefore work on a majoritarian basis through elected legislatures. It is through these that special interest groups then try to influence the political process in their favour. As Starr suggests, the problem of rent-seeking arises when a special interest group is enabled by the majoritarian rule to push through laws that will enable it to obtain special favours at the expense of all others in the community. It is in this context that the CAP damages the British economy.

THE CASE OF THE CAP

EUROPEAN FARMERS stand to lose from overseas competition. New World and Third World agricultural produce is cheaper. Were it to be allowed to reach the European consumer, many European farmers would find themselves priced out of the

market. This can be explained by a number of factors. First, many European countries are at a competitive disadvantage *vis-à-vis* non-European countries when it comes to climate and, very importantly, space. Second, another important factor is the cost of environmental and safety regulations, which the European farmer has to bear.

The obvious way to help poor countries would be to enable them to export to Europe. This is impossible as long as the European agricultural market is protected from external competition.

Third, another important factor is the high cost of European labour and the willingness of non-European farmers to work for less. European farmers are therefore faced with two options. They can either introduce cost-saving and efficiency-enhancing measures to reduce expenditures, or they can invest money, time and electoral prowess to force the European politicians to raise trade barriers against overseas producers.

Their choice between the two depends on their assessment of which option is easier or cheaper. Once again, the effect of these two ways of dealing with competition is startlingly different. A farmer choosing the former approach benefits the consumer. A farmer succeeding in the latter approach harms society. European farmers have opted for the latter approach and are harming the European and British economies in a number of ways.

1 Protectionism raises the price of the agricultural commodities that Europe produces to artificial levels, thus depriving the economy of a more efficient use of resources. Of course, a less efficient use of resources does often lead to job losses. Although this might seem counter-intuitive at first, agricultural protectionism may have a negative impact even on a booming sector such as information technology. If consumers have to pay more for their food than would have been necessary under free trade, they will have less money left to spend on

supplying their businesses with faster computers; or upgrading their current computers with the latest software; and so on. If there were only one or two consumers, such waste would be of little importance, but the cumulative effect of such distortion on the economy is tremendous. The country loses tax revenues from unsold computers and from employees who lose their jobs because of this decreased demand. Moreover, efficiency gains that could have occurred through the use of the latest equipment will not occur – yet another unintended consequence of agricultural protectionism.

2 Some of the resources that the European farmers have expended to assure the passing of the protectionist law are wasted. The loss to the economy arises only out of the time the farmer spends buying the above political favours. If the farmer simply bribes the politician to get the protectionist law passed, the politician will spend this money without hindering the economic well-being of the country he lives in.

3 The European farmers' actions cause his competitors to engage in defensive lobbying, thus causing an even greater waste. In other words, in order to prevent the European farmer from eliminating them, these competitors will expend their own time and other resources to protect themselves. They may, for example, lobby the very same politician to persuade him not to listen to the protectionist pleas of European farmers. The time they spend doing so, however, will be wasted from the economic point of view, for this time would be much better used in production.

4 European farmers harm non-European producers, who are deprived of the ability to export to Europe. The Europeans, in other words, deprive the non-European producers of their income. This point is of special importance today. Many contemporary opponents of free trade are the same people who claim, correctly, that the EU should do more to help the Third World. These two aims, however, are incompatible. The obvious way to help poor countries would be to enable them to export to Europe. This is impossible as long as the European agricultural market is protected from external competition. This hypocrisy or stupidity – it is hard to tell which – is even worse if we consider the following point. One of the ways the EU manages to

keep the prices of agricultural produce artificially high is through its guarantee to buy European agricultural produce at a certain set, and normally artificially high, price. This means that European farmers have every incentive to produce as much as possible. As a result, the EU has traditionally produced more food than European consumers buy. The unsold food that thus accumulates is then dumped on foreign markets at discounted prices. This produces a further waste of resources, because the difference between the price at which the farm produce has been bought and the price at which it has been sold overseas is met by the European taxpayers. Furthermore, the fact that the EU dumps its agricultural produce at a discounted or, to be more accurate, subsidised price undermines the overseas producers, including Third World

farmers. Instead of helping people in less developed regions, EU protectionism effectively destroys their livelihoods.

5 The above problem is made worse because it applies more strongly to those countries which are too weak to take counter-measures. These countries need other EU markets and cannot, therefore, engage in a trade war. Some may be pressured by the EU with the threat of having their aid cut off. Stronger countries will often institute counter-measures against imports from Europe, which in turn harms European farmers and European exports. This is the fifth way in which the CAP harms the economy.

As can be seen, therefore, the European Common Agricultural Policy distorts the market in numerous ways. It has a negative

impact on the European economy and on European consumers as well as on non-European producers. The CAP cannot in any way be described as furthering the 'public good' or the 'social good'. If anything, the CAP and countless other regulatory measures do the exact opposite. Britain would do well to get rid of them.

1 <http://woodrow.mpls.frb.fed.us/pubs/region/int959.html>

2 Adam Smith (1776), *Wealth of Nations*, various editions.

3 Paul Starr (1988), "The Meaning of Privatization," *Yale Law and Policy Review* 6:6–41

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... news in brief

Berlusconi stirs it up

The Italian Prime Minister, Silvio Berlusconi, has caused expressions of outrage from around Europe at his statement that Western civilisation is worth preserving. Berlusconi said that Islam had produced less well-being and protected rights less well than the West and that these were benefits which should not be gambled away but extended to less fortunate people. A storm of protest greeted his declarations. Angriest of all was the Belgian government, which currently holds the presidency of the EU. The Belgian Prime Minister, Guy Verhofstadt, said that he could hardly believe that the head of government of an EU member state would make such deprecatory remarks about Islam. His Foreign Minister, Louis Michel – who in March said the EU should boycott Italy if Berlusconi was elected – said that the Italian premier's remarks were unacceptable and incompatible with European values. The French Prime Minister, Lionel Jospin, was both schoolmasterly (his original profession) and self-contradictory when he said that "there is no hierarchy between different spiritualities and different civilisations. I hope that all leaders of member states of the European Union will stick to this philosophical and political point of view which is worthy of a civilisation." The President of the French National Assembly, Raymond Forni, cancelled a meeting with the President of the Italian Senate in protest – a constitutionally nonsensical gesture, since the President of the Italian Senate represents the Italian State, not the government. But Forni, who although in charge of the body which represents the one and indivisible French Republic, referred to himself as "a European citizen of Italian origin" and that, apparently, was reason enough for his gesture. Chris Patten, the EU commissar for external relations also attacked Mr Berlusconi, saying that the Holocaust had not been perpetrated by the Muslim world. Romano Prodi also weighed in, demonstrably visiting a mosque in Brussels before saying that, in Europe, we are all working towards co-operation and equality between ethnic groups. The regional Prime Minister of Carinthia in Austria, Jörg Haider, also attacked Berlusconi, saying that, "Islam and the Islamic world have the same value as Western civilisation and every individual must choose for himself the principle by which to live his life." Turkish and Moroccan newspapers reacted with fury, while the government of Jordan called Mr Berlusconi's remarks "chauvinist, fascist and unacceptable". Mr

Berlusconi insists that he is being quoted out of context but sources in Brussels say that he made similar remarks during the European council meeting there following the terrorist attacks in America. [*La Repubblica*, 28th September 2001; *Corriere della sera*, 29th September 2001; *Handelsblatt*, 1st October 2001; *Le Monde*, 2nd October 2001] Meanwhile, a journalist writing in a pro-Berlusconi newspaper, has pointed out that in April, Mr Berlusconi's predecessor, Giuliano Amato, told a preparatory meeting of the G8 that, "I believe in my values and I do not believe that all diversities can be put on the same level. I believe that there are such things as the fundamental rights of the human person, which all human civilisations must recognise, and I affirm the superiority of my diversity over those who do not recognise these rights." [Antonio Socci, *Il Giornale*, 29th September 2001] For some reason, these remarks were treated not with outrage but applause.

Giscard looks for a job

Always poised for his grand *retour* the former French President, Valéry Giscard d'Estaing, has said that "a French person" should head the Convention which should re-write the European treaties and make them into a constitution. Naturally, he has himself in mind: when it was suggested in a recent interview that he was thinking of himself, he replied, "No. Well, yes." Giscard pointed out that a German had headed the Convention which drew up the European Charter on Fundamental Rights. When asked about the "federation of nation-states" of which Jacques Chirac and Jacques Delors speak, Giscard said, "I do not think this expression will be accepted by anyone. A federation means the EU be crowned with a federal organ at the top. There is not consensus on this in Europe. And using the terms "nation-states" implies that these states are inalterable. So I would prefer to use the term "Union of states with federal responsibilities. It would not be a federation but a union of states who put federal competences into common control. They have already done this with monetary policy, international trade and competition policy. One day they will do it with foreign policy. The logical evolution would be that the people exercising federal powers would become members of the executive, i.e. of the Council. The man who occupies Javier Solana's post as EU High Representative for Foreign and Security Policy should himself be a member of the European Council. The President of the Council of the euro-zone countries should also be a member." [Interview in *Le Monde*, 15th October 2001]

The European Defence Community: A Precursor to the ESDI

by Alex Wieland

IT IS AN OLD SAYING: the more things change, the more they stay the same. In the wake of the devastating tragedy in the United States, France's Prime Minister, Lionel Jospin, asserted that the attacks on New York and Washington further underlined the need for the development of a strong European defence capability. Jospin argued that beyond the creation of the proposed European Rapid Reaction Force to deal with small, localised conflicts, a broader scheme may be necessary, encompassing civil security and territorial defence. He stated that: "*We are talking about mutualising the 15 countries' assets ... but we must go further.*"¹ Such statements will no doubt continue to fan the flames of controversy that have surrounded the EU's European Security and Defence Initiative (ESDI). As recently as June 2001, current and former military officials, including the former Chief of the Defence Staff, General Sir Charles Guthrie, and the 'father' of the French independent nuclear deterrent, General Pierre-Marie Gallois, denounced the European army as a "*paper tiger*" created by the EU's federalist "*armchair generals*". They argued that it is a threat not only to the future of the transatlantic alliance under NATO (a concern shared by many at the Pentagon and the Bush Administration) but also the ability of the member nations to protect their vital national interests.²

HOWEVER, there is nothing new in any of this. Despite the development of new threats and the recession of old ones, the problems of balancing collective European defence ambitions with transatlantic security relations and individual national interests have been present for almost fifty years. Indeed, many of the present concerns, arguments and counter-arguments were rehearsed during the ill-fated European Defence Community (EDC) project of the early 1950s.

Conceived by the then French Prime Minister René Pleven, in 1950, the EDC marked the first major effort in the postwar era to integrate the military resources of Western Europe into a single, supranational unit. Under the Pleven Plan, the armed forces of France, the Benelux countries, Italy and West Germany were to be organised

into multinational corps. They would be controlled by a single defence minister with the assistance of a council of ministers and a board of nine commissioners, and funded by a common budget. It was estimated in 1951 that this force would have a total strength of 1.2 million men under arms within three years.³ This proposal, Pleven maintained, would allow the West to re-militarise Germany, and thereby harness its resurgent economic strength and manpower to combat the threat posed by the USSR, without allowing them to pursue an independent, and potentially aggressive, military policy of their own. Moreover, the French Prime Minister and his cohorts in the government believed that this collective response would, in a way John Hulsman views as similar to the impetus for the ESDI, "*forestall American complaints about unequal power sharing*" in the defence of the Continent from Soviet forces and work to strengthen US commitment.⁴ However, though the project would continue to survive as a major issue for the next four years and would be the subject of bitter debate in European capitals and in Washington, DC, it was never able to fully achieve its intended goals and consequently sowed the seeds of its own failure in 1954.

From the beginning, the EDC found uneven support from the Americans. Initially, the Truman administration was completely unenthused. US anxieties regarding the protection of Western Europe increased dramatically with the deepening of the Cold War. In particular, there were tensions between the superpowers, after the coup in Czechoslovakia, the blockade of West Berlin in 1948 and the invasion of South Korea in 1950. But there was a great deal of scepticism regarding the effectiveness of the EDC as a solution to the problems these crises posed. The Pentagon was highly dubious of the idea of an integrated European army. Many within the US Army believed that a supranational force would be less effective in battle as it would deprive the combatants of a sense of national pride and identity to motivate them.⁵ More importantly, though, the administration feared the impact the EDC would have on the newly created North Atlantic Treaty Organisation (NATO). General Omar Bradley, Chairman

of the Joint Chiefs of Staff, worried that the EDC's relationship with NATO, defined loosely as 'co-operative,' would place the organisation's position as the backbone of European defence in peril.⁶ Secretary of State Dean Acheson agreed and viewed Pleven's proposals as a "*French tactic to delay Germany's rearmament and inevitable entry into NATO.*"⁷

This, however, did not deter French proponents of the Community. Indeed, pressure was continued by the Quai d'Orsay upon the White House and the US military to convince them that the EDC represented the key to Western security. Though public pressure to get Europe to bear the burden of their own defence more equitably with their American allies continued to grow, the Truman administration remained, at best, cool to the whole concept. This policy continued well into 1951, when a dramatic reversal occurred. In June of that year, Jean Monnet, one of the 'fathers' of postwar European integration, met General Eisenhower, the newly appointed NATO Supreme Commander (SACEUR) in Europe. At that meeting, Monnet convinced Eisenhower that in order to have European security, European unity was necessary. Europe, he claimed, would fight better if it had "*common resources to exploit and defend.*"⁸ With Eisenhower as an advocate, and supported by the High Commissioner for Germany John J. McCloy, Washington relented in its overall opposition and began to embrace the project.⁹

THE REASONS behind the US reversal remain the subject of intense historical debate. Though it is clear that following the meeting with Monnet, American policy was markedly more supportive of the EDC – support which grew further upon Eisenhower's election to the Presidency – US motives continue to elude historians. In the past, the interpretation has been that Eisenhower was truly "*a 'hot gospel' European Union man*", (backed by his pro-federalist Secretary of State John Foster Dulles) and as such backed the project as a component of the broader political program of a United States of Europe.¹⁰ More recent scholarship, however, has pointed to more pragmatic motivations. Some have emphasised the

continued role of domestic pressure to force the Europeans to invest more in defence and the strong desire of both the Truman and Eisenhower administrations to make use of German resources. The administrations were pleased to embrace any initiative that would facilitate the achievement of these objectives. Others have argued that it was the expansion of the Cold War and the Pentagon's fear of a rash of worldwide 'brush fire' conflicts that would need US attention that caused the Americans to accept the EDC.¹¹ Ronald W. Pruessen takes the pragmatic argument further. He asserts that the change of policy came about due to a belief that the EDC would help suppress the "dangerous proclivities" of Europeans towards neutralism in the East-West conflict or excessive nationalism that could cause Europe to style itself as a 'Third Force'.¹² In any event, the picture which has emerged is one of a United States willing to accept the EDC more for its strategic merits than for its ideological basis.

NEVERTHELESS, with American backing, the EDC was formally established in May 1952. However, the signing of the EDC treaty sparked such intense debate that the inherent weaknesses in the plan became all too apparent. These weaknesses ultimately compromised American support and hastened the demise of the project two years later. The main problem which emerged was the incompatibility of the supranational ambitions of the EDC's progenitors and the national interests of the constituent member states. Historian Renata Dwan maintains that it was Jean Monnet's insistence upon the EDC as the basis for a broader European political union that ultimately caused many, especially within France itself, to be very sceptical of the project.¹³

Almost from the beginning, there were serious concerns about the supranationality of the European Defence Community among its projected members. In 1951, Belgium, the Netherlands and Luxembourg, who generally favoured a defence system based upon close coordination between national armies, were described as "alarmed at the extent to which they found themselves committed to a supra-national organisation."¹⁴ Moreover, the Benelux nations worried that this supranational structure would manifest itself in practice as a French-dominated union that would minimise their voices and their role in the NATO alliance. They also feared that the

EDC would then "develop too great an independence" from NATO and that France "might have arrière-pensées of a Third Force or neutralistic tinge."¹⁵ As a result, they stridently refused to cede any national control over the political and financial arrangements upon which the EDC would

... it was Jean Monnet's insistence upon the EDC as the basis for a broader European political union that ultimately caused many, especially within France itself, to be very sceptical of the project

be based. This opposition was overcome only after pressure was placed on the French via the US to reform the command structure of the Community by giving more power to the Council of Ministers and requiring unanimity in "important matters."¹⁶

More sceptical still was the United Kingdom. Though generally supportive of the EDC project, Britain declined an invitation to join the new initiative. While it acknowledged that there were certain advantages to EDC membership, such as the ability to influence and regulate the new organisation's policies and ensuring their compatibility with NATO aims, the disadvantages were considered overwhelming. One cabinet report at the end of 1951 outlined the EDC's drawbacks:

"a) An E.D.C. is a step towards Federation. H.M. Government do not wish to become part of a Federated Europe, as this would

"b) involve a derogation of sovereignty

"c) weaken the ties between the UK and the rest of the Commonwealth and consequently,

"d) impair our international standing, particularly vis-a-vis the United States

"e) We should be handicapped in adapting ourselves politically or strategically, to any change in international affairs

"f) When the European Defence Zone is defined there will be pressure to include the UK within it. This would involve placing forces for the defence of the UK within the EDC

"g) We would not be able to maintain larger forces outside the EDC than those contributed to it.

"h) UK forces committed to the Continent could only be withdrawn in the event of national emergency with the approval of the Commissioner, Supreme Commander, and Council of Ministers

"i) The high efficiency of a British contribution would be impaired by indecision in a new and inexperienced organisation

"j) The morale of the British units in the European Defence Community would be likely to suffer as a result of becoming 'European' instead of 'British'..."¹⁷

From this document it is clear that, for the British, membership of the EDC meant the forfeiture of the ability to act and exert their influence on a global scale. Furthermore, it is also clear that the Churchill government doubted the UK's ability to ensure home defence if its armed forces were tied to the European Continent. Yet, while unwilling to commit themselves formally, the British did agree in principle to assist the development of the force politically and to aid the Community militarily if attacked. Acting on the outside, the British also hoped that they could act as an intermediary between Washington and the Europeans. Providing a vital link between NATO and the EDC would ensure that they were "co-terminus" in their goals and objectives.¹⁸

IN THE END, however, none of the measures taken by the Benelux or the UK to adapt themselves to the Community were able to alter its fate. Of all the concerned parties, the one that was the most sceptical of the EDC was France itself. In 1954, the EDC would be killed in the country of its birth. Here the incompatibility of the project with national interest proved to be the most intense. Like Britain, France also believed that the Community compromised its ability to be a major participant in the global arena. One main sticking point for most opponents (or at least those who were not on the Far Left) was the continued engagement of French forces in defending its colonial outposts in Africa and Indochina. This did not allow them adequately to counterbalance the German contribution to the EDC, a situation they deemed unacceptable.¹⁹ Indeed, the Gaullists asserted that the EDC project and Monnet's supranational ideals would spell the end of France as an independent actor on the world stage by cutting all the military and political underpinning from the French Union and its overseas commitments.²⁰ Another complaint, among those on the Left, was the essentially anti-Soviet

orientation of the force. Furthermore, these critics were uncomfortable with a resurgent, remilitarised Germany under *any* arrangement, collective or otherwise.²¹ Ironically, as time wore on, the greatest objection from all the EDC's opponents was the sense that it was an *American*-imposed system. Indeed, US advocacy had become so vigorous by the summer of 1954, in the hope that some arrangement on the incorporation of West Germany into the European security structure could be achieved, that many on the Right and the Left believed that they were being dictated to by Eisenhower and Dulles.

In the end, these concerns proved to be enough to prevent French ratification of the EDC treaty in August 1954. The final vote in the National Assembly, 319–264, indicated a convincing win for the sceptics and a crushing blow for the Community's supporters. Frustrated and bewildered by the rapid change in French attitudes, the Eisenhower administration quickly moved to withdraw all support from the European Defence Community concept. Under advice from Britain, America moved to have West Germany admitted as a full member of NATO, the position it originally advocated four years earlier.

IN THE FINAL ANALYSIS, it is clear that the EDC was ill-suited for its task of ensuring European defence. It was disruptive to the Atlantic alliance and gained American support only because it promised to alleviate US concerns regarding burden sharing. Yet, the supranational nature of the Community made it impossible to provide for both common European as well as individual national defence goals and, in the

end, did nothing to fundamentally enhance the strength of Western forces. If Lionel Jospin, the French Prime Minister, is serious about extending the scale of the ESDI, he would be do well to consider the example of the past.

¹ "Jospin: Future EU force has to defend EU territory," *EU Observer*, 25 September 2001 (see www.euobserver.com/index.phtml?selected_topic=13&action=view&article_id=3576).

² Michael Smith, "Generals Attack EU Defence Force," *Daily Telegraph*, 12 June 2001.

³ According to the British Cabinet report, each nation's contribution would have been as follows: France 420,000; West Germany 360,000; Italy 330,000; Benelux 90,000. See "Estimates for Size of Force by 1954," Public Record Office, Kew CAB21/3583, November 1951.

⁴ John C. Hulsman, "The Guns of Brussels: Burden Sharing and Power Sharing With Europe," *Policy Review Online*, June 2000. (See www.policyreview.org/jun00/hulsman.html)

⁵ Marc Trachtenberg and Christopher Gehrz (2000), "America, Europe, and German Rearmament, August–September 1950," *Journal of European Integration History* 6:18.

⁶ Hulsman, "The Guns of Brussels."

⁷ Renata Dwan (2000), "Jean Monnet and the European Defence Community, 1950–54," *Cold War History* 1: 145–46.

⁸ Dwan, p. 146.

⁹ Ronald W. Pruessen (1996), "Cold War Threats and America's Commitment to the European Defence Community: One Corner of a Triangle," *Journal of European Integration History* 2:65.

¹⁰ Kevin Ruane (2000), *The Rise and Fall of the European Defence Community*. Basingstoke: Macmillan, p. 29; Also Rolf Steininger, "John Foster Dulles, the European Defence Community, and the German Question," in *John Foster Dulles and the Diplomacy of the Cold War*, Ed. Richard H. Immerman (1990), Princeton, New Jersey: Princeton UP, p. 79.

¹¹ See Pierre-Henri Laurent, "NATO and the European Union: The Quest for a Security/Defense Identity, 1948–1999," in *NATO After Fifty Years*, Ed. S. Victor Papascoma, Sean Kay, and Mark R. Rubin (2001), Wilmington, Delaware: Scholarly Resources, p. 142.

¹² Pruessen, p. 52, p. 67.

¹³ Dwan, p. 141, p. 149.

¹⁴ Letter: Sir Oliver Harvey to Foreign Secretary Anthony Eden, 30 May 1952, PRO FO93/1/433.

¹⁵ *Ibid.*

¹⁶ Dwan, p. 147.

¹⁷ Report: "United Kingdom Participation in the European Defence Community," November 1951, PRO CAB21/3583.

¹⁸ Cabinet memo to Churchill, 9 March 1954, PRO CAB21/3583.

¹⁹ Steininger, p. 81, 82.

²⁰ Dwan, p. 151.

²¹ Stanley Hoffmann, "French Perspectives on European Integration," *Harvard Focus Europe*, 1 June 2000, (see hcs.harvard.edu/~focus/stanleyhoffmann.htm).

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... news in brief

La République des camarades

The recent Polish elections returned the re-named Communists to power. One of the government's first acts has been to appoint a judge as Justice Minister, Barbara Piwnik, who has already spent years investigating a complicated financial scandal in which huge sums of money were effectively stolen from the Polish taxpayer. The so-called FOZZ scandal involved people profiting from the huge interest rates paid to keep the Polish zloty at parity with the dollar for two years. The suspects are accused of embezzling some \$90 m by borrowing dollars, converting them into zlotys, earning say 100% interest and re-investing the winnings in new high-interest bearing zlotys. The appointment of Judge Piwnik as Justice Minister now means that a new judge will have to be found and there are fears that this could delay investigations into the matter even further. In particular, the fear is that the case could now drag on beyond 2005, when the statute of limitations means that the investigation would have to be closed anyway. [*Radio Free Europe Newsline*, 16th October 2001]

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BRUSSELSBOURGER

by Matthew Elliott

EUROSCEPTIC FOR PRESIDENT?

According to the *European Voice*, the in-house weekly for Euro-federalists, (11–17 October 2001), Eurosceptic MEPs may field a candidate for the Presidency of the European parliament. There are currently two candidates in the field: Pat Cox, MEP, (Ireland) representing the European Liberal, Democrat and Reform (ELDR) group, and David Martin, MEP, (UK) from the Party of European Socialists (PES) group. The Danish MEP Jens-Peter Bonde, Chairman of the Europe of Democracies and Diversities (EDD) group and member of the European Foundation's International Advisory Board, told the *European Voice* that the Eurosceptic SOS Democracy Intergroup would field a candidate if neither Cox nor Martin were able to guarantee that smaller parties would be "treated equally" in the parliament. "It would not necessarily have to be a Eurosceptic," said Bonde. "It's not that we want to have a Eurosceptic as president, it could be another person who would be committed to the equality of the different groups." Bonde claimed he was "not interested" in the job, but refused to rule out running if asked to.

CALLING EUROPE

In September, the socialist candidate for the presidency, David Martin, MEP, (PES, UK) indicated his support for a single European foreign policy in the *Parliament Magazine*, the leading magazine for European parliamentarians, (10 September 2001). "The old jibe the Americans used to make was to ask 'Who do we telephone if we want to speak to Europe?' We now have Javier Solana as our Mr Foreign Policy." I wonder how often President Bush has telephoned Mr Solana since 11 September.

RESPONSE TO TERRORISM

At the extraordinary plenary of the European parliament following the atrocities in the United States, the French President of the parliament and member of the group of the European People's Party and European Democrats (EPP-ED), Nicole Fontaine, MEP, called for a single European anti-terrorism policy. "The European Union will be credible only if it adopts a common policy on combating terrorism." She also reaffirmed her support for a single European army and a single European foreign policy. "[The recent] events demonstrate, if there were any

need, the absolute necessity of establishing as soon as possible European defence arrangements and a genuinely common foreign and security policy". (*Parliament Magazine*, 24 September 2001).

MONEY LAUNDERING

The parliament has clashed with the Council over the money-laundering directive associated with the single European anti-terrorism policy. The aim of the directive is to prevent terrorist groups from funding their activities from the proceeds of criminal activities such as drug smuggling. The legal profession has objected to a key part of the directive. The lawyers argue that it undermines client confidentiality. The Council wording says that "legal advice remains subject to the obligation of professional secrecy unless the legal counsellor is taking part in money laundering activities, the legal advice is provided for money laundering purposes, or the lawyer knows or has reason to believe that the client is seeking legal advice for money laundering purposes." The parliament wants to delete the catch-all phrase "or has reason to believe" because it feels the looser burden of proof would prove impractical (*Rapporteur*, 8–12 October 2001).

ERADICATION OF POVERTY

Wednesday 17 October 2001 was the international day for the eradication of poverty. "To respect the dignity of others is to respect your own", proclaim posters around the European parliament. Seeing that left-wingers are arguing that poverty breeds terrorism, presumably this is another measure to combat terrorism.

LABOUR INTERNATIONAL

Few people in the United Kingdom know that the Leader of the House of Commons, Robin Cook, MP, (Labour, Livingston) is also President of the PES. On 12 October 2001, Mr Cook joined the Presidents of the EPP, the ELDR, the European Free Alliance and European Federation of Green Parties, as well as the President of the European Commission, Romano Prodi, in writing a letter to the President of the European Council, Guy Verhofstadt. As well as welcoming the statute of European political parties adopted under the Belgium Presidency, the co-signatories stressed that national parties do not have the resources to

fund European groupings and therefore insisted on EU funding. The package being considered totals €15 million a year. No doubt this will help ease the dire financial situation the Labour Party has found itself in since the British general election (*Bulletin Quotidien Europe*, 13 October 2001).

'EURONEGATIVISM'

Earlier this month, the Freedom Union, an opposition party in the Czech Republic, presented their programme for Czech entry into the European Union and the future of an enlarged Europe. Their manifesto supports the creation of a 'European federation' with the European parliament gaining power at the expense of the European Commission.

Introducing this vision to journalists, the chairwoman of the party, Hana Marvanova, said: "We are critical of the Euroignorance displayed by the [ruling] Social Democrats (CSSD). We dissociate ourselves from the Euronegativism of the Civic Democratic Party (ODS), which is trying to make people feel disgusted by the European integration idea without being courageous enough to clearly support any other alternative" (Czech News Agency, 9 October 2001).

Whilst the Občanská Demokratická Strana (ODS) may be turning public opinion against full membership of the EU, they are certainly not afraid to present their own vision for the future of Europe. In April 2001, Jan Zahradil, MP, Shadow Foreign Minister for the ODS and member of the European Foundation's International Advisory Board, published the Manifesto of Czech Eurorealism, a version of which was featured in the September 2001 issue of the *European Journal*.

SCOTLAND UNDER THE YOKE

In his editorial for the *Parliament Magazine* (10 September 2001) published on the day before the terrorist atrocities, the South West Liberal Democrat MEP Graham Watson (ELDR, UK) wrote: "As a Scot, I am well aware of the frustrations of nations which have lived under the yoke of rule by others, a factor which often contributes to armed conflict and terrorism." Is this an early indication of Liberal Democrat support for Scottish independence?

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Advertisement for
'Tackling Terrorism',
by Martin Howe
published by
Politeia

The New Euro Corporatism

by Marc Glendenning

THERE WAS MORE THAN A LITTLE IRONY in Tony Blair calling, in his recent sermon to the 2001 Labour Party conference, for decisive action against the Taliban because of the threat they pose to western democratic values. This from the man who has crushed opposition within his own party, emasculated Parliament and who wants to hand over the running of the British economy to a group of unelected bankers in Frankfurt.

The recent atrocities in America are being used as a tool by those like our Prime Minister who are working to build a Pan-European system of government. In his Brighton Conference speech, Blair claimed that the terrorist attacks demonstrated the need for the single currency and greater general political integration. The government has announced that it fully supports the plan to impose a series of EU-wide 'anti-terrorism' measures and to speed up the process of creating a common legal area (see below). Several civil liberties groups, including Statewatch (which specifically monitors Brussels) and Liberty, have denounced the proposals as significant threats to justice. The EU's response to the events of 11 September 2001 makes ever more apparent the fact that the Pan-Europeanist project represents the biggest threat to liberal values in western Europe since the fascists were strutting their nasty stuff sixty years ago.

While acknowledging that there are important differences between the Euro-authoritarianism of today compared to the totalitarianism of the 1930s and '40s, I want to argue that there is nevertheless a disturbing degree of overlap between the two ideologies. *Really existing* Pan-Europeanism is a configuration of different components. It is a 'third way' that combines beliefs, structures, and policies that are drawn from both what have been traditionally thought of as the 'left' and 'right' of the political spectrum. Two examples are the monetarist strictures that accompany the single currency, on the one hand, and the Social Chapter, on the other. Any definition that is based on the abstraction of only one or two aspects of Pan-Europeanism will result in an inadequate understanding of this unique coming together of tendencies. If Pan-Europeanism is not literally fascism, it can be described as a New Euro

Corporatism (NEC). The essence of NEC, like fascism, is the centralisation of power in the hands of an unaccountable elite that then subjects civil society to extensive governmental regulation.

This is not to say the two systems of thought are identical. First, while it is true that an opportunistic racism has been a tendency associated with the German Christian Democrats – in a recent regional election the party ran on the slogan "*schools, not immigrants*" – it would nonetheless be inaccurate to claim that the vast majority of mainstream EU-statists are systematically racist. Whatever its faults, it is difficult to imagine Brussels waging a pogrom against members of ethnic minorities. Indeed, Brussels dishonestly uses the cause of anti-racism to justify many of its interventions that violate civil liberties (see below).

Another distinction is the quantitative degree of state control over civil society that the EU's mainstream adherents in the social and Christian democratic movements aspire to, compared to that achieved by fascism in the past. While today's Pan-Europeanists typically favour extensive state intrusions into the lives of individuals, they do not aspire to control the totality of human existence.

Stylistically, the two are also not the same. Fascism laid great emphasis on the idea of heroic leadership, mysticism, and theatricality. While the EU, like the totalitarian regimes of the past, is indeed waging a ceaseless campaign designed to indoctrinate its citizens (including schoolchildren), its propaganda output, other than possibly the *grand guignole* 'Captain Euro' web-site,¹ does not possess the same high camp quality of its fascist counterpart. In appearance, Brussels displays about as much fascist menace as an IKEA showroom on early closing day.

This having been said, the following key areas of similarity between Pan-Europeanism and classical fascism can be identified.

ELITE RULE

THE CURRENT STRUCTURE of EU government is based on the centralisation of power in the hands of an elite class of decision maker. It represents, as the Oxford academic Larry Siedentop has argued in his book *Democracy in Europe*, a fundamental departure from the traditional

Anglo-Saxon, liberal model of representative governance.² It is an up-dated version of Hegel's ideal: the Prussian state's official philosopher advocated a system of government in which a permanent civil service elite ensures that the essential 'mission' of the state is pursued and protected and that political debate only takes place within highly restricted parameters.

While the EU is not a one party system, the bottom line is that as more and more powers are concentrated in Brussels, ordinary Europeans are finding their capacity to exercise any meaningful control over their rulers diminished. Elections to national parliaments are becoming reduced in significance and voting in farcical elections to the European parliament does not, by definition, enable Europeans to determine who forms their government. The EU's three most important decision making bodies – the Commission (the EU's executive and embryonic government), the Council of Ministers, and the European Central Bank – have no electoral mandate, meet behind closed doors, and their proceedings are subject to secrecy laws.

By voting in elections to the European parliament, Europeans cannot affect the composition of the EU's most important institutions. Under Article 107 it is even an offence for an MEP to write to the ECB urging it, say, to pursue a lower or higher interest rate. As Peter Hain, MP, once asked rhetorically in relation to the single currency (before Tony Blair offered him a job complete with his own chauffeur): "*Why should monetary policy be taken out of democratic control and left to bankers?*" Pan-Europeanism is the autocracy that dare not speak its name.

While the British government, like many of its European counterparts, makes rhetorical noises about the need for reform, there are no concrete plans for fundamental change. The new Treaty of Nice will, far from closing the democratic deficit, make it worse. Brussels will formally gain the right to withdraw the voting and representation rights within the Council of Ministers of states that are thought to be, in only vaguely defined terms, a *potential* threat to the essential values of the EU. This updating of the Brezhnev doctrine, of course, has already been (illegally) deployed against the Austrian government, supposedly because

of the presence within its ranks of the right wing Austrian Freedom Party. However, it is interesting to note that twice in recent years the National Alliance, an overtly racist party that is the successor to Mussolini's movement, has twice helped to form coalition governments. Yet, Brussels has not threatened to apply sanctions against Italy. This is no doubt due to the fact that the National Alliance – unlike their Austrian equivalents – are enthusiastic adherents to the idea of EMU and greater political union. The real reason, it is only fair to conclude therefore, that the EU wants the new proposed Article 7 is to enable it to clamp down not on racist governments but on any member state that presents a potential obstacle to the unification process.

Peter Mandelson, MP, has predicted that *"The era of pure representative democracy is coming to an end."* But what is it that he, and his fellow members of Britain in Europe, are working to replace it with?

AUTHORITARIANISM

AUTHORITARIAN REGIMES of 'right' and 'left' do not accept a hard boundary between the public and the private spheres. The notion that the individual has sacrosanct liberties, such as a right to free speech, that should not be violated by the state is an anathema to EU-statists from the social and Christian democratic traditions (the overwhelming majority).

The general mindset in the EU concerning basic human rights was shown in the judgement of the Court of First Instance relating to Bernard Connolly's appeal against his dismissal from the Commission for writing a book critical of EMU. The court ruled that criticism of the Union was tantamount to *"blasphemy"* in its legal consequences and hinted that when it evolves into a criminal jurisdiction it will take action to restrain criticism.³

The EU is in the process of putting in place a number of instruments and agencies that will give it the capacity to neutralise serious dissent. The deployment of the sinister range of powers Brussels is accumulating will, in all probability, only be used sparingly and at strategically key moments. The context within which state suppression takes place now is obviously more constrained than was the case sixty years ago or so. It is interesting to note in this context that the sanctions imposed against Austria were lifted once that country's government gave an undertaking that it would not block the Nice Treaty and

would commit itself to the European ideal. The Freedom Party duly caved in and changed its policy on Nice.

The Treaty of Nice under Article 191 will give the Council of Ministers by qualified majority vote the right to remove the

It is a 'third way' that combines beliefs, structures, and policies drawn from both 'left' and 'right' of the political spectrum

funding rights of political parties that do not contribute to the creation of a Pan-Europeanist consciousness. In what liberal democracy are political parties deliberately handicapped for failing to adopt a particular ideological position? Article 52 of the Union's embryonic constitution, the Charter of Fundamental Rights, allows for the removal of civil liberties in the 'general interest' of the EU.

A police force is in place, Europol, whose agents will have unlimited powers of search and surveillance and already enjoy diplomatic immunity from prosecution. What should give civil libertarians across the political spectrum cause for concern is that included in the many loosely defined categories of criminality with which Europol is allowed to concern itself, 'racism' and 'xenophobia' are totally undefined. Given that the EU's own Committee for the Monitoring of Racism and Xenophobia has defined opposition to the single currency as constituting 'monetary xenophobia' then, presumably, Europol would be within its rights to take an interest in Lord Owen's organisation, New Europe, or to bug Tony Benn's conversations with Arthur Scargill. In August, the Council of Ministers instructed Europol to *"track and identify"* anti-capitalist protestors throughout the EU as a means of trying to prevent further Genoa style demonstrations.⁴

As referred to earlier, Blair wants to impose, on the back of the terrorist crisis, a series of new Brussels inspired civil liberties violating measures. This includes automatic extradition to other parts of the Union (and so an end to habeas corpus and trial by jury for those who are the subject of EU arrest warrants), and a common EU definition of terrorism which is so broad that any act of

"intimidation" designed to alter *"political, economic, or social structures"* could theoretically get you arrested.

CORPORATISM

BRUSSELS, like pre-war fascism, interprets society through a corporatist paradigm. This approach rejects the liberal view that society is an aggregate of individuals and that it evolves through their spontaneous and voluntary interaction. Corporatism, in contrast, understands society in terms of a body, 'corpus', made up of disparate groups (corporations, syndicates, or guilds in fascist parlance) that need to be brought together and reconciled in the interest of the whole. The state negotiates with the elites that are chosen to 'represent' the different social interests through an assembly of the corporations. A consensus is then achieved to which all must adhere. Individuals within special interests cannot deviate from the agreed settlement. There are parallels here with the 'communitarian' ideas that are very much in vogue with Tony Blair and other figures in New Labour. The fascist emblem taken from ancient Rome, the 'fasces', a bundle of rods bound together with an axe protruding through the centre, is meant to symbolise the idea of a fragmented society achieving order through a powerful state.

Fascism sought to transcend class conflict through its conception of the corporate state, a 'third way' between the free market and socialism. Oswald Mosley, the British fascist leader, once said famously, *"I am not a man of the right or left, but of the centre."* Continental Christian and social democracy have also adhered to this view of society and imposed joint bargaining procedures on employers representatives and trades union leaders in some EU member countries.

This ethos is very much in evidence within the EU. Brussels has its own version of a corporatist assembly, the Economic and Social Committee:

"Members of the Committee are drawn from a very broad range of activities in civil society. Some represent the employers and workers (the 'social partners'), while the daily activities of others range from commerce, transport to crafts, the professions... This process has a special utility which may not always be immediately apparent. By requiring its members to find common ground on each issue and to resolve conflicts of interest between the different economic and social groups, the Committee's work is a useful

*contribution to consensus building within the Union's legislative process."*⁵

The emphasis that both liberals and the left put on the open expression of conflicting interests, parliamentary representation based on local communities (not 'corporations'), and competitive elections, is entirely absent when confronting the Economic and Social Committee. In any case, how are these 'representatives' chosen and by whom? To whom are they answerable? The existence of this committee offers one clue as to the enthusiasm for the Pan-European project that many powerful interests, such as the Round Table of European Industrialists and the CBI, display. They have the resources and pull to ensure that they get to have 'representatives' on such bodies and that their voice can be heard loud and clear in Brussels. It is far less time consuming and expensive than having to lobby and schmooze fifteen different sets of politicians. The political unaccountability of those Big Business are trying to influence is also a huge attraction. And, of course, the small and medium sized business sector is relatively disorganised politically and therefore not as potent. Again, this is another parallel with the fascist period.

DIRIGISME

THE FASCIST ECONOMY was characterised by private ownership of the means of production. However, this was not free market capitalism, but a system tightly regulated by a mass of directives designed to ensure that businessmen accorded with the objectives and priorities of the regime. The use of regulation, rather than direct ownership of enterprises, was one major distinction between fascism and Marxism.

Likewise, in the EU context, directives compelling privatisation are combined with those laying down conditions of employment such as the 48-hour working week law. This inclination towards bureaucratic intervention in the affairs of the private sector is often done with the encouragement not only of trades unions but also of big business that has the financial and administrative means to cope with these demands, whereas smaller rivals are less able to accommodate them.

PAN-EUROPEANISM

AS JOHN LAUGHLAND DEMONSTRATES in his book *The Tainted Source*, fascists and Nazis contrary to popular belief, were not defenders of the nation-state system. Many of the Pan-Europeanists of the past

had fascist backgrounds. Robert Schuman, for example, was a minister in the Vichy administration (itself a vocal protagonist for European unity). François Mitterand was also an active Vichyite. In part, the cause of a politically unified continent mirrored the fascist belief that domestic order could only come about as a consequence of an omnipotent state. Internationally, they saw a fragmented continent based on individual sovereign nations as a recipe for chaos and conflict: "*Corporations would be the basis for a social unity within nations and, by extension, also for unity and reconciliation between nations; a system applied nationally to bring about inter-class harmony would, when applied internationally, make for collaboration among nations.*"⁶

An additional benefit, from a fascist perspective, resulting from the demise of traditional nations, is the idea that the bigger the political jurisdiction territorially and in terms of financial wealth, the more powerful the state. Mussolini addressing the Italian National Council of Corporations in 1933 said: "*Europe may once again grasp the helm of world civilisation if it can develop a modicum of political unity.*" Oswald Mosley writing in the 1950s expressed the view that European countries were too small to remain self-governing: "*Whole industries in a country like Britain can be put out of business by a fluctuation in world demand, or a change in the world price level, occasioned by these industrial giants whose own economies are large enough and sufficiently self-contained to be independent of world events...*" The need, he claimed, was for a "*European government in command of an area so great as Europe-Africa, and animated by the guiding principle of a complete economic leadership of industry by government.*"⁷

This mindset, of course, finds echoes today in the rhetoric of Jospin, Schröder, Blair and others who talk about creating a 'superpower' that will be able to rival the United States. Romano Prodi, like Mitterand and Kohl before him, refers repeatedly to the idea of recreating the Roman empire. Hence the importance attached to the creation of a common army and foreign policy.

CONCLUSION

THESE AREAS OF OVERLAP between New Euro Corporatism and classical fascism do not concern peripheral areas of politics. They relate to issues and questions that are of central importance to any ideology: social frame of analysis; governmental structures; mode of economic organisation;

the national question; attitude to the individual-state relationship; among others.

NEC is, in reality, the dominant ideological profile of the EU. There are, of course, advocates of an EU state that genuinely want it to be based on liberal and/or democratic principles. This tendency is very small indeed and tends to be found only in the Italian European Movement, the Union of Young European Federalists, and isolated individuals scattered through more mainstream pro-EU parties and groups. However, no democratic Pan-European state – leaving aside the question of whether or not this is possible in practice or desirable – is actually on the menu. Most Pan-Europeanists, such as the British Liberal Democrats proclaim their desire at every opportunity to see the EU's structures transformed. When push comes to shove, despite their pious rhetoric, they always end up supporting the transfer of more powers to the *really existing*, undemocratic European Union, as characterised above. The choice, effectively, for all Europeans is between national democracy (with all its imperfections) and the authoritarian system described earlier.

The over-riding priority for all those who wish to live in a society in which they can exercise some degree of democratic oversight over the political class, and keep open the option of radically different political approaches, is to form a popular front against the authoritarian corporatists. Broader ideological differences must take a back seat. The stark reality is that Pan-Europeanism represents the most potent threat to western democracy since the Second World War.

1 See www.captaineuro.com

2 Larry Siedentop (2001) *Democracy in Europe*, London: Penguin Books (See page 31 of this issue.)

3 Bernard Connolly (2001) "A dissident speaks out," *European Journal* 8(6): 2–4 (May)

4 *Independent*, 20 August 2001

5 *Serving the European Union: A citizen's guide to the institutions of the European Union* (1996), Brussels: European Commission, p. 24–5

6 John Morgan, quoted in John Laughland (1997), *The Tainted Source: the Undemocratic Origins of the European Idea*, London: Warner Books, p. 49

7 Oswald Moseley (1997), *Revolution by Reason*, The Edwin Mellen Press, pp. 154–7

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BOOK REVIEWS

The Last Days of Britain: the Final Betrayal

by **Lindsay Jenkins**, Orange State Press, 2001,
ISBN 0-9657812-2-4, 302 pp, £14.99

Reviewed by Evan Brittain

AS AN AMERICAN STUDENT who is, for all intents and purposes, a newcomer to the EU's *modus operandi*, I found Lindsay Jenkins' new Eurosceptic tome, *The Last Days of Britain*, particularly informative and lucid. As someone who only began to follow British politics relatively recently, the prospects of an EU superstate seem to me very real and very ominous.

Jenkins takes each of the issues in turn and spells out the implications of EU policy for British self-government. With candour and clarity often uncharacteristic elsewhere in the EU debate, Jenkins fortells the imminent economic disasters and concessions of national sovereignty of all sorts that await Britain. Jenkins lays the blame for Britain's present situation squarely on the shoulders of every Prime Minister, from Edward Heath, who took Britain into the then EEC in 1973, to Tony Blair, who continues today to hand over British self-government. Early leaders such as Heath who wanted to "swallow the lot, and swallow it now" were eager to join the then Community and considered getting a good deal for Britain as almost irrelevant.

Jenkins begins her discussion with the pen and the sword of authority: legislation and the judiciary. Most of the legislation introduced in Parliament has its provenance in Brussels. Not a single piece of Brussels legislation has ever been turned down. The interpretation of these laws is placed in the hands of unelected, unaccountable 'judges'. Many of these are simply professional bureaucrats who have moved up the ranks and now sit on the European Court of Justice (ECJ). The extent of judicial activism in the ECJ is unparalleled in modern courts. The judges use the bench as a mechanism for further integrating Europe by "constitutionalising the Treaty of Rome to fashion a constitutional framework for a quasi-federal structure in Europe". The unelected judges regularly overrule the elected representatives of the British people, a salient and eye-opening example of British power being forfeited on the most fundamental level.

Perhaps the most frightening aspect of Jenkins' analysis is the gradual development of an EU criminal justice system, which will increasingly override British bulwarks to state power. Habeus corpus, trial by jury, and independent police forces are all under threat. The nascent EU criminal law comes in the form of *Corpus Juris*, a new structure proposed by the EU to cover the investigation, prosecution, and punishment, all by the same authority, of fraud and organised crime. Operationally, *Corpus Juris* is a thinly veiled replacement of current legal systems in member states, in which Britain has the most to lose.

Since its publication in April 1997, *Corpus Juris* has been followed by a glut of proposals that would limit public and private freedoms. The most perilous component of *Corpus Juris* is the creation of a European Public Prosecutor (EPP), a virtually omnipotent prosecutor "responsible for investigation, prosecution, committal to trial, presenting the prosecution case at trial, and the execution of sentences". Other proposals include the introduction of EU-wide arrest warrants, the abolition of Habeas Corpus and trial by jury, and allowing arrest and custody with no charge for up to nine months. Jenkins notes that while these proposals are not enshrined in any Treaty at the moment (the EPP was dropped from the Treaty of Nice at the last minute), she expects to see them reappear again in 2004 at the Intergovernmental Conference.

ANOTHER INFRINGEMENT upon national law enforcement is the creation at Amsterdam of Europol, an organisation originally intended to police drug related crimes. Europol's remit ranges from drug trafficking, child pornography and nuclear substances to fighting terrorism and money laundering. Europol officers also enjoy diplomatic immunity: they are free from any redress if they damage private property or make a wrongful arrest.

Discussing domestic security is the likely prelude to national defence. Jenkins rightly argues that NATO has been responsible for a

peaceful Europe for the last 50 years. Attempts by the Blair government to move towards EU-based defence would undermine the alliance's success. Historically, the impetus towards a single European army came from the Franco-German axis. There is no better way to undermine Britain's international power and influence than to determine its foreign policy from Brussels rather than London. The ratification of the Amsterdam Treaty in 1999, Jenkins contends, marked "the end of national diplomacy and the rise of uniform external service".

There are many further objections that can be raised against the idea of an EU army and foreign policy. The British defence industry is liable to suffer as EU organisations responsible for armament are more likely to buy from EU countries other than Britain in an effort to disseminate commercial business. Furthermore, as defence research and development are 'harmonised' throughout the EU, British industry is going to lose money.

JENKINS gives broad mention to the hottest EU issue of the day: the euro. Britain's economic future is teetering precariously as the decision on whether or not to participate in a perilous journey towards a monetary and currency union looms. The author dissects empirical pro-euro arguments for Britain and exposes them as specious time and again. Another danger lies in the degree of fealty to the euro among EU states. They are so committed to this idea, Jenkins asserts, that they are unlikely to admit failure until it is too late. Joining the EMU would be a great leap of faith for the British economy and would mean relinquishing enormous power to the European Central Bank including handing over control of interest and exchange rates and all gold and foreign exchange reserves. With the euro consistently depreciating against the dollar and the pound, the differences between the EU economies and Britain's have become more conspicuous. For example, over 80% of the British

economy is not involved with the EU, and over 80% of overseas investments into and out of Britain do not involve EU countries. The bottom line as regards the euro is that one set of economic rules does not fit all countries with different economic structures, natural resources and industries.

Similarly, Britain's fiscal independence is being assailed by those in Brussels who wish to 'harmonise' the taxing of everything from land and customs duties to art and children's footwear. Jenkins argues that by clandestine 'baby steps', eliminating national vetoes, and using the ECJ as a UK tax court, the EU is altering British tax law to suit their interests.

The EU has unleashed a cornucopia of Single Market regulations whose vagueness allows them to encroach upon every part of British trade and employment law. Brussels has become a playground for lobbyists in search of subsidies and business breaks. Jenkins shows that the Single Market is far from a reality and that while Britain is a free

trading country, "*the EU is a customs union and a protectionist bloc with one central authority, one external tariff, and one trade policy.*"

Since joining the EU in 1973, Britain ceased to be able to negotiate or sign international trade treaties. High tariffs on trade outside the EU and loss of competitiveness inside the EU have done nothing to create new jobs but have severely burdened Britain. The fact that French and German businesses are moving to Britain because of less red tape and a simpler tax system is a striking testament to Euroland's failed policies.

THE LAST DAYS OF BRITAIN is a comprehensive guide to how the EU is becoming a centralised, federalist state and how this is affecting Britain. All of the historical background on every issue is outlined: from EU regulations to the euro; from trade to taxation. Lindsay Jenkins does not mince her words and is to be commended for

avoiding the idiosyncratic techno-babble so often associated with these issues. Also commendable is her ability to highlight only the most important issues.

From my perspective, Britain is losing its national sovereignty and identity. It is sacrificing solid and reliable relations with NATO and the US, among others, in exchange for a highly idealised experiment in federalism that does not suit British interests. The clarity and ardour with which this book is written makes it a quick and absolutely essential read for anyone seeking a thorough introduction to what lies ahead for Britain.

Evan Brittain studies biology and chemistry in the USA, and is currently an intern at the European Foundation. The Last Days of Britain is available for £14.99 + 10% p&p from The June Press, PO Box 9984, London W12 8WZ, or from www.junepress.com

Democracy In Europe

by **Larry Siedentop**, Allen Lane, The Penguin Press, 2000,
ISBN 0-713-99402-9, 254pp, £8.99 cloth.

Reviewed by Dr Brian Hindley

"FEDERALISM is the right goal for Europe. But Europe is not yet ready for federalism". So say the concluding lines of Larry Siedentop's book.

The first sentence, it seems, must stem from a defence in principle of a federal Europe. That promises to be interesting: if an issue is important, there is everything to be said for engaging with the best arguments of the other side. It is true that the second sentence qualifies the first, and, as Siedentop spells out what Europe needs to do to be ready for federalism, it comes to seem that Europe might never be ready. But that practical difficulty ought not to affect the case for federalism in principle.

It is a peculiarity of current proposals for a federal EU that they have no clearly articulated goal beyond the construction of a federal EU. They give no cogent account of why a federal Europe is to be desired, in terms of what this might achieve. Proposals seem to be aesthetic rather than practical. Sometimes a proposal for federation aims to ameliorate a current problem – a popular theme at the moment, for example, is the lack of esteem in which the institutions of the EU are held. But to focus on immediate problems when discussing a constitutional

structure that is presumably intended to last for decades or centuries suggests either evasiveness or aimlessness. Neither quality is likely to provide a sound foundation for a major political undertaking.

"It is easy to feel dismay about the post-Maastricht debate," says Siedentop, and he comments that "*those advocating a federal Europe recently have often seemed to be more concerned with promoting uniformity than with fostering diversity.*" The European debate, he says, has turned on a number of aims or rationalisations for integration. He identifies these as:

- (a) To prevent war in western Europe;
- (b) To complete and sustain the common market, so that Europe becomes richer;
- (c) "*To control and restrict German power by giving others some part in the government of Germany*"; and
- (d) "*To enable Europe to become one of the world's major power blocks, able to hold its own with the US and emerging Asian economic powers.*"

"But," he says, "*none of these arguments – with the partial exception of the third – says anything about desirable constitutional*

arrangements, about the proper distribution of authority and power within a European federal state. None of them really addresses the question of democracy in Europe." He's right – and it is a pity he does not spend more time discussing *why* these crucial questions are neglected in Europe.

As these instances suggest, Siedentop's view of the EU is often critical. Indeed, much of his analysis of the current state of affairs in Europe could come from a Euro-sceptic pen. For example:

"*That is the plausible heart of the British case against over-rapid construction of a federal Europe, a sudden move away from the political cultures of nation-states. The danger is that such a move will not really extend a culture of consent through Europe, but rather jeopardise it where it already exists. For only a fool can believe that the nations of Western Europe exhibit, with respect to the rule of law, anything like the same culture of consent.*" (p. 80)

"If Europe is created on the model of the older, unreformed French model of the state – so that a 'federal' Europe becomes the façade for a political class and a political culture shaped by bureaucracy – then the danger for Europe is that its history will come to

resemble that of France since 1815. The tutorship of a bureaucratic state will be rejected from time to time by Europeans angry at being treated like children, but unused to the disciplines of citizenship." (p. 144)

"The danger of premature federalism in Europe – of the rush to political integration which turns federalism into little more than the mask for a unitary superstate – is that it could put at risk the complex textures of European societies." (p. 230)

What, though, of the case in principle for a federal Europe? The advantages of federalism must be very great, if they outweigh the dangers and disadvantages noted above.

Siedentop, though, disappoints on this central issue. His case for a federal Europe is perfunctory. When he argues against moving too rapidly towards a federal Europe, he refers to the specifics of time and place. When he argues for a federal goal for Europe, the case is detached from specifics, and relies heavily on de Toqueville's analysis in *Democracy in America*, and on the American experience of federalism. Toqueville's analysis is perceptive, and American federalism has much to recommend it, despite the brutal civil war that broke out thirty years after Toqueville's visit to the US

– a war upon which Europeans prattling about the peace that a federal state assures might profitably reflect. But a cogent case for a federal Europe needs more than reference to de Toqueville and admiration for the political structure of the US.

The EU seems to be heading towards an inter-governmental structure in which the power of large countries will be reflected, not in their ability to assure the passage of proposals, but in their ability to block them. This deeply problematic structure is not a federation in Siedentop's terms (a *sine qua non* of a federation being, in his view, a right of the federal government to act directly upon citizens of the member states). But there is no systematic analysis of it, or of its consequences, or of any other constitutional alternative to federalism.

If somebody says "X is the right goal for Y", it might be expected that they have considered the alternatives to X, and also that they have consulted Y's wishes. When Siedentop says "*Federalism is the right goal for Europe*", however, he neither considers the alternatives, nor the ideas of Europeans about where they want to go.

IF EUROPE is not ready for federalism, as the final sentence of the book says, what must it do to get ready? Among other things,

Siedentop says, it must adopt English as a *lingua franca*. If Europe is going to be democratic it needs a common language, and English, having a head start, is the logical choice. The argument is sound. It is, though, a trifle theoretical, and if that's what we're waiting for, it's going to be a long wait. What should we do in the meantime?

In practical terms, Siedentop is a Euro-sceptic. His book is a struggle between his accurate perceptions of the current state of play in Europe and his desire to be *bien pensant*. *Democracy in Europe* would have been a better and more interesting book had he allowed the accurate perceptions to win more victories over the *bien pensant* inclinations.

Dr Brian Hindley lectures on international economics at the London School of Economics, where he is Emeritus Reader in Trade Policy Economics, and at the Amsterdam Law School where he is a visiting professor. He is co-Chairman of the Bruges Group.

... news in brief

Poland determined to join EU by 2004

The Polish President, Alexander Kwasniewski, has reiterated his country's determination to conclude accession negotiations with Brussels by 2002 so that his country can become an EU member in 2004. Prime Minister Leszek Miller, whose party was re-elected on 23rd September, also said that if the deadlines were not met then there was a danger that Poland would not be in the first wave of new EU member states: if it was not among the first to join, he said, then it might never join. Polish accession has always been highly problematic for the EU: it has 40 million out of the 70 million potential new euro-citizens. Now we learn that it has concluded negotiations on "only" 17 out of 31 chapters in the negotiation process, while Cyprus and Hungary have concluded 22 each. On the other hand, Poland's own negotiating weight is considerable and some hold the view that Poland might be able to hold up the whole enlargement process if it is not in the first group. We are now also being told that the Polish economy is in severe difficulty, even though for years Poland was supposed to be enjoying amazing rates of growth. The budgetary crisis is particularly acute: the budget deficit is currently running at 11% of GDP and the last government slapped a 5% tax on imports. Needless to say, such a tax is not permitted in the new Europe. The 90 million euros in aid which Brussels pumps into Poland are not enough, apparently, to soak up the cost of "reforms" nor to stem the rising tide of popular dissatisfaction with them. Apparently the country is also in a state of "political crisis" because the communists did not win an absolute majority and will have to form a coalition: euro-propaganda usually holds that coalitions are a good thing.

Negotiations with the EU are also still sticking on the question of the free movement of workers. Germany and Austria do not want Polish workers coming in and undercutting their high wages. A transition period of 7 years has therefore been agreed before Poles will have the normal rights of other EU citizens to work where they like. For their part, the Poles do not want land in their country to be bought up by Germans. This has been happening illicitly anyway, as Germans and other West Europeans buy land through fake companies whose majority shareholders are Poles. The European Commission has proposed a transitional period of 7 years for this as well, which Czechs have already accepted. Two thirds of Poles would now rather delay European Union membership than cede on this point. Even taking into account all this, the small matter of agriculture has, incredibly, still not been discussed in the negotiations. Agriculture employs 25% of the Polish population; 700,000 of the country's 2 million farms are said to be "too small" to receive EU aid – even though the whole point of CAP used to be that it protected small farmers. This has not stopped a massive closure of Polish agriculture already, huge tracts of which now lie waste all across the country. Anti-EU movements have therefore sprung up and are now represented in the Polish Parliament. The most prominent of these, Self-Defence led by Andrzej Lepper, won 10% of the vote on 23rd September, while the nationalist League of Polish Families won 7.7%. One Polish official has rightly cited the example of the excise duty on cigarettes demanded by the EU, which will more than double the price. "If Poles cannot go and work in another EU country and if we double the price of their cigarettes, they are going to ask themselves, 'What do I get out of all this?'" [Arnaud Leparmentier, *Le Monde*, 3rd October 2001]

Pros and Cons of the EMU and EU

by **Emmanuel Stiakakis**, Minerva Press, 2001, ISBN 0-75411-676-X, 331 pp, £21.99

Reviewed by Russell Lewis

IT IS MOST REFRESHING to find a Greek author who is a thoroughgoing Euro-sceptic. Most Greeks are pro-EU and for understandable reasons.

First, Greece is small, and, as in almost all small European countries, the EU appeals to the ruling elite. This is because it is big and offers the opportunity for some of them to take up an important position in one of the EU institutions and become much greater than they could ever be just representing their native land. They might even get the chance to strut on the world stage. I remember when I worked for the European Commission in the 1960s, a good friend and colleague of mine, a Luxembourgish in the Press office, got elected to the Luxembourg Parliament and swiftly became transport minister (equivalent to a committee chairman in an English County Council). However, when there was a European Council meeting on transport, which had to be attended by all the national ministers of transport, it turned out to be Luxembourg's turn to take the chair. So he was suddenly hoisted into the limelight as President of the Council of Ministers.

Second, Greece is poor, so it benefits from grants and subsidies from Brussels and, as the old saying goes – you do not shoot Santa Claus.

Third, by being an early joiner of the EU, Greece has been able to prevent or anyway greatly delay Turkey's application to join.

Emmanuel Stiakakis is apparently unmoved by such considerations. He was originally drawn to the European project because he thought – like many of us – that the Common Market was primarily an exercise in barrier removal to promote the freer movement of goods, workers, capital, services, and ideas. An engineer, with no background in economics, he decided to find out all he could about it. This book is the result of his quest for the truth about the EU.

HE PROCEEDS with almost Aristotelean thoroughness to examine the standard arguments for the EU and EMU, and he finds them wanting. The Common Agricultural Policy, which is generally held to benefit Greek farmers by paying them for more olives than they actually produce, he regards with unaffected scorn. As he says, *"the farmers consider it (logically) as somehow 'foreign aid' and some of them try to absorb as much as possible by devising various ways to bend the rules and deceive the officials..."* In this way, a portion of the farmers' support money is lost to fraud." Further, he says, the national government in each recipient country is only interested in

obtaining as much subsidy as possible and turns a blind eye to fraud. In any case he thinks the whole concept of creating a Soviet-style command economy over the agricultural sectors of fifteen nations is crazy as it makes the producer inefficient and makes the consumer pay a higher price.

He carefully considers all the points said to favour the EU and compares them with the alternative. And what, you may ask, is that? Nothing less than complete free trade. To those who laud the benefits of the huge European single market he responds with a paean of praise for the market of the whole world. The way ahead is chartered by the World Trade Organisation which seeks to eliminate trade and other economic barriers everywhere. For those who fear going it alone he points to the prosperity of Singapore, Hong Kong, and Taiwan. Free to trade with all and sundry they are also free of the manic, one-size-fits-all EU harmonisation which seem designed to paralyse all the member nations' economies.

This book is one Greek gift all Euro-sceptics should be more than willing to accept.

Russell Lewis is a former Director of the European Foundation and is now a member of its UK Advisory Board and a regular contributor to the European Journal.

... news in brief

EU supports US

At a meeting in Luxembourg, the 15 EU foreign ministers have unanimously insisted that they stand shoulder to shoulder behind the USA in its war on terrorism. In a communiqué, the EU said that it "shared the objectives" of the fight against terrorism and "confirmed unreservedly the measures taken (i.e. the attacks on Afghanistan) within the framework of legitimate self-defence." In private, though, several diplomats are concerned at the way the military campaign is now proceeding. They are worried that the aim of the bombing is unclear and also concerned at the number of civilian targets hit – the Red Cross warehouse, the village of Karam, the refugee column etc.. But these concerns remain private, since there is a desire to maintain the official coalition unity. On the other hand, the EU has wished to show that it wants a "multilateral" approach to Afghanistan once the fighting is over. In particular, it wants the UN to be involved – something which the US Secretary of State also called for on 17th October when he suggested that UN peacekeepers might move in once the Taliban have been removed from power. These suggestions follow an earlier suggestion by France that the UN must play a decisive role in the post-war order in Afghanistan. [Laurent Zucchini, *Le Monde*, 18th October 2001]

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CHUNNEL VISION

Last Post

by Dr Lee Rotherham

PARANOIA has set in amongst Euro-parliamentarians. Quite apart from bumping into the odd spooked staff member who currently admits to checking incoming mail that might reveal a Kabul postmark, a batch of continental MEPs have demanded extra protection.

Over 100 jittery staff and MEPs have written to the EP President, Nicole Fontaine, demanding gas masks. Their number, incidentally, reportedly includes the Chairman of the Foreign Affairs Committee, our celebrated old friend Elmar Brok, MEP.

Now, to be quite fair, they do have a point. Security has historically not been entirely outstanding in the *Caprice des Dieux*, as the Glass Dreadnaught in Brussels is affectionately known by locals. For instance, this correspondent[†] was once able to stroll in wearing a badge inscribed with the words *United Federation of Planets: Earth Delegation*, without being challenged. Perhaps this reveals a deeper scheme for federalism than we first suspected; perhaps security were surprised to encounter a visitor who was actually from the planet, who can say?

In any event, at least the British Tories did a security survey and submitted a list of failings to the Quaestors (those MEPs responsible for the building). Did Italian MEP Luigi Cesaro? Nope. Responding to reports that Algerian terrorists had planned to launch a Sarin attack on Strasbourg back in February, he wanted a respirator for himself and his assistant. Well, hey, that's touching if you're the assistant. After all, can you imagine wandering into the office one morning to open up your mail and find your boss in the cupboard wearing the one office mask? Very depressing.

Needless to say, these MEPs have totally missed the boat. Their reaction embodies the whole mentality of the EU. They have spotted a situation, which has been dealt with by nation states; they have reacted; and they have overreacted. Sarin, of course, is a nerve agent. It gets in through the skin. If you have a gas mask, unless you're wearing a really, really thick pin stripe suit too, you're still done for. Driving gloves and rubber

underwear would help. But unless your socks are charcoal lined, goodnight Milan.

The MEP workforce is used to not being at the top of the Most Loved List in Europe. At times, you do get an invite to some cheesy event, like the 2nd World Symposium About Love, recently held at the Prague Castle (presumably not an East End pub), with all kinds of spiritual leaders invited. One imagines the Pope had a cold that day and the local Cardinal had to stay in to wash his hair, leaving just the happy clappers and the yoga folk. I cannot see many from Belgium having attended either, because, as the organisers pointed out, in the soft lens world they were planning there would be no need for legislation and extra laws, and *"no time for useless disputes, arguments and pointless words"*. Talk about a hard sell to Brussels.

Nevertheless, such fluffiness apart, that still leaves all the hundreds of identical letters accusing you of complicity in some crime part-funded by an obscure EU budget line, or where the Commission is entertaining a trade deal with some government which allows its citizens to strangle dogs, shoot frenzied knife-wielding nutters, club whales or suchlike.

AND THEN there's the abusive. Typically, the vehemence of their language chokes the language itself, which at least allows for some entertainment from their fury. For instance, on the Gibraltar submarine scenario:

"Rubbish for British. Gibraltar isn't a British rubbish. Tireless go home." [sic]

Very persuasive, but much better is this equally succinct attack from the USA;

"I protests your vile treatment of animals. You are no better than spit in the gutter... PS. you are ugly too." [sic]

The latter, incidentally, was sent to 39 MEPs, 5 members of the Commission, a French MP, a Belgian MP, 4 German MPs, the Socialist Party of Great Britain, the City of London Corporation, and the Flemish Government. That makes a heck of a lot of people who've been beaten by the ugly stick.

But that still doesn't explain the phenomenon at hand. Why do all these federalist MEPs (and staff) consider themselves to be a prime target, when the German police behind the Algerian arrests pointed the finger at an attack on Strasbourg Cathedral?

Because, I would suggest, such MEPs and staff consider themselves to be legitimate targets.

Now, I would also guess that pretty much every Eurosceptic in the European parlia-

ment does not consider himself or herself to be worthy of going up in a puff of smoke or as compost for some biowarfare experiment in the EP buildings. They do not share the vision thing, of the EU district of Brussels as the new Capitol. They do not see themselves as the legislators of the superstate to come.

But the federasts, on the other hand, know what is on the agenda. Consider: when the horror in New York was unleashed, the reaction from Brussels when Ministers met was described as 'speedy' and 'effective'; legislation intended to boost cooperation between the states in the form of the European Arrest Warrant, and in granting extra powers to Europol – an organisation, if you recall, that was originally set up simply to counter drug trafficking, but which is constantly accruing new areas of interest. (Incidentally, I recommend to the reader that they closely follow the excellent articles of Ambrose Evans-Pritchard in the *Daily Telegraph* in this area in the months to come.)

How were these, and like, plans dreamed up? Did the Commission officials chew pencil ends in the early hours of the morning in mid September? Not blooming likely.

These measures were on the table months ago. These are measures which the Commission knew were going to hit problems, might even be blocked as extending competences too much. But with September, the Commission found a Jo Moore scenario. It at least had the good taste not to send an e-mail. And national Governments fell into line, to be seen to be reacting with gusto.

The proposals will have to come back to Westminster. Civil servants in Whitehall may even be tempted to gold plate them. The Press will certainly be briefed that such actions are needed to stamp out the terrorist threat. But it behoves all free men that they at least consider these new laws on their merits, and challenge the Government that they are not strangling our liberties. But more importantly, that we ourselves should resist the current's present and perilous ebb, and not as a feckless mob demand of our Parliamentarians that they clamour blindly for their worthless gas masks.

[†] Note to the CIA: not in a letter writing context.

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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The objectives of the Foundation, set out in its constitution, are as follows:

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