

# THE EUROPEAN JOURNAL

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THE JOURNAL OF THE EUROPEAN FOUNDATION



MARK ALMOND

SOLIDARITY OR APPEASEMENT: EUROPE'S DILEMMA

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SIR ALAN WALTERS • LISBETH GRÖNFELDT BERGMAN, MEP  
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JAN ZAHRADIL, MP • PETR PLECITÝ • PETR ADRIÁN  
MILOSLAV BEDNÁŘ • JOHN GRIMLEY  
SIR OLIVER WRIGHT, GCMG, GCVO, DSC

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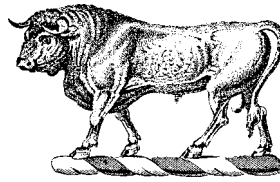
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## Pretexts for Integration

THE TRAGIC SUICIDE BOMBINGS in New York and Washington, DC, on 11 September 2001 will doubtless have a profound effect on the course of European integration. It has already become clear that European ministers believe that the confusion generated has given them *carte blanche* to push through new EU powers in areas entirely unrelated to terrorism. Take the recent proposal to do away with extradition procedures between EU member states. Under the guise of cracking down on terrorists, a sweeping extension of the European Legal Area is on the cards.

This is a wholly predictable development which has been extensively chronicled over the years in the *European Journal* and the *European Foundation Intelligence Digest*. The Amsterdam Treaty announced the creation of a so-called Area of Freedom, Security and Justice. Subsequently, the Tampere European Council of October 1999 stated that “*mutual recognition of judicial decisions and judgments ... should become the cornerstone of judicial cooperation in both civil and criminal matters.*”

The proposed new European Arrest Warrant is based on the mutual recognition of court judgments. When a judicial authority in a member state asks for the surrender of an individual, either because he has been convicted or because he is being prosecuted, its decision would be recognised and executed automatically throughout the EU. The transfer would

MANY READERS of the *European Journal* will be aware of the good news by now. Bill Cash, MP, has been appointed Shadow Attorney General by Iain Duncan Smith, MP, the new Leader of the Opposition. Needless to say, staff at the *European Journal* are absolutely thrilled. Messages of congratulations have been pouring in from readers and supporters from across the world, and deservedly so. As readers may have surmised,

AS EVER, the *European Journal* is chock-a-block with illuminating pieces from a range of international authors. Readers will note a particularly wide-ranging and masterly paper by Jan Zahradil, MP, Petr Plečič, Petr Adrián and Miloslav Bednář, four leading members of Václav Klaus’ party. They analyse the EU from a Czech perspective and suggest a number of different possible relationships between their country and the Union. The authors argue that there has been no “*real debate*” in their country on the implications of accession, the “*most extensive voluntary transfer of sovereignty to a supranational entity our country has witnessed in its modern history*”. They believe that while European integration has coincided with a uniquely long period of stability, prosperity and peace, the process has led to the creation of a form of “*non-violent confrontation*” between “*European*” interests on the one hand; and the interests of the individual member states and those of the world’s other centres (e.g. the United States) on the other. In particular, they contend that the EU’s attempts to forge a common Foreign and Security Policy (CFSP) is fuelled by “*implicit anti-Americanism*” and “*the attempt by some states*

become a purely administrative decision devoid of political criteria. The European arrest warrant would allow an individual to be arrested and surrendered to judicial authorities if he has been convicted and sentenced in any member state to at least four months in prison. It would allow the individual to be remanded in custody if he is being charged for an offence that carries a term of more than a year’s imprisonment. Crucially, the proposals deal with *all* crimes, not merely terrorist offences.

Although it includes provisions for translators and interpreters, the European capture order would have nightmarish implications for civil liberties. British justice is not perfect but the EU proposals would mean we would have no recourse against countries with dubious justice systems or politicised courts. If the proposals are accepted, British citizens will have no protection against violent police forces or against pre-trial detention in appalling prison systems.

Under the proposed Article 27, each member state may draw up a list of forms of conduct for which it declares in advance it will refuse to execute European arrest warrants (the ‘negative list’ system). Although this list “*may include forms of conduct that do not constitute offences in the member state making the list but which are in other member states*”, in so far as it is necessary to deal with terrorism through such cooperation, it should be possible to draw up a list excluding *all* offences with the exception of terrorist offences. The proposal requires unanimity for its adoption, so the government has no excuse.

Bill Cash will no longer be penning the Journal’s monthly editorials, having written in this space since 1993. His column will be sorely missed but he will of course remain closely involved in the work of the European Foundation, which he founded. This new column offers commentary on the latest events from the European scene and introduces some of the articles featured in the rest of the month’s issue.

to restore their lost status as world powers.” They believe that the CFSP has the potential to severely damage NATO and the transatlantic relationship with the US, partnerships that they view as vital to the long-term strategic interests of the Czech Republic and of the Continent in general. The EU’s demand for unconditional acceptance of the *acquis communautaire* has inhibited the accession of the Czech Republic and other candidate states. Zahradil and his associates believe that the EU should be organised on a more flexible basis, allowing members to interact on an intergovernmental – rather than on a centralised basis – and to opt out of some common provisions. The authors find the planned limitations that would be placed upon candidate countries following accession – particularly on the free movement of labour and representation in the European parliament – distasteful and protectionist. They argue that the Czech Republic should not be afraid to consider exploring membership of NAFTA and other free-trade agreements. This article together with the rest of this month’s *Journal* will we trust make for enjoyable reading.

# Will the EU Impose Exchange Controls?

by Sir Alan Walters

**M**OST OBSERVERS CONCEDE THAT IF Britain were to adopt the euro, there will be a large loss of sovereignty. Westminster and Whitehall will no longer be able to choose interest rates to suit the state of the economy. This is the straitjacket or 'one-size-fits-all' – with concomitant restrictions on fiscal policy.

It is widely thought that by a protocol in the Maastricht and subsequent treaties which exempted us from the single currency provision, we can maintain our monetary independence. Thus the government and the Bank of England appear to have complete sovereignty with respect to the Kingdom's monetary policy. But appearances in EU treaties are deceptive.

Buried away in Article 59 (formerly called Article 73(f)) we read: "*Where, in exceptional circumstances, movements of capital to or from third countries cause, or threaten to cause, serious difficulties for the operation of Economic and Monetary Union, the Council, acting by a qualified majority on a proposal from the Commission and after consulting the European Central Bank, may take safeguard measures with regard to third countries for a period not exceeding six months if such measures are strictly necessary.*"

In other words, if monetary policy, indeed if Economic and Monetary Union (EMU), is made difficult by large international capital flows (US dollars), then the Council may impose exchange controls (against the United States). Such safeguards are temporary – only six months – but note that renewal is not ruled out.

The question is, of course, how does this apply to the United Kingdom? First we note that exchange controls were, in effect, abolished in 1979. The law authorising exchange controls was abolished in 1982/3. To paraphrase Lady Thatcher in her Bruges speech: Britain has not pushed back the *dirigiste* tide in Britain only to see it reimposed by Brussels.

But one may believe that this provision can only apply to those eleven member countries that have adopted the euro; Britain, one would think, is not subject to this provision as long as it keeps the pound. Not so. The Protocol excluding Britain from the provisions of the treaty does not mention this article.

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A notable feature of this article is that the exchange controls require only a qualified majority to be in favour. There is no veto. This means that exchange controls could be imposed by a qualified majority against the implacable opposition of the British government.

This is a staggering ceding of sovereignty to Brussels and Frankfurt. The scenario of the Council in Brussels, advised by the European Central Bank, imposing exchange controls on sterling Britain seems ludicrous, even impossible. We have enjoyed three decades of free access to foreign exchange with offshore interest rates the same as domestic rates. Surely this basic freedom is not to be surrendered so supinely.

There is no doubt that this clause was supported by France, Spain and Italy. All had used some form of exchange controls, mainly through dual currency markets, in 1992 and 1993 during the two crises of the late Exchange Rate Mechanism. No doubt they wanted a legal umbrella to justify such

controls during a future financial crisis of the euro.

When this subject is raised with EU officials, they imply that this clause is only operational in the most extreme emergencies. In practice this article would never be invoked, so why bother about it? But if it is never to be invoked, then why not strike it out – as Lady Thatcher did to the legal framework of exchange controls in Britain. One may infer that the *enarques* and their counterparts did anticipate that, as the strains develop in EMU, they would need truly draconian powers to defy the mighty dollar and protect their precious reserves.

Article 59 (formerly called Article 73(f)) does not specify the "*safeguard measures*" that are to be invoked. Presumably they cover primarily short-term portfolio capital movements: large flows of 'hot money' instil fear in many a central banker's breast. Many suggestions for discouraging or banning 'footloose' capital have emerged from the banking fraternity and influential academic economists – such as James Tobin's suggestion that we need to put some 'grit' in the system of capital movements. If the 'grit' took the form of a tax, then it would require unanimity and Britain could veto the measure. But the enormous variety of non-tax exchange controls, such as limiting markets through dual exchange rates, are all enforceable with a Qualified Majority... one can well imagine that Britain may capitulate in the (correct) belief that Tobin's grit is preferable to the distortions of exchange controls. Article 59 can be used to enforce the will of the Qualified Majority.

At the very minimum, while the United Kingdom is outside Euroland with its own currency and central bank, the article should be renegotiated to exclude Britain and sterling from such continental shenanigans.

*Sir Alan Walters was Chief Economic Adviser to the Prime Minister from 1980 to 1984 and in 1989.*

## ... news in brief

### Marks & Spencer wins case

A French judge has thrown out an appeal by the *Confédération Française du Travail* and other trade unions that Marks & Spencer's closure of its shops in France was illegal. The unions claimed that M&S had not created a European Enterprise Committee to negotiate between workers

and management. The judge ruled that such a committee was not legally necessary since the committee which M&S had created did, in fact, ensure consultation. On 9th April, the Tribunal in Paris had ordered the suspension of the closure of 18 M&S shops in France and the sacking of 1,700 staff on the basis that the consultation had been inadequate. [*Le Figaro*, 19th September 2001]

# Opposing the Tobin Tax

by Lisbeth Grönfeldt Bergman, MEP, and Theresa Villiers, MEP

THE ANTI-GLOBALISATION BRIGADE must be delighted. In the last few weeks the Tobin tax has leapt from the realm of academia to the forefront of the political debate. The Belgians, who took over the Presidency of the European Union in July 2001, first stoked up the discussion by suggesting that the tax should be placed on the agenda of the informal ECOFIN Council meeting in September. This was followed by French Premier Lionel Jospin's endorsement of the tax on prime time television. *"I am in favour of France taking an initiative so that Europe endorses the Tobin tax,"* he said. The idea has attracted considerable support in the European parliament, with many Swedish Social Democrats and British Labour MEPs voting in favour of the introduction of such a tax in May 2001.

The idea of a tax to deter short-term currency speculation was first proposed by Nobel prize winner Professor James Tobin in 1971. It has been suggested that a tax of 0.05% on all currency transactions would generate up to \$100 billion a year which could be used to fight global poverty. The Tobin tax sounds like a worthy idea. In practice it is fatally flawed.

It is a misconception that short-term currency speculation causes financial crises. The factors that genuinely cause a crisis are weak banking systems and corruption, combined with unsound fiscal and monetary policies and insufficient liberalisation and reform. The Swedish crisis in the 1990s was blamed on heartless speculators but the real cause was an excessive foreign debt burden and an overly rigid exchange rate policy. The Asian crisis demonstrated that the biggest sellers of local currencies were not currency dealers but local firms trying

to hedge or repay debts they had incurred in dollars.

Supporters of the Tobin tax claim that it is necessary to counteract volatile financial markets. In reality such a tax risks distorting the market by interfering with net capital flows driven by real economic forces. Tobin tax advocates have failed to recognise that the free flow of capital has many positive effects, including making it cheaper and easier to invest in developing countries. The tax would not discriminate between 'stabilising' and 'destabilising' transactions, and transactions that actually assist these countries would also be lost. An overall reduction in transactions would also erode liquidity, without which the markets dry up and goods become more difficult to shift. The final result is that everyone ends up poorer.

THE TOBIN TAX would be almost impossible to collect. In a world of Internet dealing, capital flight is as swift as the click of a button. Without global implementation currency dealing would immediately shift to jurisdictions which decline to introduce such a tax. Even Professor Tobin himself has accepted that *"having a tax of this kind adopted depends on international agreement. And since the US is dead against it, it is not going to happen."* If Europe goes ahead and unilaterally introduces a Tobin tax, capital flows would immediately switch to centres such as New York, Zurich and Hong Kong. London's position as the world's major foreign exchange dealing centre would be severely compromised.

Proponents of the Tobin tax claim that revenues would be given to less developed countries. However this view is also based

on the fundamentally incorrect assumption that less developed countries would be better off with capital support. Handing large sums of money directly to third world dictators is hardly an effective mechanism for fighting poverty. Experience shows that the money does far more good if allocated by the market. The right way to assist poor countries would be to give them a fair chance to prosper through participation in the global economy. It is ironic that Lionel Jospin should now be leading the debate on the Tobin tax when the French government has worked tirelessly to keep existing trade barriers in place.

Following a blaze of publicity in Genoa, the anti-globalisers must feel that their time has come. They would view the adoption of the Tobin tax as a major victory. For the sake of global financial stability they must not succeed.

*Lisbeth Grönfeldt Bergman is a Conservative MEP for Sweden. She is a member of the European parliament Committee on Economic and Monetary Affairs and a substitute member of the Industry, External Trade, Research and Energy Committee. She is a bureau member of SME-Union, the Economic and Independent Business Association of the European People's Party. Theresa Villiers is a Conservative MEP for London. She is Conservative European parliament Spokesman on Economic Affairs, a member of the European parliament Committee on Economic and Monetary Affairs and substitute member of Legal Affairs and the Internal Market Committee. She is the author of European Tax Harmonisation: the Impending Threat published by the Centre for Policy Studies.*

## ... news in brief

### EU demands closure of nuclear plant

The EU commissar for enlargement, Günter Verheugen, on a two-day visit to Lithuania, has reaffirmed the well-known EU position that the country must close its nuclear power plant at Ignalina by 2009. Verheugen said that Lithuania was a strong candidate to join the EU by 2004 but that no exceptions would be made over Ignalina. Lithuania has already agreed to close one reactor at the plant by 2005. Verheugen promised financial aid to Lithuania if it did close the second reactor. The reactor provides the vast bulk of Lithuania's electricity and closing it would make the country completely dependent on outside sources for energy. [Radio Free Europe Newsline, 19th September 2001]

### Chirac rules out reform of CAP

Jacques Chirac has ruled out any reform of the CAP before 2006. Of course, he said, people could start talking about what to do after 2006, when the present Berlin accords come to an end, but insisted that there was no question of changing anything before then. He added that he thought any change to the CAP rules now would retard EU enlargement. He added that an internal debate on the CAP would weaken the EU's position in forthcoming international commercial negotiations. He insisted that the CAP be not "taken hostage" in any such negotiations, especially in view of the fact that, "over the last few years, the United States has, without the slightest scruple, multiplied by a factor of three the subsidies it pays to agriculture." [Le Figaro, 10th September 2001]



# Solidarity or Appeasement: Europe's Dilemma

by Mark Almond



NATO's unprecedented declaration that it regards the suicide bombings which destroyed the World Trade Center in New York as the equivalent of armed aggression against an ally has been gratefully received by the United States.

But Washington knows that most of the countries which comprise the 19-nation alliance can only offer words of comfort. Decades of sheltering under a US military umbrella have emasculated their power to provide any independent practical military or intelligence assistance. This was tragically proven two years ago in the Kosovo War and in the Gulf a decade ago.

Indeed, some of the US's European allies already seem to be getting cold feet about even rhetorical support for any military action. After Chancellor Schröder's initial statement that he stood *"unconditionally – I repeat unconditionally – at America's side,"* his defence minister yesterday clarified that commitment by hinting that Germany does not want to damage its blossoming trade relations with Iran and Libya by backing America quite so unconditionally. It appears that all Germany is offering is medical back-up.

Meanwhile, France's defence minister, Alain Richard, has warned that America must not retaliate in a way that will

*"complicate matters further"*. Neutral Sweden, which holds the rotating EU presidency, is also reluctant to see swift retribution.

Of course, no one should advocate random retaliation. That is precisely what the terrorists want. But America's European allies must realise that they are not the best judges of what is needed because they lack the sophisticated intelligence resources to identify the perpetrators. Worse still, most European states lack the specialist troops to assist any counter-attack against those organising or harbouring the terrorists. Only Britain, and to some extent France, could offer the Pentagon any effective help, with this country providing two vital elements: the SAS and GCHQ.

OUR ARMED FORCES may be small and over-stretched, but they have exactly the kind of specialist counter-terrorist troops that the US will undoubtedly need to supplement its Delta forces and other commando units in any daring snatch-and-destroy operation against the hide-outs of Osama Bin Laden in Afghanistan or elsewhere. The need for traditional commando techniques combined with the most modern training makes the SAS an indispensable ally.

But before any such operation is launched, the terrorist masterminds must be located, using an unprecedented assembly of intelligence sources. The recent arrest of two suspects in Hamburg shows how all the NATO states have already joined in. But it is only Britain which has any serious capacity to back up the US's vast electronic snooping network. If the terrorist attacks were co-ordinated by e-mail and mobile phone, then electronic intelligence will be central to unravelling the identities of the killers.

At GCHQ, outside Cheltenham, Britain has Europe's most sophisticated eavesdropping installation. After the American National Security Agency (NSA), GCHQ is the world's most voracious electronic snooper.

Civil liberties campaigners and the European parliament have spent much of the past year complaining about Anglo-American co-operation in the field of electronic espionage, but it has never been more necessary than now. A frantic search is under way to locate incriminating calls by the hijackers and their protectors. NSA staff are using the massive Echelon listening system, which monitors telephone and internet traffic throughout the world, to screen recordings for key words which the

hijackers may have used while planning the attacks.

Meanwhile, GCHQ is scanning the European networks to see if it can identify any collaborators on this side of the Atlantic. If any leads emerge, then police forces among the European allies will be activated to arrest the suspects before they can commit another outrage. But, while the German or Belgian police can act on the tip-offs, only the US or Britain are likely to provide them.

President Bush has recognised that the search may take an unbearably long time. The American public will soon grow restive if nothing is seen to be done, so the White House must explain why it cannot launch the huge retaliation they crave.

Nevertheless, Bush's aides also realise that global solidarity is an asset which can quickly weaken. Even his European allies may soon decide to focus on other priorities as the dust eventually settles over Manhattan.

A terrible precedent from 1914 comes to mind. Then, the Austrian government spent a month investigating the assassination of Archduke Franz Ferdinand in Sarajevo. By the time Vienna presented its conclusions that the Serbian secret service was responsible for the murder of the heir to the Austrian throne, the world's horror had given way to suspicion that Austria and her German allies were looking for the justification to occupy Serbia.

AMERICAN LEADERS face a similar dilemma today. It is perfectly possible that such countries as Iran or Iraq may have been involved in the bombings. Today, their main business partners – Russia, China, France and Germany – are united in condemning the crime, but as every day passes, naked self-interest will begin to gnaw away at humanitarian solidarity with America.

Indeed, history suggests that even NATO may become flaky if clear evidence of who

committed the crime is not presented soon. Even if a state or group is identified and located quickly, the likelihood is that, if the Americans decide not to take revenge alone, only British troops will stand shoulder to shoulder with them. This means that Tony Blair must take decisions which are far more difficult than those involved in the bombing of Serbia two years ago.

The same goes for his European colleagues. The French newspaper *Le Monde* recently said: “*We are all Americans now.*” Such solidarity is vital as the world faces its toughest test for a generation. But there are worrying fears that some of NATO's partners are patently unprepared to honour their world duty.

*Mark Almond is a lecturer in Modern History at Oriel College, Oxford.*

## Rt Hon. Lord Shore of Stepney (1924-2001)

### *A tribute from the European Foundation*

It was with much sadness that we learnt of the passing of Lord Shore on 24 September 2001. Peter Shore served as Labour Member of Parliament for Stepney from 1964 to 1997 before being elevated to the House of Lords upon his retirement. He served as Secretary of State for Economic Affairs, Environment Secretary and Trade Secretary; and later as Shadow Foreign Secretary. He was a truly great parliamentarian who made a monumental contribution to British politics. He shall be especially remembered for his clarity of thought on the European question and his relentless campaigning for the retention of British democracy. Audiences were always struck by his eloquence and integrity and he shared many platforms with Bill Cash, MP, over the last ten years. A distinguished member of the European Foundation's UK Advisory Board and a frequent contributor to the *European Journal*, Lord Shore rightly believed that it would be “*masochism*” and “*madness*” for Britain to ditch the pound. His *Separate Ways: the Heart of Britain*, published by Duckwoths in 2000, brilliantly expounds the Eurorealist case and calls for the renegotiation of the European Treaties. We shall all greatly miss Peter Shore.

# Ghosts from the Past

by Dr Lee Rotherham

SOME PEOPLE make proper use of their holiday time. They zip off to Aztec mountainsides and wrestle llamas. Or scuba dive off wrecked galleons with Flipper. Or fly off to Indochina to flog ciggies to the Vietcong. Yours truly decided it would be more fun to trawl through the Hansards from 1972.

Well, maybe not fun. Informative, perhaps. I was right.

Many moons ago I pored over Ted Heath's words of wisdom from the same era, looking at what was actually said, and to what extent a nebulous veil of deceit was drawn over the whole EEC application proceedings.<sup>1</sup> But that still left what was said in Parliament. And since a Government spokesman at its close estimated that at a million words of debate, maybe a tequila holiday would have been a better idea after all.

Nevertheless, there is a gentle frisson that comes from revisiting what were at times quite bawdy scenes, a true sense of the historical guillotine that hovers as you scan the lines declaring that Her Majesty has "*consented to place Her interest and prerogative, so far as they are affected by the Bill, at the disposal of Parliament for the purposes of the Bill*".<sup>2</sup> For those of us too young to recall much of the oratory of the great men of the era, how rousing to view the printed echoes of Enoch Powell, MP, on sovereignty, on how Parliament is entrusted with its use, but also to restore it intact to the electorate so that it can be passed on to its successor.<sup>3</sup>

But how informative, too, to view the half-truths and smokescreens over the fundamental concerns that still trouble us today.

Take the Common Fisheries Policy. Patrick Wolrige-Gordon, then MP for Aberdeenshire East, as early as 1971 spelled out in black and white precisely what Save Britain's Fish have been flagging up for the past thirty years, in a debate dedicated to the inshore fishing industry.<sup>4</sup> "*The effect of that policy is to rape at the point of a treaty the treasured and personal possessions of a great country*," quoth he. He was not alone. These critics foresaw an army of inspectors (at least for the UK). They foresaw the damage a compensation culture would foster. They foresaw the impact on jobs, and on communities. And they foresaw the ire such

actions would inflame. For Gavin Strang, MP, concurring, it was a disastrous bartering chip to give away.

What was the response of the Heath government? In its first statement, Geoffrey Rippon, MP, kicked up a storm by merely listing his itinerary and stating his position

These are the moments  
when an old Hansard  
in a gloomy room  
comes alive, such as  
when you find Rippon  
quoted, hoping that the  
Community will last  
longer than the  
Roman Empire

was reserved, end of conversation.<sup>5</sup> Such shockingly unparliamentary sophistry could not last, however. A holding line was devised. The Government had written a note to the Six "*expressing its hope*" that fisheries matters would be deferred until the UK joined. It had studied what had emerged in great depth, and extremely thoroughly. Of course it was most unsatisfactory, that is why it was on the negotiating table. Please, dear boy, wait until we finish our talks. Representations have been made. Everything will turn out all right.<sup>6</sup> Still, this line was an improvement on the previous year, when Rippon had instructed one enquirer to "*refrain from any activities that might make their successful conclusion more difficult*" – i.e. challenge the Government's stitch-up of the industry.<sup>7</sup> Critics of the derogation system and the feeble protection that gives to the industry today can but mirror the same wise forebodings of Kevin Macnamara, MP, back in 1972.<sup>8</sup> No-one today can deny that Fisheries was a sell-out issue, and the Government's sole defence was that of the ostrich.

Much the same is true over the costs of membership to the Exchequer. Alarming, at more than one point the Government had to admit it was unable to properly quantify what these costs and benefits were, and

suffered a severe Peter Shore broadside in consequence.<sup>9</sup> But then, *plus ça change, plus c'est la même débâcle*. Does anyone in the Treasury today dare attempt to quantify this fundamental? As one commentator observed, "*Ending on a rather low commercial note, I deeply regret that the Conservative Party, which used to be able to read balance sheets, has lost that capacity, it seems, for ever. It has become so obsessed with entry into Europe at all costs, so obsessed with steam-rolling the Bill through the Committee and through Parliament, that it does not give a damn about the possible consequences and does not give a damn about the costs.*"<sup>10</sup>

PART OF THOSE COSTS involved Economic and Monetary Union, talked about even then as on the cards. Heath admitted it was on the long-term agenda, but also that such matters would be left until after the accession date, which meant that it was an added incentive to join. Such sting as there was was drawn – "*It is possible*," he claimed, "*to have a common currency in an area without having a federal system. At this point, what we are considering is the co-ordination of currencies. The Community has not got to the point of considering a common currency.*"<sup>11</sup> Such things, key supporters concurred, would be for the distant future, and what right did this Parliament have to bind its successors and say it never wanted to opt in to the united Europe? Eric Deakins, MP, for one, disagreed.<sup>12</sup> For him, this was all part of the Government's quiet agenda for a long-term, gradualist approach towards creating a federal Europe, achieved by side-stepping Parliament. Agreements on the second and third stages of monetary union would lead inevitably to harmonisation on budgetary policy, indirect taxation, and ultimately to both corporate and individual direct taxation. "*If that is not draining the lifeblood of the House of Commons and the people, I do not know what is.*"

That lifeblood lay in Parliament's sovereignty, and some of the purplest prose emerges from the constitutional issue. Sir Derek Walker-Smith, MP, seems to have been the first major proponent of using the principle of one Parliament not being able to fetter its successor in the context of the EEC, railing against the Bill as a "*heavy and unprecedented blow to the sovereignty of Parliament*", and warning that "*Where such*



a blow has been inflicted it might be thought that the recipient is so punch drunk as barely to notice in his bruised and battered state any further blows which may be rained down on him.”<sup>13</sup> The counterclaim, by such as a Mr J. Selwyn Gummer, MP, was that there was a third option between a customs union and a tramline towards a United States of Europe, but that any conclusive decision would be for people to make twenty or thirty years hence.<sup>14</sup> Rippon’s line, as ever, was that as a member the UK could express its view like all the other members. Any talk of a USE was premature, unanimity would be required, and if it were against a country’s national interest it could block it.<sup>15</sup> That did not stop the Labour spokesman from saying that a green light was being given there and then for that easy future transfer of power.<sup>16</sup>

Similarly ducked was the issue of a long-term defence identity.<sup>17</sup> But it is in exploring the background to the betrayal of EFTA that we can find true illumination rather than subsequently-proven forebodings.<sup>18</sup> Here, Douglas Jay, MP, revealed how the Government had betrayed the London Declaration of 1961, which stated of its signatories that all would work together to the goal of participating jointly in a European market. But in 1967, the FCO changed tack and pressured other EFTA members to “water down that undertaking... It is not a very creditable record from the British point of view, any more than is the treatment of the Commonwealth countries in these negotiations.” The consequences of that change in policy were serious. From 1966 onwards, Sweden and Switzerland had sought to bolster their activities as a free trade group to negotiate with the EEC, in strength and in the course of time,

“to achieve a genuine free trading, democratic Western Europe without infringing anyone’s national independence. That would have been the wisest course for us. In the event, at one EFTA conference after another, we saw the British Foreign Office not merely seeking to stifle these efforts and to substitute on the agenda as a first priority an ill-thought-out unilateral rush into the EEC by the United Kingdom but also doing its best to conceal from the public here and in the other EFTA countries what was happening. It even pressurised Switzerland and Sweden to withhold information from their people.”

He continued,

“One of the worst pieces of misrepresentation which one heard, and which one still hears today, was the pretence that EFTA

would somehow be broken up if the United Kingdom did not apply to join the EEC. That was a straight lie, and a particularly poisonous one in the circumstances... Indeed, never since the days of Neville Chamberlain has so much damage, and such gratuitous damage, been done to British interests by British foreign policy itself.”

EFTA, he observed, had the advantages of a full and free industrial market without VAT, the CAP, the imposition of Commonwealth trade barriers, loss of sovereignty and an annual financial tribute he estimated at half a billion pounds annually – and all administered for around half of the Commission’s propaganda budget alone.

IT IS HARD not to grind your teeth a little. But there is so much more to read. Of how Northern Irish MPs, after Stormont had been closed down, felt that they were being dragged in against their cross-party will; of the private ire of ministers who had not been able to read even a fraction of the hundreds upon hundreds of directives which would become law overnight; or of the practical effect of Community legislation on how Parliament functioned, especially over the future role of the Statutory Instrument.<sup>19</sup> The trouble lies in these clarion calls being drowned in the million words, a hundred here foretelling the death of an industry, a thousand there on the looming threat to democracy, submerged in the mass of detail on sugar and butter.

Best, then, to concentrate on the great debates of 1972. Of 17 February; the sacrifices of independence, and Heath’s threat of dissolution; of 5 July, on sovereignty and power, and which would be best served; and of 13 July, Third Reading, and the last gasp of the Thunderers. Through the mist of the million words at last, the essence of the debate, devoid of sugar beet and diversions. Livy at the battle line. Belly fire unleashed.

These are the moments when an old Hansard in a gloomy room comes alive, such as when you find Rippon quoted, hoping that the Community will last longer than the Roman Empire.<sup>20</sup> Or you spot a brazen porky by someone who clearly knew what was on the continental political agenda.

It puts your anger of today into context. It betrays the low cunning of the federalist deniers of old, who claimed it would never happen, or that it could be safely left for a

future generation to trouble themselves with.

Sadly, for us holiday-makers, it also blows any chance of getting a half-decent sun tan.

2 Dr Lee Rotherham, (2000) “Quo Vadis?”, Chunnel Vision, *European Journal*, 7(9):26–28 (Summer)

2 Hansard, 15 Feb ’72, col. 269

3 Hansard, 18 Apr ’72, col. 342

4 Hansard, 20 Apr ’71, col. 1141+

5 Hansard, 18 Mar ’71, col. 1664

6 Hansard, 9 Jun ’71, col. 1049; a repeat from 29 Oct 1970, no less

7 Hansard, 29 Oct ’70, col. 445

8 Hansard, 22 Jun ’72, col. 828+

9 See in particular Hansards of 16 Dec ’70, col. 1361, 1367+; 20 Jun ’72 col. 311+; 4 Jul ’72, col. 359+

10 Walker-Smith’s comment was similarly critical: “The facts show that, except for the tariff, which is of dwindling importance, the gains are mainly in the realm of surmise and speculation, whereas the penalties are certain, substantial and inescapable.” 28 Oct ’71, col. 2131. This whole speech merits revisiting in today’s context.

11 Hansard 10 Jun ’71, col. 1241

12 14 Jun ’72, col. 1633+. His developed arguments of 14 Mar ’72, col. 429+, are equally apposite – not least on abuse of the parliamentary guillotine.

13 13 Jun ’72, col. 1278. The passage also contains a fascinating insight on the implications of accession on any future parliament which may seek to withdraw, namely that it would be torn between rupturing an illegal constraint and the “faith of a pledged word” in the international community. Geoffrey Rippon himself acknowledged that one parliament could not bind its successors (18 Apr ’72, col. 284), but Heath in interview indicated there was no legal recourse to withdrawal should such be sought.

14 14 Jun ’72, col. 1577

15 25 Nov ’70, col. 441–2; 10 Dec ’70, col. 706 on the much-referred-to Werner Report

16 14 Jun ’72, col. 1545+. Peter Shore’s words were greatly prophetic, as were many said during this debate.

17 11 Feb ’71, col. 761 – a rare reference, with 27 Oct ’71 col. 1898

18 19 Apr ’72, col. 536+

19 See Gerry Fitt’s comments of 13 Jun ’72, col. 1358+; Peter Shore’s of 24 May ’72, col. 1452+

20 16 Dec ’70, col. 1364

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

# The Challenge of Universalism to the Nation State: a Defence

by John Tate

THE ROOTS of the move toward European integration lie in fundamental, philosophical challenges to the nation state. The most influential of these challenges are part of a trend that I shall call universalism: the view that, for reasons practical and moral, nation states must no longer be the paramount constituencies in world affairs. The moral strand of universalism lies in the notion of human rights: rights necessarily transcendent of national jurisdiction and enforcement. The practical strand of universalism is what I shall call managerialism: the belief that capital, information, and population flows are now of such scale and speed that only supra- and international bodies are now able to monitor, influence, and accommodate them effectively.

Against universalism practical and moral, I will argue the case for the nation state. My argument will focus on the need for cultural relativism to inform the justice and organisation of a state.<sup>1</sup>

## THE MORAL CHALLENGE

THE MORAL TENET of universalism is, like the human rights doctrine it informs, that too many right principles of human interaction transcend cultural and geographic boundaries for national sovereignty to be paramount. The essence of this position is evident in the case of the Westerner who breaks an illiberal foreign law. Facing the lash for petty theft, the universalist objects that irrespective of local sensibilities, whipping is as wrong in the Gulf as it is in the West – it is simply wrong to treat people in certain ways. Eschewing cultural grounds for the rights and privileges that they claim to be universal, the universalist claims them to be, as the American Constitution has it, ‘self-evident’.

In *Spheres of Justice*, Michael Walzer provides a powerful objection to the universalist claim to transcend culture, arguing that justice depends upon culturally relative understandings. Different ‘goods’ (a title under which he includes intangibles like justice, education, and health) are, Walzer argues, understood in different societies to have different distribution principles. In one society the distribution of education may be understood to be properly based

upon desert, whilst in another it may, consonant with public understandings, be based upon ability to pay. Competing distribution principles (desert, need, merit, etc.) should in this way, argues Walzer, be applied to different goods according to local understandings of those goods.<sup>2</sup> To apply distribution principles – whether for education, health, or chocolate bars – without reference to local understandings is to create a less authentic society, in the literal sense of it being less an author of itself.<sup>3</sup>

The view that social justice depends upon culturally relative understandings is very persuasive, yet it is entirely neglected in universalist movements including, most notably, the supranational judicial establishment. This establishment prevents different states coming to different conclusions on how the political trade-offs inherent in human rights must be resolved – deciding what is defensible freedom of speech as opposed to incitement, for example, or where the public’s right to know impinges upon the privacy of the individual. These intensely political trade-offs are inherent to all rights and are illustrated by the European Convention, of which Article 10 is exegetic:

*“Everyone has the freedom of expression [s]ubject to such formalities, conditions, restrictions or penalties as are prescribed by law and are necessary in a democratic society, in the interests of national sovereignty, territorial integrity or public safety, for the prevention of disorder or crime, for the protection of health or morals, for the protection of reputation or rights of others, for preventing the disclosure of information received in confidence, or for maintaining the authority and impartiality of the judiciary.”*

Like Article 10, all so-called rights house multiple cross-pressures and potential contradictions. To put the management and resolution of these cross-pressures and contradictions beyond local communities, giving them instead to unaccountable supranational institutions, is to neglect the cultural understandings that give justice meaning.

An important objection to the views I have presented is that they allow for a dangerous degree of cultural relativism. If

conceptions of justice, interpretations of rights, and so on, are validated by and based upon the understandings of the societies in which they obtain, then on what basis is one society to criticise, scrutinise, and/or learn from the conduct of another? The correct response to this objection is that, dangerous or not, cultural relativism is the result of what Walzer rightly describes as a “*decent respect for the opinions of mankind*” – respect from which flows recognition and acceptance of the right of societies to differ in fundamental respects. Cultural relativism of this type does not deprive us of ways in which to criticise other societies. One way is rational: identify objective failings on rational grounds, such as “*the point of healthcare is to save lives, ours saves more than yours, ours is better.*” Another way is to highlight contradictions: criticising a society on the ground that its practices do not accord with its own beliefs and understandings. All that is barred under cultural relativism of this sort is criticising a society because it does not accord with one’s own.<sup>4</sup>

## THE PRACTICAL CHALLENGE

THE MOVE toward a universal understanding of human rights has dovetailed with a second strand of universalism: managerialism. Here the argument (to recap) is that capital, information, and population flows are now of such scale and speed that only supra- and international bodies can any longer monitor, influence, and accommodate them effectively. The accountability of these bodies is indirect and opaque, one-removed from the national authorities that they augment.

There are two principal explanations for the democratic deficit surrounding managerialism. One is that the powers exercised by the new authorities are properly apolitical. This apolitical/management principle has informed the significant power exercised by many central banks, exemplified by the Bundesbank and its successor, the European Central Bank. The governing principle of managerialism is that international governance is workmanlike: concerned with the practical application of known principles; not to be fettered by democratic control. In fact, deciding whether or not to

revalue a currency or whether to prosecute a head of state is intensely political. Delegating political decisions to central banks or courts makes them no less political, only less accountable. All issues must eventually, of course, leave the realm of accountable political decision-making and enter the realm of apolitical management and implementation; where precisely they should do so is a difficult line to draw. Yet, the trend toward drawing this line in favour of management and implementation<sup>5</sup> is parasitic upon democracy.<sup>6</sup> As Dr John Laughland observes:

*"Universalism leads to managerialism because it assumes that everyone's interests and goods are the same. This is the opposite of politics; the opposite of the assumption that people have intelligence and therefore different views on the world and society. Managerialism derives from a universalist and materialist view of mankind: the view that people are all driven by the same material desires rather than by the human need to live in an intelligible universe."*

A second explanation for the democratic deficit surrounding managerialism is that its promoters consider that establishing direct, democratic control of supranational institutions is an unacceptable step toward world government. Many of the commentators who, like the European Foundation, criticise the European Union for its democratic deficit are in this respect confused. Were supranational institutions like the EU made genuinely democratic, these commentators would lack a defence of the cause that, for many of them including the Foundation, is the genuine taproot of their objections: belief in the sovereign nation state. Opposition to supranationalism derived from a belief in national sovereignty should not rely upon arguments about democracy *per se*, but upon arguments for the nation state. Central to this alternative argument should be that, as Professor Miller of Oxford University points out, *"social justice depends upon a culturally bounded political community – upon the nation state."*

#### THE CONSTITUENCY PROBLEM

I HAVE SO FAR EXAMINED separate objections to the moral and practical strands of universalism, yet there is another important objection that applies to both: what I shall call the constituency problem. The constituency problem consists in the fact that the boundaries of a sovereign state cannot sustainably be determined using the

democratic method itself. Suppose that the EU, for example, takes a decision supported by the majority of its citizens. Further suppose that, citing an alternate majority view within its borders, the United Kingdom defects for the EU-wide decision. Citing a different majority view within its borders, Scotland defects from the UK decision, precipitating a still further defection of the Highlands of Scotland from the Lowlands. Taken to the extreme, this defection problem could end with one-man constituencies shouting at one another in the street. The point is clear: sovereignty cannot, sustainably, be born of a majority vote. Even the country closest to direct democracy, the United States, has by constitutional design made it almost impossible for its component States to secede, with a blocking minority on constitutional change as low as 3%. As President Lincoln argued when forcibly and unconstitutionally he re-united his country, *"a nation's boundaries must be fixed by some more primordial factor than the changing views of all its component parts."* Lincoln's statement begs an open and much analysed question: what should inform states' boundaries? Oft-cited answers to this question include a shared history (seminal or celebrated historical references), ethnicity, religion, and language. Indeed, one or more of these commonalities are almost always absent in states in which the defection problem is most acute including, to name a representative sample, Belgium, Canada, Ethiopia, Indonesia, Sudan, the Soviet Union, Yugoslavia, and Zanzibar.<sup>7</sup>

#### CONCLUSION

FOR ARISTOTLE as in Roman law, a *ius* or 'right' is a title or claim to a specific thing. Universal human rights are nonsense precisely because rights conflict, the point of a judicial system being to arrive at fair proportion in the competing claims of citizens. Since the notion of fair proportion refers to things, the proportion sought by a judicial system must have boundaries. The search for proportion must obtain within a specific and well-defined area, a state, which is why statehood is the essential framework for law. Law also has an important social function: to maintain an ongoing order in which citizens can understand themselves and find meaning in their surroundings.<sup>8</sup>

Universalism is parasitic upon sovereign statehood, superseding the different understandings that give different goods different meanings in different societies.

To transfer more and more powers from states to supranational authorities is to undermine justice and to create less authentic societies.

- 1 All citations in this article are available on request by writing to '1@johntate.net'.
- 2 Walzer further argues that different 'spheres of justice' should be kept distinct, such that the distribution principle in one sphere does not dominate in another, whether across cultures or within them. In this way, societies may achieve what Walzer calls 'complex equality'; people's achievement in one sphere not conferring achievement in another. Particular danger arises when means-based distribution principles leak into other spheres such as justice. The distribution principle of justice – desert – is, like that of certain other goods, integral to our understanding of what it is to receive that good.
- 3 Like Aristotle, justice for Walzer is the maintenance of a just proportion in the distribution of things: the equitable golden mean between the competing claims and titles of citizens in society.
- 4 Unfortunately, this latter mode of criticism dominates international dialogue, resulting in non-dominant (i.e. non-Western) societies being alienated and assimilated by the evangelism of the dominant.
- 5 This trend is, of course, occurring both within nations and between them: from independent central banks in the former case, to the International Criminal Court in the latter.
- 6 A recent example of the blurring of this distinction is the extradition of General Pinochet: the British Government abrogating the political nature of the decision to be made by handing it to judges.
- 7 Also lacking these commonalities, however, is the only supranational body that aspires to sovereign statehood: the EU. The sceptical will observe that, with inadequate natural bonds to bind it, the EU has invented superglue: the *acquis communautaire*.
- 8 My thanks to Dr John Laughland for his input on this point, which I have paraphrased in this paragraph.

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# Don't Listen to Labour's Business Friends

by Keith Marsden

**L**ABOUR'S SUPPORTERS in the business world notoriously favour greater European integration and the abolition of the pound. However, the British electorate should think twice before taking their advice and embracing the euro. As we shall see, these left-leaning businesspeople are not necessarily the experts they claim to be.

In a letter to *The Times* on 14 May 2001, a group of 58 such businessmen, including executives from 7 FTSE-100 companies, called for Labour to be returned to office at the general election. "*Labour has done much to create the stable business environment that British companies and overseas investors need,*" they claimed. They painted a rosy picture of the UK's prospects, saying that its "*economic outlook is brighter than it has been at any point in recent memory*". But they warned British businesspeople of the (unspecified, but presumably bad) "*implications for their businesses and employees that a change in government would bring*".

New Labour has worked hard to enlist the support of prominent business leaders. And their endorsement helped to persuade voters that Britain's good aggregate economic performance was the result of Labour's economic policies and managerial competence, rather than the product of a favourable global environment and a positive policy framework inherited from the Tories. Furthermore, Gordon Brown, the Chancellor of the Exchequer, has tried to create an image of an economy moving forward on a broad front, and at a steady pace. No more boom and bust. This is a mirage, however. A closer look at trends over the last four years reveals considerable instability and volatility. And just three months after the general election, the situation and prospects in some sectors of the economy are far from bright, and the pace of economic growth is slowing.

These facts raise some important questions. Were the signatories of the letter to *The Times* aware of negative trends in their own businesses, in the sectors in which they were participating, and in the economy at large? If so, did they choose not to disclose this information to the electorate for political reasons, or because of their own roles in the machinery of government, or out of gratitude for honours bestowed? A review of the cases of selected signatories throws some light on these issues.

## LORD SIMPSON OF DUNKELD

**L**ORD SIMPSON, chief executive of Marconi (until he was sacked in September 2001), was ennobled by Mr Blair in 1997. Since becoming managing director of the General Electric Company (not to be confused with America's General Electric corporation and now renamed Marconi) in 1996, Lord Simpson has presided over the boom and bust of one of Britain's

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household industrial names. Its share price, which reached a peak of £12.50 in 2000, had collapsed to 38p at the time of writing, wiping £34 billion from the company's value down to just £1 billion. Job losses of 10,000 have been announced. His predecessor's cash pile of £860 million has turned into a debt of £4.4 billion. Its dividend has been suspended; and write-downs and provisions could leave it with a full-year operating loss of £5 billion. This debacle reflects not just mismanagement of this particular firm, but wildly fluctuating conditions in the telecoms and telecom equipment sectors in which Marconi competes. Published data from the Office of National Statistics (ONS) show that new orders (in constant prices) for electrical and optical equipment, of which Marconi's products form part, soared by 53% from 1996 to May 2000, but fell by 25% over the next 12 months. Turnover rose by 35% from 1996 to 2000, but shrank by 13% over the six months to May 2001. Export orders collapsed by 27% over the same period. This volatility is the antithesis of the 'stable business environment' which Gordon

Brown repeatedly claims to have created, and about which Lord Simpson bragged in the *Times* letter. Moreover, the boom in this part of the engineering industry obscured the plight of producers of non-electrical machinery who have long been a major source of technological innovation. Their output fell by 7% from 1997 to May 2001, and new orders (seasonally adjusted) received during the 3 months to May 2001 dropped by 4.4% compared with the previous year. Production of base metals and metal products is also in the doldrums, shrinking by 6% since 1997.

## SIR TERENCE CONRAN

**S**IR TERENCE, one of New Labour's style gurus, founded the Habitat furniture and furnishings retail chain, and has diversified into mega-restaurants and hotels. He was estimated by the *Sunday Times* Rich List 2000 to be "easily worth" £100 million. But his personal success certainly does not reflect stable economic growth within the British industries providing the principal inputs to his businesses. The ONS reports that output in the wood products (including furniture) industry has fallen every year since 1996, and at the end of 2000 was over 5% below the mid-1997 level when the Labour Government took office. Food production by British farmers is also down. Total Gross Domestic Product (GDP) generated within the agriculture and fishing sector was 2.3% less in 2000 than in 1997, and the drop accelerated even before the Foot and Mouth crisis. Output in the food and drink sector of manufacturing industry has also contracted every year since 1997, with a cumulative drop of 3.5% by December 2000. In other words, their true situation can be characterised as a prolonged recession. And hotels and restaurants have fared no better overall. Their GDP in constant prices dropped by 4.5% from 1997 to 2000 (yearly averages), and fell by 2.7% in the first quarter of this year compared with a year earlier.

All this information was released to the government and the industries concerned, so they cannot plead ignorance. However, Sir Terence may have increased the profitability of his restaurants by using more imported food and drinks. The volume of imports of these items rose by 34% from

1995 to May 2001, and the average price index of these imports fell by 9% over the same period. Export volumes declined by 6%. These trends reflect the appreciation of the pound against the currencies of some of Britain's major competitors. But the Labour Government cannot disclaim all responsibility, nor deny that British farmers and food producers have been hurt.

#### LORD HASKINS

**L**ORD HASKINS is Chairman of Northern Foods and Express Dairies. He was ennobled by Blair in 1998 and is head of the Government's 'Better Regulation' taskforce, and a member of other advisory bodies. He founded the left-leaning think-tank Demos and is a major donor to the Labour Party. He has built up a large business through acquisitions and by producing a variety of food products that major supermarket chains sell under their own brands. He has thus avoided the cost and price squeeze affecting farmers and small-scale food processors. Nevertheless, the increased market share of Lord Haskins' companies does not signify overall growth in the sectors concerned, as shown by the data for agriculture and the food industry given above.

#### PROFESSOR JONATHAN CHARKHAM

**P**ROFESSOR JONATHAN CHARKHAM is a non-executive director of Great Universal Stores (GUS). He was formerly a Bank of England adviser, when he declared that Gordon Brown would make *"an iron chancellor"* and bury the image of Labour as a high spending and high taxing party. In fact, it has raised taxes faster than any government since 1945. The GUS story also contradicts the assertions made in the *Times* letter signed by Professor Charkham. GUS is the market leader in the UK home shopping market, with a family of mail order catalogues for ladies wear, and owns the luxury fashion brand Burberry. But its website says that it is looking out for a major acquisition in order to offset the decline in its home shopping. Moreover, its sales are not confined to British-made clothing, and it has certainly not arrested the slump in that sector of British industry. Output of textiles, leather and clothing has shrunk by 29% since 1997.

The GUS website also reports a study of the profitability of Britain's 2000 largest firms undertaken by Experian, a GUS subsidiary providing information services to industry. The study found that profitability had fallen for a seventh consecutive

quarter. It concluded that Britain is *"teetering on the brink of a recession"*, that the decline in profitability was gaining speed, and was spread across the manufacturing and service sectors. It also said that *"company profitability has been further hit by having to absorb considerable additional cost from new work-life balance legislation – such as the working time directive, union recognition, the minimum wage and the working families tax credit – which, it is estimated, have added £15 billion to employers' costs."* A separate ONS study reveals that the net rate of return in manufacturing had dropped to 3.7% in the first quarter of 2001, down from 11.0% in 1997, and the lowest quarterly rate recorded since the first quarter of 1992.

#### LORD HOLLICK

**L**ORD HOLLICK is chief executive of United Business Media. He is a member of the Government's Competitiveness Working Party and the Increasing Business Investment Task Force. He formerly owned the *Daily Express*, sponsoring Labour events. He was also a Founding Trustee of the Institute of Public Policy Research that has close links with the Labour Party. Proprietors of some newspapers and other media may have gained from the upsurge in Government advertising during the last year of Labour's first term. But the Experian study noted above reported that profitability had declined by almost a third in the Media sector, and found this particularly worrying, *"especially in the light of recent reports of falling advertising revenue in both television and newspapers"*. It commented: *"Rightly or wrongly, advertising expenditure is always one of the first expenses to be reduced when economies stall or slip into recession."* ONS data show that the overall paper, printing and publishing industry has been stagnant. Its production index (1995 = 100) stood at 98.2 in 1997 and 98.1 in October 2000.

#### SIR ALAN SUGAR

**N**EWLY KNIGHTED SUGAR was reported to be worth £585 million in 2000. He pioneered the production of cheap computers and hi-fis in the 1980s, and is Chairman of consumer electronics firm Amstrad. But a recent company report contradicted the claims made in the *Times* letter that *"there is a growing sense of enterprise and innovation in British business,"* and that *"British expertise in science and technology"* is *"once again being*

*recognised around the world."* Sir Alan reports that Amstrad Business sales fell by 32% over the second half of 2000 to just £41 million, and profits dropped by 35% in response to increased high street competition, eroding margins, and higher inventory risks. Sir Alan said that future Amstrad sales into the UK market would be from its Hong Kong office, with bulk shipments made directly from Far East suppliers to its UK retail customers. Amstrad will concentrate on creating and developing products in collaboration with foreign partners, leaving hardware to be manufactured in lower-cost sites abroad.

Some British-based producers of electrical products have undoubtedly flourished in recent years, particularly those making telecoms equipment as noted earlier. Their customers, who provide telecommunications and postal services to businesses and the general public, have boomed even faster. Their value added went up by 37% from 1997 to 2000.

#### BRITAIN'S ECONOMIC OUTLOOK

**I**RONICALLY, the word 'boom' is used by New Labour in a derogatory sense when they refer to rapid economic growth under the Tories. Yet out of nine broad economic sectors distinguished by the ONS, two thirds of the total growth of GDP over the 1997–2000 period came from just two: (i) transport and communication services and (ii) business services and finance, although these two sectors accounted for only 31% of GDP in 1995. If they had only grown at the same pace as the rest of the economy, GDP would have risen by less than 1.5% annually from 1997 to 2000 – a desultory rate by historical standards.

Sectoral employment trends were even more disparate. Manufacturing lost 314,000 workers from December 1998 to December 2000, a 7.1% drop. Employment in utilities fell by 27,000 (minus 12.2%) over the same period. Agricultural jobs have shrunk by 8.7% since June 1997. Total UK employment would have experienced virtually no growth if it hadn't been for the two booming service sectors noted above, where the workforce jumped by 819,000 from June 1997 to December 2000. This lopsided pattern does not auger well for the future. It makes the economy unduly sensitive to sharp cyclical swings in consumer demand and investment in a few sectors. Total business investment slowed sharply last year, growing by only 1.9% compared with 13.8% in 1998. And in the second quarter of



2001, it fell by 2.7% compared with the previous quarter.

Labour's business friends were also unduly partisan when they attributed progress in some areas to Labour policies alone. They ignored the strong Tory legacy and buoyant global demand during most of their first term. Consumer price inflation in Britain had been reduced to 2.4% by 1996, the same level as for the EU as a whole. Britain's employment grew at an average annual rate of 1.4% from 1993 to 1997, leaving its unemployment rate nearly half that of the Eurozone. Real private non-residential investment expanded at a brisk 5.8% annually from 1993 to 1997, laying a strong foundation for a jump in productivity under Labour (which, in fact, has not materialised). The growth of total demand in the advanced economies accelerated from 3.1% in 1997 to 4.3% in 2000, and reached 6.0% in the US, Britain's largest single market. But again, Britain didn't take full advantage. Its share of world exports dropped to 4.5% in 2000 from 5.1% in 1997.

#### FALSE ADVERTISING

CONSIDERING their failure to mention these realities in their letter, there is no reason why their prognosis concerning future prospects under Labour will be more reliable. Clear warning signs of a global turndown were already apparent in May when the signatories to the *Times* letter claimed that Britain's economic outlook "is brighter than it has been at any point in

recent memory". Yet after boasting so often that he had restored "stability" and abolished the business cycle, Gordon Brown is now saying that Britain is "not immune" to the slowdown in the US, Japanese and EU economies. The size and duration of the impact, and whether it will turn into a full-blown recession, is not yet clear. Some sectors, including retail trading, have remained relatively buoyant. This reflects rising monetary incomes, but also a drop in the household saving ratio to 4.5% in 2000 and 4.1% in the first quarter of 2001, the lowest levels for more than twenty years. Concern about the global economy and the recent increase in unemployment (ILO measure) in Britain may affect consumer confidence, and prompt people to save more and spend less. Combined with a drop in business confidence and shrinking investment plans already reported in CBI surveys, total domestic demand could fall.

Furthermore, no economy is safe from external shocks such as the oil price hikes in the 1970s, and now the appalling terrorist attack on the World Trade Center in New York. Apart from the psychological impact, important sectors of the global economy – particularly financial services and air transport – have been hit hard. Their losses and disruptions are likely to have negative ripple effects on other sectors. But in the long run, an economy's resilience depends to a large extent on government policies. There is real concern about the effect of certain Labour policies – massive tax increases and a greater regulatory burden

on business, for example – on Britain's ability to respond flexibly to global challenges. And Labour's surrender of still more sovereignty under the Nice Treaty will inevitably result in further limitations on its flexibility and competitiveness under the name of 'harmonisation'.

All in all, British voters may soon regret that they trusted the word of Labour's business friends. On this evidence, they could arguably be charged with false advertising. And whatever they may say in the run up to a euro referendum about the advantages of further political integration, and the risks of staying out, should be taken with a pinch of salt.

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#### ... news in brief

##### Achtung! Hier kommen die KSK!

Western politicians have swung into a whirlwind of important meetings in response to the terrorist attacks in America. Mr Chirac has been to Washington, Mr Blair to Berlin, and so on. Chris Patten, the EU foreign affairs commissar, gave in a radio interview a huge list of inter-ministerial meetings he was attending this week as proof that 'something is being done' – even though many might be forgiven for thinking that it is business as usual for him. One thing seems certain: the Americans want the British SAS to go into Afghanistan. But the Germans might get a slice of action too. On 19th September, the German parliament approved by a massive majority the principle that the German army would co-operate with the Americans in the war against terrorism. A huge demonstration was organised in front of the Brandenburg gate in Berlin to show support for the US. A poll for *Die Woche* shows a large majority of Germans in favour of American strikes, even though most Germans do not want their army to get involved.

There have therefore been high-level talks between the US and Germany. At the centre of German-American discussions are 'secret' plans (reported in the newspapers) about how Germany might participate. An elite commando of the German army is said to be

eliciting special interest among security bods in Washington: the KSK or *Kommando Spezialkräfte* (Commando Special Forces). A German general told the *FAZ* that, "Special intervention forces like the KSK are the things which Western armies lack most keenly." Western armies, he said, had only 3,000 such troops who could capture presumed terrorists and their accomplices. Another senior German army officer said that the KSK might be better even than the US Delta Force since the KSK, having originally been trained by the SAS, was better at fighting terrorism and capturing persons.

Looking a little like Darth Vader, the men of the KSK wear a black uniform with black masks and helmets. They are laden with guns and equipped with the latest radio and infra-red equipment. The KSK was created in 1996 after Belgian paras had to rescue two journalists from *Deutsche Welle* out of Rwanda. If the German commando is sent into Kabul, it is likely to be accompanied by both British and French special forces and also perhaps by American special troops of which there are some 40,000 in the US forces. The French would be likely to send their 13th parachute regiment (known as 'Dragon') as well as their own elite unit, *Commando de Renseignement et d'Action Profondeur*, or CRAP for short. [Udo Ulfkotte, *Frankfurter Allgemeine Zeitung*, 19th September 2001]

# RESEARCH ROUNDUP

by Allister Heath

Following recent events in America, the EU is planning to extend its role as a criminal justice lawmaker.

## NEW MEASURES IN CRIMINAL JUSTICE

**T**HE DRAFT PROPOSALS were put forward by Antonio Vitorino, the commissioner for justice and home affairs, as well as by national governments, and were discussed in Brussels in the second half of September 2001. There are five main parts to the EU's proposals:

**1** The introduction of a new common EU-wide definition of terrorism (in a Commission proposal on 19 September 2001 in Brussels).<sup>1</sup>

**2** The introduction of common penal sanctions for a large range of crimes when the circumstances or motivations mean that the crimes are classified as terrorist according to the new definition.<sup>2</sup>

**3** The replacement of extradition procedures by automatic transfers for *all* criminals suspected of a crime punishable by a year or more in prison, or who have been convicted with a punishment of four months or more, *irrespective of any terrorist motivation or connection*.<sup>3</sup> This new European arrest warrant was included in a second Commission proposal, on 19 September 2001.<sup>4</sup>

**4** A decision to ask national justice and home affairs ministers to draw up a list of organisations to be banned in every EU country as part of the official conclusions of the extraordinary European Council meeting on 21 September in Brussels.

**5** A planned extension of Europol's remit, activities, powers and size.

## DEFINING TERRORISM

**A**S A STARTING POINT, the European Commission has decided to adopt a common EU-wide definition of acts of terrorism. At present, only six countries (France, Germany, Italy, Portugal, Spain and the United Kingdom) make a distinction between terrorist acts and other criminal acts. In future, it is proposed that a certain

## The Growth of Europol

"The Council would reiterate how important it is for the quality of Europol analysis that the police authorities and also the intelligence services of the member states should quickly pass on any relevant information, in accordance with the terms of the Europol Convention. On this point, the Council is instructing the Director of Europol to report back at its meeting on 6 and 7 December 2001 on the input provided by the member states into the analytical workfiles opened on terrorism, together with analysis of any problems.

The Council has decided to set up within Europol, for a renewable period of six months, a team of counter-terrorist specialists, for which the member states are invited to appoint liaison officers from police and intelligence services specialising in the fight against terrorism, without prejudice to the legislation by which they are governed. Its remit will include the following tasks:

- to collect in a timely manner all relevant information and intelligence concerning the current threat;
- to analyse the collected information and undertake the necessary operational and strategic analysis;
- to draft a threat assessment document based on information received.

This study will in particular list targets, damage, potential modus operandi and consequences for the security of the member states (description of possible situations) and identify those areas in which preventative measures must be taken (air traffic, official buildings, VIP protection etc.)."

Source: Extraordinary Session of Justice, Home Affairs and Civil Protection – Conclusions, Brussels, 20 Sept 2001

number of pre-existing offences could under certain circumstances be classified as terrorist and punished in a harmonised fashion in EU countries :

*"Each member state shall take the necessary measures to ensure that the following offences, defined according to its national law, which are intentionally committed by an individual or a group against one or more countries, their institutions or people with the aim of intimidating them and seriously altering or destroying the political, economic, or social structures of those countries, will be punishable as terrorist offences... Terrorist offences are punishable by terms of deprivation of liberty with a maximum penalty that is no less than the following:"*

## EU Foreign Policy Developments

"The fight against terrorism requires of the Union that it play a greater part in the efforts of the international community to prevent and stabilise regional conflicts. In particular, the European Union in close collaboration with the United States, the Russian Federation and partners in the Arab and Muslim world, will make every endeavour to bring the parties to the Middle East conflict to a lasting understanding on the basis of the relevant United Nations resolutions.

It is by developing the Common Foreign and Security Policy (CFSP) and by making the European Security and Defence Policy (ESDP) operational at the earliest possible opportunity that the Union will be most effective. The fight against the scourge of terrorism will be all the more effective if it is based on an in-depth political dialogue with those countries and regions of the world in which terrorism comes into being.

The integration of all countries into a fair world system of security, prosperity and improved development is a condition for strong and sustainable community for combating terrorism."

Source: Brussels Extraordinary European Council: Conclusions and Plan of Action, Brussels 21 September 2001 – Nr 140/01

A murder deemed to be committed with the aim of intimidating countries and/or *"seriously altering or destroying"* their *"political, economic, or social structures"* will be punishable by a term of prison of no less than 20 years. In the case of bodily injuries, the minimum EU-wide sentence will be 4 years; kidnapping or hostage taking: 10 years; extortion: 2 years; theft or robbery: 2 years; unlawful seizure of, or damage to, state or government facilities, means of public transport, infrastructure facilities, places of public use, and property: 5 years; fabrication, possession, acquisition, transport or supply of weapons or explosives: 10 years; releasing contaminating substances, or causing fires, explosions or floods, endangering people, property, animals or the environment: 10 years; interfering with or disrupting the supply of water, power, or other fundamental resource: 10 years; attacks through interference with an information system: 5 years; threatening to commit any of the offences listed above: 2 years; directing a terrorist group: 15 years; finally, promoting, supporting or participating in a terrorist group will be punishable by at least 7 years in jail.

## National changeovers to the euro

Eurozone Country	Conversion Rate	Last Day of legal tender	Last Day to exchange in commercial bank	Last Day for coins in central bank	Last Day for notes in central bank
Belgium	40.3399 BEF	28/02/2002	31/12/2002	end 2004	unlimited
Germany	1.95583 DM	31/12/2001	28/02/2002	unlimited	unlimited
Greece	340.750 GRD	28/02/2002	#1	2 years	10 years
Spain	166.386 ESP	28/02/2002	30/06/2002	unlimited	unlimited
France	6.55957 FRF	17/02/2002	30/06/2002	3 years at least	10 years
Ireland	0.787564 IEP	09/02/2002	30/06/2002	unlimited	unlimited
Italy	1936.27 ITL	28/02/2002	#2	10 years	10 years
Luxembourg	40.3399 LUF	28/02/2002	30/06/2002	end 2004	unlimited
Netherlands	2.20371 NLG	28/01/2002	31/12/2002	01/01/2007	01/01/2032
Austria	13.7603 ATS	28/02/2002	#1	unlimited	unlimited
Portugal	200.482 PTE	28/02/2002	30/06/2002	31/12/2002	20 years
Finland	5.94573 FIM	28/02/2002	#1	10 years	10 years

#1 - to be decided individually by banks

#2 - not yet known

Source: European Central Bank and *Wall Street Journal Europe*

Notably, “theft or robbery” and the “unlawful seizure of, or damage to, state or government facilities, means of public transport, infrastructure facilities, places of public use, and property” are possible terrorist actions, if they are thought seriously to alter or destroy political, economic, or social structures. All these would carry sentences of up to four years in jail.

## LEGAL NICETIES

GIVEN that the Nice Treaty has fortunately not so far been ratified by every EU member state, the treaty base for this new legislation had to stem from Amsterdam. Article 29 TEU notably refers to terrorism which it states is one of the serious forms of crime to be fought through common action. According to the Treaty, this should happen in three ways. First, closer cooperation between police forces, customs authorities and other competent authorities, including of course Europol. Second, there should be closer cooperation between judicial and other relevant authorities in the member states. Finally, there should be a degree of “approximation” of rules on criminal matters.

Article 30 TEU deals with “police co-operation” and is considered the legal base for the Convention on the Establishment of a European Police Office (Europol). Article 2(1) of the Europol Convention specifically includes terrorism as one of the force’s core competences. Article 2(2) of that Convention was implemented by a Council

of Ministers decision dated 3 December 1998 which authorised Europol to deal with crimes committed, or likely to be committed, in the course of terrorist activities. Furthermore, the Council Joint Action of 15 October 1996 decided the creation and maintenance of a Directory of (what it called) specialised counter-terrorism competences, skills and expertise, with the stated aim of facilitating co-operation on counter-terrorism measures between the member states.

Article 31 TEU ushered in common action on judicial cooperation. It was intended in particular to promote cooperation between relevant government departments and the judicial authorities of the member states. Article 31(a) relates specifically to proceedings and the enforcement of decisions, whereas Article 31(b) facilitates extradition between member states.

Next comes the Convention on simplified extradition between member states signed on 10 March 1995; and the Convention on extradition of 27 September 1996. Article 1 of the latter shows that its purpose is to facilitate the application by EU members of the European Convention on the Suppression of Terrorism. Finally, the Joint Action of 21 December 1998 made it a criminal offence to participate in a criminal organisation in the member states of the EU by referring to the terrorist offences of Article 2(2) of the aforementioned Europol Convention.

As part of the run-up to the Intergovernmental Conference of December 2000 which led to the Nice Treaty, there were once again appeals for further EU-wide “anti-terrorism measures”. Conclusion 35 of the Tampere European Council meeting of 15 and 16 October 1999 therefore unsurprisingly argued that formal extradition procedures should be largely abolished between the member states and replaced by an administrative transfer.

Article 31(e) TEU calls for the adoption of minimum rules to define criminal acts and to set penalties for terrorism. This is also mentioned in Paragraph 46 of the Action Plan of the Council and the Commission on how best to implement the provisions of the Treaty of Amsterdam in the area of Freedom, Security and Justice (3 December 1998). Ultimately, the aim of these latest proposals is to implement Article 31(e) TEU by harmonising anti-terrorist legislation throughout the member states.

Finally, Article 34(2)(b) TEU selects so-called framework decisions such as the ones discussed here as the instruments to be used for the purpose of harmonising domestic laws. Framework decisions set member states binding targets but leave to national governments the choice of the form and methods by which they achieve these aims.

## TIMETABLE

THESE PROPOSALS need be approved by all 15 EU member states with the exception of Denmark, which has an ‘opt-out’ covering areas of the EU’s justice and home affairs policies. After MEPs have been consulted, these proposals will be debated by national governments and parliaments. They would apparently only enter force in around a year’s time.

1 Proposal for a Council Framework Decision on combating terrorism adopted by the European Commission on 19 September 2001.

2 *Ibid.*

3 Proposal for a Council Framework decision on the European arrest warrant and the surrender procedures between the member states adopted by the European Commission on 19 September 2001.

4 For more information, see the Solon column on page 2 of this issue of the *European Journal*.

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# Counterfeiting the Euro

by Russell Lewis

NICOLE FONTAINE, the president of the European parliament, told the last EU summit in Gothenburg on 15 June 2001 that an uprising of popular discontent could sweep Europe because of poor preparation for the introduction of euro notes and coins. A bungled launch of the euro currency on 1 January 2002, she said, could have “catastrophic” consequences for the EU. Her warning of popular revolt was emphasised by the din from the mob in the streets outside, though it must be said that most of the rioters were probably less interested in the fate of the euro than in demonstrating their hatred of the European governing elite and having a bit of fun and frolic in painting the town red. All the same, Nicole Fontaine’s point was well made. The ending of the franc, the deutschmark, the lira, among others, and the start-up of a totally new currency in defiance of the wishes of many of the EU’s inhabitants, shows all the signs of being an organisational shambles. But that’s not the half of it. A currency depends on the faith of those who use it. The really serious threat to the euro may be that such faith will be blown sky-high by a deluge of counterfeit euro notes arriving on New Year’s Day 2002.

This is not a scare story. No less a figure than Derek Porter, head of the forgery of money group at Europol in The Hague, has said that it is causing enormous alarm. There are strong rumours that huge quantities of counterfeit euro notes are being stockpiled in Asia and South America in readiness for when business begins next 1 January.

But why should the euro be more in peril from the forgers than any of the national currencies in use at present, especially when the euro notes will incorporate every available security device to keep them at bay? What evidence is there of its unique vulnerability?

My first witness is none other than the European Central Bank (ECB). In its report of November 1999 on *The Legal Protection of Banknotes in the European Union* it admitted it is likely that counterfeiting will increase after the introduction of euro banknotes. This it said was because “the geographic area in which counterfeits can be distributed and circulated will be very large and will very likely spread not only within the euro area but also in the non-participating member states and in the world outside. As a

result of new reproduction techniques, such as advanced colour copying machines, it will be easier to reproduce counterfeit banknotes which will be mistaken for genuine ones, especially if, during the initial period, the visible security features are not sufficiently known and properly checked by the public at large.

“Since the euro banknotes will be new and unfamiliar to practically everyone, there is a risk that counterfeit banknotes will not be recognised as such by the man in the street.”

SO WHAT DOES THE ECB INTEND TO DO about it? It called for the utmost cooperation between national authorities, their police forces and Europol, and for the establishment of a common investigation centre and data base on counterfeit currency. Typically for an EU institution it also demanded the harmonisation of sanctions against counterfeiters because the penalties are not the same in all member countries. It’s hard to see how making the punishments for forgers the same all over the EU could make much difference. What’s needed is to foil or catch them before they do any damage. More to the point it suggested that no colour photocopying machines and other reproduction equipment should be manufactured, imported, or sold within the EU unless they incorporate devices to prevent the reproduction of bank notes. Even if this were technologically feasible, it would be impossible to achieve cooperation between the numerous manufacturers worldwide, and even then there would be second-hand equipment to deal with.

Another measure to stop counterfeiting could be the installation of machines capable of being used for cash payments with devices which recognise and detain counterfeits. Yet, the report confessed, the result might be that high quality counterfeits are accepted and genuine banknotes rejected.

The ECB’s analysis of the situation looks disturbing enough, but there are other problems which it does not mention. For an explanation of these I turn to the comments by J. Stuart, former managing director of Harrison’s (the security banknote printers) in *Printweek* of 15 October 1999. What he considered to be the first mistake was that the notes are being printed in 13 countries

using paper from four different mills. (By contrast the Bank of England uses one printer using one special milled paper, which is so well guarded that one professional forger said it would be harder to obtain than to break into a bank for the notes made out of it). These dud notes will be distributed to populations of all these different countries who won’t have a clue about what the euro notes are supposed to look like. Then again, one of the notes is the euro 500, worth £300 – a whopper which will make it very easy for crooks to move large quantities of counterfeit money around the continent and beyond. Apparently you can’t get a million pounds worth of notes into a suitcase, but with the big euro notes it’s not a problem. In addition, he said, as billions of new notes are transported around Europe, at the end of 2001 the number of armed robberies will soar.

There is a technical solution, says Stuart – to adopt the Australian and New Zealand method of making notes out of a special plastic substrate which criminals can’t get hold of (after its adoption Down Under, counterfeiting dropped 80%). Unfortunately this special plastic can’t be used for the euro because, apparently, there’s not enough of it available.

It seems to me a bit ominous that this potentially lethal danger to Europe’s new currency, which was officially admitted in the European Central Bank’s own report only eighteen months ago, now never gets discussed. Of course it may be that this reflects the fact that the ECB has quietly taken wise and prudent measures and everything is under control. My hunch, though, is that, on the contrary, nothing much has been done and, consistently with the way the euro’s custodians have behaved so far, they are just crossing their fingers and trusting to luck.

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# The Metric Assault on American Standards

by Peter Seymour

“Nothing is more contrary to the organisation of the mind, of the memory and of the imagination... The new system of weights and measures will be a stumbling block for several generations... It’s just tormenting the people with trivia.”

SUCH WAS THE OPINION of Napoleon Bonaparte about a novelty concocted by the Paris Academy of Sciences in the midst of revolutionary fervour: the metric system of measurement.

But that tormenting system, which France’s Emperor refused to inflict, has been forced on British citizens by their own legislators, yielding yet again to pressure from European Union bureaucrats. With the British bulldog rolling over to this cultural intrusion, one wonders if the United States will go the extra mile to defend the yardstick.

Since America’s infancy, metric missionaries have been frustrated by our steadfast resistance to being converted. They’ve blamed public ignorance, apathy, meagre government funding and more. But beneath the surface, our enduring allegiance to the US Customary System of Weights and Measures is rooted in a commonsense, even if largely intuitive, preference for this finely honed system of inches, pounds, quarts and degrees Fahrenheit.

Most Americans can remember, from the late 1970s, when US metrication (metric conversion) was proceeding like a five-year plan commanded by the Kremlin. Wall charts and study guides in grade schools indoctrinated students like me about the ‘superior’ and ‘more scientific’ SI (*Le Système International d’Unités*: the new and improved version of metric).

Although belittled as a hodgepodge of historical oddities, our customary measurement system withstood insults and assaults from the ‘inevitable global standard’, the most visible vestiges of which are the “kph” markings on speedometers, the FDA-required nutrition labelling on packaged goods and the litre-based soft drink bottles.

While compliant Canadians dived head first into metrication, we recalcitrant Americans ignored and laughed at it until it slinked away. Those readers of the *European Journal* who live in America may have watched the *Saturday Night Live* skit that lampooned the marvels of the metric alphabet, comprising only ten letters! J, K, L and M were combined into a single character.

A quarter of a century later, the metric crusade looks as quaint as the “Duck and Cover” campaign of the 1950s. But while the communists’ dream of world domination has faded away, the metric zealots persist in threatening our economic and personal freedom.

In their decades long ‘re-education’ to metric, defenders of British weights and measures – and of British sovereignty – recently suffered a drastic setback. Beginning in January 2000, merchants throughout the United Kingdom were ordered to give priority to the gram, litre and meter in their measuring, labelling and oral communication, subordinating their traditional ounce, pint and foot to a supplementary status.

According to the *Sun*, whose *Save Our Scales* campaign regularly features small shopkeepers who run afoul of the metrication programme and incur fines and confiscation of their imperial scales, Sunderland police and ‘trading standards officers’ on 16 February 2000 made an undercover purchase of a pound of bananas for 34 pence from Steven Thoburn, a local greengrocer. He was thereupon arrested for weighing the loose produce in pounds instead of grams. A British court convicted Thoburn in April 2001. Fines and further court costs of at least £100,000 are anticipated. But the case will be appealed.

“I’ll serve my customers the way they want,” insisted Thoburn, who, having been dubbed the ‘Metric Martyr’, raised over £25,000 for his defence in this test case, the first trial of its type. “But I’ve yet to find anybody who’s asked for anything in a metric way.”

Despite renewed sales pitches, regaling the glories of base-ten measurement and the progressiveness of global conformity, Americans aren’t buying metric. We remain committed to the familiarity, versatility and greater accuracy of measurement practices that date back to the pyramids of Egypt – built with the same inch as found on a schoolboy’s ruler.

## METRIC IN AMERICA

STARTING BACK IN 1799 Thomas Jefferson, then Secretary of State,

recommended that Congress introduce a decimal-based measurement system. While not proposing a specific scheme (the metric system was formalised nine years later), Jefferson did advise that any new base units should resemble those already in common use wherever possible. Congress put the issue on the back burner, thus beginning a policy of benign neglect that continues to the present. In the first US metric study in 1821, John Quincy Adams, also then Secretary of State, reported to Congress: “Weights and measures may be ranked among the necessities of life to every individual of human society. They enter into the economical arrangements and daily concerns of every family. They are necessary to every occupation of human industry; to the distribution and security of every species of property... The knowledge of them ... is among the first elements of education, and is often learned by those who learn nothing else, not even to read and write.”

Adams went on to advocate the metric system as a national standard, but Congress again left well enough alone. Forty-five years elapsed before Congress supplied each state with a set of metric weights and measures as it authorised nationwide use of the new system on a voluntary basis, thus expanding our choice of measurement methods. In 1875 the United States became one of 17 nations to found the International Bureau of Weights and Measures, based on metric. In 1893 the US Bureau of Standards adopted metric as its “*fundamental system of standards*”, which legally defined customary units in terms of metric equivalents. And that’s pretty much where things sat for the next 75 years.

Today, the use and importance of standardised measurement is vastly greater than at the dawn of the industrial age. Geodetic, topographic, climatologic, political and road maps of the entire earth have been meticulously calculated with customary coordinates and charted in customary units. Surveys are the conceptual infrastructure for the layout of streets, highways, railroads and parks; for the engineering of bridges, tunnels, canals and dams; for the installation of pipelines, water mains, power



grids and cable networks; and for the positions of navigational beacons and the orbits of satellites.

Customary units, in blueprints and hardware, are built into our homes, ships, skyscrapers, churches, monuments and historical landmarks. The construction and operation of nuclear power plants, airports and aircraft, military equipment and the International Space Station, to name a few, are predominantly based on customary specifications. Our system is communicated through countless labels, cookbooks, manuals, textbooks, schematics, menus and traffic signs. Preserved in our literature, songs and movies, thriving in the daily conversations and habits of a quarter of a billion US professionals, consumers and students, customary measure serves the diverse needs of everyone from carpenters to chefs, children to rocket scientists.

With such an enormous investment in physical and human capital, there ought to be a convincing reason to justify our suffering the stupendous costs, confusions and hazards of drastically altering our measurement system.

#### ONE SIZE FITS ALL

THE PRIMARY CONTENTION of metric advocates is that adopting a globally uniform system of measurement would greatly benefit the US economy. Fluency in metric, the Esperanto of measurement, would facilitate industry and trade by increasing our nation's exports, competitiveness, productivity and employment. This one-size-fits-all thinking, typical of metric missionaries, is plausible, but such assertions are thoroughly refuted by experience and reason.

The US General Accounting Office (GAO) is a respected government watchdog. Its Metric Report of 1990 summarised the major economic burdens of a forced US metrication and devastated pro-metric arguments with careful analysis: Imports of metric products would increase because metric products required for US conversion would have to be obtained from other countries.

Furthermore, due to the additional costs of conversion, US products would be more expensive than imported products that are already metric. Foreign countries would benefit from broadened markets and new economies of scale due to increased production and lower operating costs. The United States would also be flooded with customary products produced by other

countries to meet the continuing demand by the public for goods during the conversion period.

A pamphlet from Americans for Customary Weights and Measures (ACWM), a grassroots organisation, passes along the warning. *"Thousands of workers would lose their jobs and older workers would be displaced. Metric conversion would require massive retraining and would deprive the country of workers with valuable experience and the intuitive feel for measurement upon which craftsmen, mechanics, engineers and many other workers depend."*<sup>1</sup>

The preamble of the US Metric Conversion Act of 1975 enumerated the costs of clinging to our provincial ways, including: *"3. World trade is increasingly geared to the metric system of measurement. 4. Industry in the United States is often at a competitive disadvantage when dealing in international markets because of its non-standard measurement system."*

But, reassuring the unconverted, the GAO noted, *"Worldwide usage of US customary standards is still much greater than that of metric standards"*. Although US usage accounts for much of this, customary standards persist internationally in numerous forms, ranging from any use of latitude and longitude, to industry-specific units such as troy ounces and carats, to any production whose actual dimensions are tooled on customary units.

To clarify the last, the most successful photographic film format continues to be manufactured to its original specification of exactly 1-3/8 inches in width. The customary standard of this American invention has been eclipsed by its subsequent relabelling as "35 mm", an approximate metric equivalent. This kind of soft conversion succeeds in giving the appearance of metric prominence, of greater precision and of foreign industrial clout, but it doesn't alter the hard reality that about two-thirds of global industrial output remains based on customary specifications.

In a shocking retort to those who scoff that America stands alone among industrial nations in rejecting metric, the GAO concluded, *"The United States should not risk its industrial success, obtained under the customary system, by changing to a new system."*

In spite of this unqualified verdict and the unswerving popularity of customary measure among US businesses and consumers alike, the metric system is the *"preferred system of weights and measures for*

*United States trade and commerce"*, or so it was ordained by Congress in *Public Law 100-418*. In fairness, because this provision was furtively buried in the two-inch-thick *Omnibus Trade and Competitiveness Act* of 1988, it is doubtful that any congressman knew he was voting for it. Less excusably, by signing *Executive Order 12770* in 1991, President George H. W. Bush directed federal agencies to proceed on their meddlesome path of advancing *"the national goal of establishing the metric system as the preferred system for the US government"*.

#### LEAVE IT TO THE MARKET

IN 1993 former Senator Claiborne Pell of Rhode Island wrote a letter to President Clinton in which he pushed for further metrication by stating, *"I am sure that you will agree that in order for this nation's businesses to be truly competitive with the rest of the world, we must play by the same rules."* That comment is relevant to Olympic competition, but in the economic sphere it gives the three false impressions that measurement is a rule that requires conformity, that such conformity has advantages regardless of which rules are selected and that the advantages of such conformity must be facilitated, if not mandated, by government because they will inadequately be sought out by market participants.

The rules that optimise trade and competitiveness are those that validate property rights and private contracts, while deterring infringements and fraud, Pell's deception was in representing a measurement system as a principle of free markets, rather than as it truly is: a tool and means of communication. As such, options are desirable because measurement functions best when properly suited to its task.

If markets were like sports, with businesses as teams, competitiveness among nations, as among separate leagues, would require uniformity of rules, which might include measurement standards. Although sports and commerce have some similarities (for example, competition among and co-operation within teams/firms, and success rewarded with points/profits), markets do not specify procedures, limits and goals. The free market is an open-ended discovery process wherein the freedom, of all consumers and producers, to choose a measurement tool, among many other options, is a vital means of seeking out efficiency, convenience, pleasure and safety.

Any American business interest could and would label, package and produce in metric voluntarily and on its own if doing so were profitable as measured by the customary units of dollars. *"The competitiveness question is a non-issue. US manufacturers, large and small, make their products in whatever units are required - as did Japanese makers in the fifties (and still),"* says Patrick P. McCurdy, a consultant for the American Chemical Society and editor of several trade journals.<sup>2</sup>

Naturally, compliance with industrial standards is often essential for a company's survival. Rival firms have even freely created format and operating standards when they find it mutually advantageous to do so. With no government prodding, Apple and IBM agreed to collaborate for just this reason in the mid-1990s, but the practice has a long history.

In the mid-nineteenth century, railroads sprang up to serve regional freight and passenger needs. Because these ventures were mechanically as well as commercially autonomous, the gauge (width between rails) had not been standardised. A problem arose when enterprises prepared to co-operate, but their tracks didn't match up. Due to the increasing pressures of the free market, these separate lines simply adjusted their gauges – sometimes in one weekend – to the prevailing customary standard of 4 feet 8½ inches.

American railroads even converged in creating a measurement system to synchronise schedules. Before the nation was connected by instantaneous communication and one-week coast-to-coast rail travel, 'local time' meant that each town set its clocks to high noon. This made the charting of timetables a daunting task. So in 1878 railroad executives simplified roughly 100 different time zones into today's Eastern, Central, Mountain and Pacific times.

#### DON'T GIVE AN INCH!

**H**ARASSED by means dismayingly reminiscent of those presently prosecuting Mr Thoburn, the post-revolutionary French citizen yielded to the meter, gram, litre and centigrade thermometer, but the complete metric Utopia, originally envisioned with a ten-hour clock, ten-day week and 400-degree circle, was never consummated. Thanks to informed opposition and our healthy, intuitive resistance, Americans have never given an inch ... thus far. But at the Metric Program

Office (annual budget \$500,000 to \$600,000 per year), our tax dollars continue to employ professional meddlers who view our freedom as a nuisance and take advantage of our trusting assumption that if something ain't broke, nobody's trying to fix it.

### So remember, an ounce of prevention is worth a pound of cure

Fortunately, there are many easy ways for anybody to stand up for the foot.

The vast majority of weighing and measuring is an integral part of our daily routines, our language and our culture. Substantial power is in our hands. Personally, I use customary measure wherever optional and tell others about the precision, practicality and poetry of our traditional measurement system. In a letter to the *New York Times*, I thanked an author for writing "one-fifth of an inch" when other reports on the same surgical procedure wrote "five millimetres". Any American publisher or broadcaster can independently favour customary measure as an editorial policy and convert metric into our language if necessary.

Like other conflicts of common sense versus simplistic dogma, the Metric problem was contrived by government. But unlike a typical programme, compulsory metrication doesn't derive strong support from a particular region, industry, race, age, income group and so on. Just the opposite. The fact that so many people have so much to lose from disruptions to their customary system of measure presents a rare and tremendous opportunity for everybody.

Republican legislators can reassert their conservative and patriotic values, while Democrats will win appreciation from their trade-union base. Applause would even come from libertarians, because they trust the individual, and Greens, because they mistrust international corporations. With overwhelming support, the 107th Congress and President George W. Bush can readily free us all from the metric menace by rescinding his father's *Executive Order 12770*, by repealing *Public Law 100-418*, and by cancelling the Metric Program

Office (of the National Institute of Standards and Technology).

Today's metric proponents aren't mounting a frontal assault like the one in the late 1970s, much less confiscating the scales of your neighbourhood grocer. Having learned from past failures, they've implemented a stealthy strategy of pushing through small changes to nudge out non-metric options. The New York State Highway Department, encouraged by federal initiatives, switched to metric in the 1990s with hopes of being a leader in a national trend. US metrication is one of those issues that can slide from seeming too trivial to bother with today into being too large to reverse tomorrow.

So remember, an ounce of prevention is worth a pound of cure.

Even as our federal government exhorts, *"The uncertainty is not whether to move to the metric system, it is how and when to make that move"*<sup>3</sup> we can take heart in the words of ACWM metrologist Bob Falk: *"Our system of measurement is not a haphazard collection of archaic units or the product of committees of sheltered academics with no practical experience in the real world. It's the result of more than seven thousand years of research and development by billions of people whose lives and livelihoods depended on useful, reliable measurement."*

And that is why, so long as Americans defend their freedom, the measurement issue will never be decided in a government office. It will be settled at the Home Depot checkout counter, in grocery stores and kitchens, on the desks of editors and draftsmen, on shop floors, highways and the moon, where thanks to missions achieved entirely with our outdated pounds, gallons and miles, America once again stood alone.

1 Thomas A. Hannigan, *Realities of Metrication*, International Brotherhood of Electrical Workers, 1977.

2 Patrick P. McCurdy, "I'm Just Mild About Metric," *Today's Chemist at Work*, June 1994.

3 US Metric Programs Board Pamphlet.

*Peter Seymour is a journalist, screenwriter and actor who lives in Hoboken, New Jersey, USA. An earlier version of this article was published in the July 2001 issue of Ideas on Liberty, the magazine of the Foundation for Economic Education, Irvington on Hudson, New York, USA (www.fee.org).*

# European Journal in the Press

*Compiled by Allister Heath*

Frederick Forsyth, "A Litany of Failure," *European Journal* 8(8): 6-7, (July/August 2001)

Taki, "Prole Position", *Spectator*, 8 September 2001, p. 55

"Needless to say, the man who got it absolutely spot on was Frederick Forsyth, writing in Bill Cash's *European Journal*. The novelist does not mince his words. 'Within three years (1995) it was plain that the majority of the Tory party's members, and even a majority of the population as a whole had no taste at all for abolition of their national currency.' But John Major and the coterie around him refused to admit it..."

"A letter from Kenneth Clarke," *European Journal* 8(8): 6 (July/August 2001)

Giles Coren, "Right turn", *The Times*, 24 August 2001

"The *European Journal* ... lists this month's contributors on its front page as an appetiser, and includes 'Rt Hon. Kenneth Clarke, QC, MP' in big letters... [I] turned to page six to see what Cuddles had written. I found only this: 'We invited Kenneth Clarke to write a short article for the Journal. He replied as follows: 'As my secretary has already explained to you, I have decided to decline the invitation. The policy of your journal has been consistently hostile to my well-known views on the subject and I do not feel inclined to accept an invitation to contribute to the magazine at the present time.'"

Iain Duncan Smith, MP, "European Trade and Political Cooperation, 'Yes' – European Government, 'No'," *European Journal* 8(8): 5–6 (July/August 2001)

Paul Eastham, *Daily Mail*, 18 August 2001, p. 10

"Mr Duncan Smith made clear in an article in the Eurosceptic publication *European Journal* that he supports continued EU membership for the UK. He wrote: 'Britain is a part of Europe, and the United Kingdom must actively co-operate with our European partners, work

positively to improve the way that the EU does business and help prepare Central and Eastern European countries from the former Soviet block for membership.' On the next page is published a letter from Mr Clarke in which he declines an invitation to write an article for the magazine. 'The policy of your journal has been consistently hostile to my well-known views on the subject, and I do not feel inclined to accept an invitation to contribute to the magazine at the present time,' he declares..."

Roger Helmer, MEP, "Membership of the EPP costs Tories dear – it's time to quit," *European Journal* 8(8): 8-9 (July/August 2001)

Greg Hurst, "Hardline group urged to fight EU", *The Times*, 27 July 2001

"A Tory MEP who backs Iain Duncan Smith as Conservative leader is attempting to create a hardline anti-federalist group up to 70 strong in the European Parliament... Roger Helmer believes the 35 Conservative Euro MPs should form the core of a bloc dedicated to fighting EU integration which could become the third largest political force in Brussels and Strasbourg. This would mean severing links with the European People's Party to which Conservative MEPs have been allied since 1992, although their relationship has been looser since the European elections in 1999. If such an anti-integration breakaway group were formed it would threaten the EPP majority in the European Parliament, where the centre-right grouping is currently the largest block with 232 MEPs ahead of the Party of European Socialists with 181. Mr Helmer's call comes in an article in the *European Journal*, a Eurosceptic policy magazine."

Paul Waugh, "Tory MEP calls for Party to abandon centre-right alliance", *Independent*, 6 August 2001, p. 4

"Roger Helmer, MEP for East Midlands, will claim that the Conservatives' affiliation to the European People's Party group is costing the Tories money and is undermining its anti-

federalist stance... Writing in an article in the Eurosceptic magazine, *European Journal*, Mr Helmer will state that the long-established alliance with the EPP is increasingly untenable... In his article, the MEP claims he has discovered that the Tory Party's affiliation to the EPP is costing it £670,000 a year in European Parliament subsidy, compared to the sum it would receive if it went its own way. Mr Helmer says that smaller groups get more per capita funding and that the EPP keeps 32,000 euros (£19,800) out of the 57,000 euros per MEP to cover its central staff costs and conferences. 'It is money that could be spent in support of the Conservative cause but is, in fact, being spent by the EPP in support of the federalist cause,' he writes. 'If we were to hire our own staff out of the additional money, we could be sure they were onside and that they were working with us.'"

"Editorial note," *European Journal* 8(6): 2 (May 2001)

Christopher Fildes, "Comment is free", *Daily Telegraph*, 2 June 2001, p. 30 ; *Spectator*, 2 June 2001, p. 28

"This is worrying. On to my desk flops the general election issue of the *European Journal*, with a blank where the leader should be. A note explains that this is because of the Political Parties Elections and Referendums Act. This shabby and partial piece of legislation was designed to rig the odds in any referendum on the European single currency in favour of a 'Yes' vote, but Bill Cash, the *Journal's* chairman, feared that the Act might be drafted sufficiently widely to trap him. He has been in Parliament since 1984, he is standing again, and he and his *Journal* are known to be on the 'No' side. Hang on a moment, though. The Editor of the *Spectator* is standing for Parliament, he and his journal (or this column, anyway) are thought to be on the 'No' side, the leader might give us the clue, but would it be safer to publish a blank? As a director of the *Spectator*, am I liable? Well, sometimes you have to run risks in this business. See you in the slammer, Boris."



Stephen Tromans, "How the European Union blights our cities," *European Journal* 8(4): 5-6 (March 2001)

*Architecture World*, March 2001

"Barrister Stephen Tromans, in this month's edition of the *European Journal*, a European policy magazine, sets out the worrying trend in EU environmental planning policies which contribute to what Tromans calls 'a breathtaking example of environmental, social and economic damage in one neat package'. He refers specifically to recent EU decisions which have had immediate and serious effects on urban regeneration in England. These include the EU announcement that the UK Partnership Investment Programme was contrary to EU rules on state aid. The government has since closed the scheme."

Anthony Coughlan, "The Irish referendum on Nice: an Appeal to Europe's democrats," *European Journal* 8(4): 7-10 (March 2001)

Manneken Pis, "Brussels Diary", *Prospect*, July 2001, p. 71

"There is in fact an informal Eurosceptic international... Anthony Coughlan's own Euroscepticism is based on a sort of Bennite leftism. But he is perfectly happy to write for Bill Cash's *European Journal* and is also a regular contributor to euobserver.com, which is edited by the wife of Jens-Peter Bonde..."

Brutus, *Express*, 25 June 2001, p. 15

"Dr Anthony Coughlan, a semi-retired economics lecturer operating out of a Portakabin at Trinity College, Dublin, is the one man standing in the way of the European superstate. He led the No campaign in Ireland against the Nice Treaty and hopes to remain victorious in any rematch. Yet how does he feel about running a campaign that has the support of both Sinn Féin and the European Foundation, run by Eurosceptic Tory Bill Cash? 'Churchill and Stalin came together to fight a common enemy,' he points out..."

Deaglan de Breadun, "Anti-Nice group seeks court gag on Ahern", *Irish Times*, 5 June 2001, p. 1

"Mr Ahern was accused of indulging in 'fantasies' about funding for the 'No' campaign by the anti-Nice campaigner, Mr Anthony Coughlan, of the National Platform, who said his organisation had

received about £700 following an appeal in the London-based *European Journal*..."

Bill Cash, MP, "The Irish Referendum on the Nice treaty and the New Irish Question," *European Journal* 8(4): 2 (March 2001)

John Burns, "Tory Eurosceptic backs republic's no campaign", *Sunday Times*, 25 March 2001

"Bill Cash, the Tory MP for Stone, has said he will play a discreet but potentially valuable role in the run-up to the vote, expected in late May or June, and has rejected any suggestion that he is interfering in Irish affairs. Writing in the current issue of the *European Journal*, a Eurosceptic magazine, Cash says: 'It is not only justifiable but constitutionally right for those in other member states to seek to influence the outcome of the referendum on that treaty in the republic of Ireland, precisely to show solidarity with the no voters in Ireland who will be voting for Europe as a whole.' The republic is almost certain to be the only EU country in which a referendum on the Nice treaty is held, and the no campaign could get financial backing from Eurosceptics in other EU member states. Cash said yesterday he thought it highly likely that British opponents of European integration would fund the no campaign... Cash, who describes himself as one quarter Irish on the basis of a Cork grandmother, predicted that other British Eurosceptics might help the no lobby in the republic. 'It is down to the electors of Ireland to decide for the whole of Europe whether or not this treaty can be blocked,' he said..."

Paul Waugh, "Tory Eurosceptics fund campaign for 'no' vote in Irish referendum on Treaty", *Independent*, 24 March 2001, p. 8

"Tory Eurosceptics are helping to fund a 'no' campaign in Ireland's forthcoming referendum on the European Union's Nice treaty. The *European Foundation*, which is run by Bill Cash, MP for Stone, and which has five Shadow Cabinet members on its board, appealed yesterday for 'Eurorealists' to support their counterparts in the Irish Republic... Mr Cash called yesterday for solidarity with Anthony Coughlan, the leading Eurosceptic in Ireland. Mr Coughlan wrote in the *European Foundation's* magazine that democrats all over Europe needed to give the Irish 'no'

campaign 'all the help they can'. Mr Cash, the chairman of the foundation, appealed for funds to be sent to the offices of the National Platform, Mr Coughlan's campaign group..."

Alison O'Connor, "Nice No campaigners accepting money from British, Ahern says", *Irish Times*, 24 May 2001, p. 1

"Mr Cash has made an appeal in the UK for 'Eurorealists' to support their counterparts in the Republic, and named Mr Anthony Coughlan, secretary of the National Platform, as 'the leading Eurosceptic in Ireland'. Mr Coughlan told the *Irish Times* he wrote an article in the *European Journal*, a monthly publication by Mr Cash's Foundation, where he asked for individual donations..."

Prof. Dr Wilhelm Nolling, "Has the Euro Lived up to Expectations?", *European Journal* 8(3): 8-10 (January/February 2001)

David Hughes, "Let's make the EU a major force in world politics", says Prodi, *Daily Mail*, 14 February 2001, p. 6

"Tony Blair will be making a huge mistake if he forges ahead with plans to join the euro, a European currency experts warns. Scrapping the pound would be dangerous for the British economy because the years ahead will be 'really stormy' for the single currency, says Professor Wilhelm Nölling, a former council member of the German Bundesbank. Joining the euro would risk throwing away the UK's 'impressive' economic performance, he adds in a report in the *European Journal*. He also predicts that without fundamental reforms the euro is 'bound to fail'. Professor Nölling, an economic consultant to the German government, says Euroland's political elite are 'deliberately shutting their eyes' to the fact that the euro has 'seriously flopped'. Policies by Brussels were 'not conducive' to establishing the euro's credentials as a sound currency for decades into the future."

Allister Heath is Head of Research at the European Foundation and Executive Editor of the *European Journal*. A previous edition of *European Journal* in the Press was published in the *Journal's* January/February 2001 issue.

# Europe Killed Kyoto

by Professor Patrick J. Michaels

ON 23 JULY 2001, 178 nations agreed to a new draft of the Kyoto Protocol on global warming. The United States did not. The United States, alone in the world, did the right thing – whether or not you care about global warming. If you do not care, the bottom line is that America's economy will prosper. And if you do care, the bottom line is that America's economy will prosper and produce technologies that must reduce the relative production of greenhouse gases, which we will gladly sell to everyone else who ratifies the 'New Kyoto'.

The 'New Kyoto' is a revision of a 1997 instrument that must be ratified by nations that produce 55 percent or more of the world's carbon dioxide emissions in order for it to enter into force. The United States is not going along (our Senate may currently sport only about 12 of the 67 votes required for ratification), and the only way this magic number can be reached is if the Japanese come on board. They had signalled that they would not, until the Old Kyoto was modified in their favour.

In a nutshell, while the Old Kyoto required that the major industrialised nations reduce their emissions of carbon dioxide to an impossibly low 5.2 percent below 1990 levels, beginning 6.4 years from now, the New Kyoto requires an impossibly low 1.8 percent below 1990 levels at the same time. This is impossible because most of the world is already running about 12 percent above 1990, as emissions grow with population and prosperity. Most of the 178 signatory nations, including China and India, have no commitments to reduce emissions under this Protocol. The lion's share falls onto Europe, Canada and Japan. Almost all of the industrial emissions of carbon dioxide come from the combustion of fossil fuels.

The 'New Kyoto' replaces the Old Kyoto as the most ineffectual environmental treaty ever proposed. Assume that the earth's temperature is destined to rise 4.5°F for a doubling of atmospheric carbon dioxide. This is a standard UN assumption, subject to considerable debate but it is a common reference point. (Note that temperatures rose 1.0°F in the last 100 years and most people prospered.) Also assume that the nations – mainly European – that have to do something under the New Kyoto live up to their commitments (they will not), and

compare the projected temperature changes to what would happen if no one made any special attempt to reduce emissions – the so-called 'business-as-usual' approach.

The New Kyoto produces a world, in 2050, whose surface temperature is 0.04°F lower than it would be if no one did anything. That is four hundredths of a degree. This is about 30 percent of the warming 'saved' by the Old Kyoto, which itself was small beer. By 2100, the saved warming is 0.11°F. These numbers come from the UN's own computer models.

THE WARMING RATE in the UN models is fairly constant, once you choose your 'storyline' (the new fancy name for future social projections). The mean 'storyline' these days assumes surface warming of about 4.5°F in 100 years, or 0.045°F per year. Thus the New Kyoto effectively signifies nothing. If everyone does what they say they will, the mean global surface temperature that would have normally been expected on 1 January 2050 will appear instead on 18 September 2050. The New Kyoto delays this warming by 288 days.

This, of course, assumes that the United States does nothing, while the other nations raise taxes enough to drive emissions 1.8 percent below 1990 levels. That is the only way we know to reduce the energy use that produces these emissions. No one knows what the total cost will be. But it certainly means that European governments are going to gobble up more of their people's income and corporate profits than they do now.

This will have the effect of forcing multinational business over America's side of the ocean, where people will have more money to invest. Like stockholders everywhere, they are going to demand more production with increased efficiency. Thus the New Kyoto will in fact force investment in technologies that are more likely to produce things that cost less energy to operate.

The irony of all of this is that our European friends have sentenced themselves to economic stagnation while doing nothing about global climate change. At the same time, they have insured a vibrant United States that will, with the investment dollars that the New Kyoto diverts in our direction, produce a cleaner future.

Predictably, the United States has come under heavy criticism from European Union leaders. Jürgen Trittin, Germany's Environment Minister, thundered that, "*We cannot allow the country with the biggest emissions of greenhouse gases to escape responsibility.*"

SO WHO KILLED KYOTO? If any one person will be fingered by history, it will be Trittin himself. If any group of nations is to be singled out, it will be the EU, which has been out of step with the rest of the world on Kyoto since day one.

Kyoto's last chance was in November 2000, when the same people who are now berating the United States in Bonn met at The Hague, two weeks after America's presidential election. The lame-duck Clinton-Gore team was struggling to find some economically defensible way of meeting Kyoto's totally unrealistic target – a 33 percent reduction in total US emissions (read: energy use). The outgoing administration proposed that we meet half of that target by planting trees, building up the organic content of our soils, and selling or giving clean power production technology to poor countries, which tend to be high polluters.

Jürgen Trittin and the French Environment Minister, Dominique Voynet, refused. To them, speaking for the EU, the United States had to meet Kyoto by directly reducing energy use. Here they proved to even many radical American greens that Kyoto has nothing to do with climate and everything to do with hatred of the United States, which is very chic these days in Berlin and Paris.

The United States then proposed that it would only salt away 40 percent of its emissions in trees. No, replied Trittin, Voynet and the EU. 30 percent? 20 percent? Each time, the answer was a resounding 'no'. President Clinton then gained the intercession of his friend Tony Blair. Voynet subsequently turned on the British Prime Minister, accusing him of "*ha[ving] conceded too much to America.*"

In disgust, the US negotiation team packed its bags and left. As it later admitted to *USA Today*, the final proposals would have caused grave economic damage. On the way out, EU security guards sat on their hands, as green demonstrators assaulted US



negotiator Frank Loy with a pie in the face on world television.

Surely the EU knew that, despite the turmoil surrounding the results of the presidential elections, there was a pretty good chance George W. Bush was going to be elected the next President. And not long after his election was confirmed, National Security Advisor Condoleezza Rice announced that "Kyoto is dead."

For that, we have been subject to incessant rants about the United States being a "pariah" and a "rogue state". So who is the pariah here? Kyoto does not apply to China, the world's most populous nation. Nor does it apply to India, the second largest. Are people in Russia clamouring for its adoption? What about Indonesia, Pakistan, the Middle East? Africa has far more serious fish to fry, like their catastrophic AIDS epidemic.

It is clear that the vast majority of the world's citizens either are not bound by

Kyoto or do not care anyway. The United States is merely siding with the majority against a vocal and radical European minority that supports an ineffectual and expensive Treaty, which they say can only be implemented in a fashion that will cause America (and, ultimately, the rest of the world) grave harm. There is no way the US Senate will ratify it, anyway.

NOR has the EU learned from these mistakes. On 16 July 2001 the 15 EU leaders issued a joint declaration in Bonn promising to fulfil their treaty commitments, adding one final farce to this tragic comedy. Why anyone would engage in a failed effort to do something that everyone knows would not even have a measurable effect on global climate remains a mystery.

So, who killed Kyoto? Not the United States. President Bush was merely the coroner. Jürgen Trittin, now railing about holding the United States "responsible" for

his own irresponsibility, was the perpetrator, and the EU, wildly out of step with the rest of the world, was the accomplice.

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## Lobby against the Third Reading of Nice

We would like to draw your attention to the lobby of Parliament which will take place on Wednesday 17 October 2001. This is the day that the Commons takes the Third Reading of the Treaty Bill, so the lobby will take place while the debate is happening and just hours before the House holds its final vote on the issue. The event is being organised by the Coalition Against the Nice Treaty.

The Nice Treaty was rejected by the Irish people in a referendum on 7 June 2001. As each EU country has a veto over the Treaty, it should now be dead. However, Tony Blair and the leaders of the other big EU countries are proceeding to ratify the Treaty. Why? Because they are bullying Ireland into having more referendums until they accept the treaty. A vote that is only allowed to have one result is not democracy (William Hague could not call repeat General Elections until he won one!). Tony Blair is negating democracy and crushing the rights of small countries in order to hand more power up to the EU.

The Coalition Against the Nice Treaty was formed by the Anti-Maastricht Alliance, the Labour Euro-Safeguards Campaign, Conservatives Against a Federal Europe, the Federation of Small Businesses and the Democracy Movement. The Democracy Movement is providing administrative services.

Please contact: The Democracy Movement

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# Czech Eurorealism: a Manifesto

by Jan Zahradil, MP, Petr Plečič, Petr Adrián and Miloslav Bednář

**T**HE IRON CURTAIN erected in Europe after the Second World War prevented the Czech Republic from taking part in the post-war democratic development of Europe. As a result, we joined that process after a great delay and with limited possibilities only in 1989, the year in which our country returned to freedom and national sovereignty. Our foreign policy since then has therefore been based around two main goals: to join NATO and to become a member of the European Union (which at the time was called the European Community). Our most significant foreign policy achievement to date has been to secure full NATO membership, which we joined in 1999. The Czech government's principal foreign policy objective is now to join the European Union. We sincerely wish to see the European Union develop into a community of democratic European states based on the equality of members' rights. We would wish this community to exist in co-operation and partnership with the United States – the world's most important democracy and a country with close ties to Europe that has traditionally helped our continent overcome its internal conflicts.

Unfortunately there is no real debate about accession to the European Union in our country. The issue has been reduced to mere technical and administrative training in the application of Community legislation and to media battles in which self-appointed arbiters divide our political scene into 'Europeans' and 'anti-Europeans' according to whom they happen to like or dislike. Even the representatives of the European Commission have recommended that we should steer clear of debating the issue of EU membership, at least during election campaigns.

The accession of the Czech Republic to the EU would not be a politically neutral step – on the contrary, it would be a profoundly political decision. It would be accompanied by the most extensive voluntary transfer of sovereignty to a supranational entity our country has witnessed in its modern history. It is therefore time to cease viewing our bid to join the European Union in superficial terms, as a symbolic line separating us from our past within the socialist empire or from our present within the transitory post-communist area. We need to realise on what

conditions we would be joining the EU, to understand the Union's current state and analyse how it will develop over the next few years. We need to decide which potential forms of the EU would be the most advantageous for us, and which might be less convenient. Finally, we need to decide which vision of the EU we will support if and when our country becomes a fully-fledged member.

This article is based on a recent Czech-language contribution to the debate on the EU within the Občanská Demokratická Strana (ODS) Party. That document was released in April 2001 and complements our Party's framework document on foreign policy *National interests in the real world* published in October 1999. The present authors will continue to work on this material to further develop its arguments.

## **I THE EU: PAST AND FUTURE**

### **A TILT-YARD OF INTERESTS**

THE INTEGRATION OF EUROPE has undoubtedly brought about a uniquely long period of stability, prosperity and peace in the history of Western Europe. The four principal freedoms of the single market – the free movement of people, goods, services and capital – have become a successful instrument with which old antagonisms can be overcome. These freedoms have helped ensure the long-term peaceful coexistence of European nations. Nevertheless, it is necessary to realise that European integration will always be characterised by a form of non-violent confrontation between various political, economic and strategic interests.

A case in point is the confrontation between on the one hand 'European' interests (the common interests of the European bureaucracy, of European institutions and of member states) and on the other the interests of the world's other centres. Another aspect is the clash of interests between the European bureaucracy and individual member states. The third aspect is the confrontation among regional or local entities and lobbies within each member state, as well as within the EU as a whole.

### **EU BOTTLENECKS**

**A**T THE ROOT of many present-day European problems are key elements of

the integration process itself and of the ideological and political residue of Europe's past. In addition, problems are caused by certain economic and juridical schools of thought conditioned by their time of origin and today considered obsolete. As a consequence of their post-war development, European states are characterised by costly re-distributive bureaucratic processes, burdensome welfare states, and collective claims in the form of 'group rights'. These are often described as a specifically European system of values. However, global economic competition means that the flawed policies and ideologies of European states affect the competitiveness of European economies and stifle economic development. In addition, the single market is bound by tens of thousands of pages of the ever-increasing *acquis communautaire* – rules and regulations which, for the most part, are the product of lobbying and corporate pressure. Their aim is not so much to achieve 'higher' standards in product and labour markets but rather to serve as a protectionist instrument sheltering the European market from outside competition.

European institutions also suffer from a 'democratic deficit' – by which we mean the insufficient application of common democratic principles. For instance, the governments of individual nation states in the EU Council have assumed the role of a European legislature. The European Commission, a body of appointed officials without a direct mandate from the electorate, has become the EU's executive. This process lies outside the parliamentary control of European voters and is thus a constitutional anomaly. Furthermore, the status of the European Court of Justice and of the European Central Bank are very problematic both from the point of view of the constitutional division of powers and as a system of checks and balances. European institutions have little respect and authority among the public. This is caused by their lack of transparency and accountability (these problems culminated for example in the recent corruption scandal and the fall of the entire Commission), as well as by the fact that few citizens of member states identify themselves as 'European citizens'. This is also reflected in the ever-diminishing interest in the elections to the European parliament (EP).

One aim of the nascent political Europe is to build a common European Foreign and Security Policy, the second pillar of the EU. For European states to assume greater responsibility for their own security would be a laudable intention in itself. Unfortunately, there are worrying signs: an implicit anti-Americanism, the attempt by some states to restore their lost status as world powers, indications of a change in strategic orientation (towards Russia), among others. The EU is however being over-ambitious as the efficiency of European armed forces is several times lower than that of their American counterparts. The percentage of European GDP earmarked for defence is one third lower than in the United States. Raising the defence budget would be socially, and therefore also politically, unacceptable. In any event, it would be against the interests of European democracy for the Common Foreign and Security Policy to lead to the gradual separation of Europe from the United States, to the construction of new structures parallel to, or even competing with, NATO and to the weakening of the transatlantic relationship.

#### WHICH WAY?

THE TWO historically different concepts of European integration can be described in a very simplified manner as the 'intergovernmental' model (based on the cooperation of member states on equal terms and on a multilateral basis) versus the 'federalist' or 'supranational' model (working towards a unified European state with strong supranational institutions).

In fact, the EU has always represented a combination of both models. In the 1980s and the first half of the 1990s, its development was dominated by the 'linear' concept of ever-deeper integration towards federalism. This model was supported mainly by the founding members and particularly by Germany, alongside with France. A supranational political union symbolised by the Treaty of Maastricht, the founding document of the EU, was presented as the only possible and, according to Germany's Karl Lamers, MP, the "*most progressive*", culmination of the European integration process. The envisaged development was supposed to bring further limitations on the role of nation states and lead to their gradual "regionalisation". The European Parliament was to be transformed into a genuine legislative body and the European

Commission would assume the role of a European government. The most prominent symbol of this approach is the politically driven project of Economic and Monetary Union which, some believe, should be followed by fiscal union – the unification of the taxation and social systems.

By the end of the 1990s, however, the whole federalisation process had been slowed down by two factors – a partial change in the attitudes of France together with the traditionally less enthusiastic approach of the 'northern wing' (the United Kingdom and Scandinavia). This tendency emerged most clearly during the Intergovernmental Conference held in Nice in December 2000. Nice witnessed conflicts between small and large member states. The planned inclusion of the Charter of Fundamental Rights into the Treaties as the basis of the future European constitution was blocked by no less than six of the northern states – more than one third of all EU members. This does not mean that Nice turned the scales in favour of the intergovernmental approach. Large pro-federalist states, and Germany in particular, have realised that in the future enlarged Union it would be very difficult, if not impossible, to push through further changes on a consensual basis. They therefore took advantage of the reform of voting mechanisms within the EU Council. During the reform, which was carried out in connection with the planned enlargement, they focused on the adoption of mechanisms that would give them a better position in the future. This is linked to the revival of the concept of a 'flexible' or 'two-speed' Europe. This concept also originated in Germany (its authors are the above-mentioned MP Karl Lamers and his colleague Wolfgang Schäuble; last year, Joschka Fischer, Germany's Foreign Minister, referred to a version of that proposal). In a flexible Europe some EU member states would form an integrationist 'vanguard' without being slowed down by the rest.

The key event for the future development of the integration process will doubtless be the 2004 IGC. We may expect a vigorous struggle especially when it comes to further extensions of Qualified Majority Voting, the extent of 'flexibility', the division of competencies between national and supranational institutions, and the adoption of some form of European constitution.

## II ENLARGEMENT TO THE EAST

### THE 'CONS' OF ENLARGEMENT

THE PRE-ACCESSION PROCESS is being exploited for the benefit of the EU's current members. The EU sees candidate countries above all as markets for its products and as a useful outlet for its overly numerous 'experts'. The actual relationship between the candidate countries and the EU also generates a considerable number of jobs in the Union itself and thus guarantees the functioning of a part of the EU's social subsystem. The candidate countries are also seen as a source of raw materials and of qualified and cheap labour. In addition they represent a potential buffer zone against the political and security risks posed by countries to our East and the Balkans. The economic relationship between the EU and the individual candidate countries remains rigged in favour of the Union. Even after the removal of tariff barriers, the present arrangement guarantees plenty of protection for the EU's internal market. This is due to the EU's well-developed protection mechanisms (*inter alia* quantitative quotas, anti-dumping procedures, veterinary and sanitary measures). These should be contrasted with the candidate countries' minimal level of protection following their respective association agreements signed in the first half of the 1990s which opened up their markets to an extent previously unthinkable. From the economic viewpoint, the EU is better off keeping Eastern European states in the status of candidates rather than adopting them as fully-fledged members.

Furthermore, for some member states, central and eastern Europe is not a priority since their attention is turned in a different direction – towards Mediterranean or North African countries. For others, enlargement would mean that they would have to share with the newcomers the EU's already limited financial assistance – a sum which is definitely not going to increase in the future. The employees' lobbying groups from the countries adjacent to the candidate countries fear a major cross-border influx of cheap labour. The agricultural lobby is very worried about the potential impact of enlargement on the Common Agricultural Policy, Europe's generous system of farm subsidies. Whereas at the beginning of the 1990s enlargement was supported by more than 70% of the EU population, by the end of the decade support had fallen to under

50% (the sharpest fall has been recorded in Germany and Austria). The forthcoming elections in Germany or France mean that such polling data comes as a warning to the European political elite.

The dynamics of the internal institutional development described above seriously complicate the enlargement process. Advocates of the supranational decision-making model will hardly let in new members when the newcomers could rule out or substantially influence majority decisions (for example by making use of the national veto).

#### NEGOTIATION PROCESS

THE EU'S NEGOTIATION TACTICS have turned the enlargement process into a competition among individual candidates and, in many areas, has prevented them from adopting a common approach. Following the reorientation of candidate economies toward the EU market, the Union demanded the unconditional adoption of the entire *acquis communautaire*. The *acquis* is primarily an 'anti-dumping' measure which will soon do away with what remains of central and eastern Europe's comparative advantage. The benefits conferred by lower labour and production costs combined with comparatively good standards will soon be erased. On the other hand, the adoption of parts of the *acquis communautaire* will undoubtedly foster further economic liberalisation in parts of Eastern Europe's economies.

No previous generation of candidates had to endure such pressure to integrate as quickly as possible the huge and ever-growing volume of Community law into national legal systems. (In the 1970s and 1980s, the EC's *acquis communautaire* was a mere fraction of its present size, while the countries that joined the Union in the 1990s had already adopted some of the *acquis* through their membership of EFTA.) The adoption and implementation of EU laws will cost candidate countries several times more than the maximum amount of financial assistance they receive from the Union, a fact that even Czech government sources now acknowledge. The assessment of a candidate's success in implementing the *acquis communautaire* is entirely in the hands of European officials. Candidate countries can be moved up and down the application league table, and the distance between any two applicants can be increased or reduced whenever necessary so as better to exert pressure during

negotiations. Other evaluation criteria are being used in a similar way.

#### THE 'PROS' OF ENLARGEMENT

THE UNION is well aware that its negotiating position is greatly enhanced by the fact that it is simultaneously a player and a referee. There

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We seek the  
strengthening of the  
international legal order  
and its institutional  
framework; territorial  
integrity; political  
sovereignty; independence;  
stability and security;  
and the mutual opening  
and integration of  
markets

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would thus be no reason for it to modify the existing arrangement unless strong exogenous factors make it necessary for it to do so. One possible such factor could be the risk of potential economic and political destabilisation in candidate countries. This could be caused, for example, by frustration generated by the repeated postponement or blocking of applications. This risk is perceived most clearly by the neighbours of applicant states – in 1994, Germany's Karl Lamers, MP and Wolfgang Schäuble, MP, both CDU members, wrote with astonishing directness that without further enlargement of the EU, "it might be desirable or necessary that Germany, for the sake of its own security, ensure the stabilisation of Eastern Europe on its own and by traditional means." Another factor in favour of enlargement is that it may be in the interest of countries that oppose further 'intensification' of the integration process. The accession of new members would be bound to cause some degree of 'diffusion' in the EU. Enlargement may therefore help those countries in their effort to stop supranational integration tendencies. Last but not least, as the candidates are for the most part smaller countries, present-day small member states may benefit from enlargement because the newcomers could

strengthen their on-off alliance against Europe's 'great powers'.

#### WHAT FORM OF ENLARGEMENT?

IF THE EU WERE APPLYING the same criteria as used during previous waves of enlargement, it would already have admitted some of the current applicants. But enlargement is a purely political question. As such, it will only take place at a pace and under conditions that the EU deems affordable. In this context, the first variable is that of the EU's financial capacities compared with its commitments in the shape of Structural Funds, the Cohesion Fund and the Common Agricultural Policy. The second question relates to which institutional rules the EU will have in place at the time of enlargement.

Right from the start, candidate countries made a serious strategic mistake. They focused, mainly for symbolic reasons, on the quantitative aspect of their application (to join as soon as possible) rather than on the qualitative aspect (the conditions of membership). The result was that the EU felt it was able to offer applicants a membership package which omitted for a lengthy period of time at least two of the fundamental freedoms. The free movement of people will be curtailed – the candidates' labour force will have restricted access to the European market. The free movement of goods and services will also be curtailed through the imposition of limits to the candidates' access to the CAP and, subsequently, through the introduction of 'double trading' conditions for agricultural products.

Rapid accession will mean a liberalisation shock for the economies of the candidate countries not unlike that incurred in the early 1990s. It will include increased inflation and unemployment, as well as growing pressures on the business sector. Furthermore, future compensation in the form of financial assistance from EU funds is being overestimated by prospective members. It will be limited and lower than the assistance provided to existing member states, while some of the criteria used will be open to flexible interpretation. The receipt of assistance would thus require a political consensus to be achieved. All in all, it is clear that within the next few years, enlargement may take place only on the condition that the candidates accept a limited second-class membership.

The oft-cited date of the first possible enlargement of the EU – the beginning of



2004 – is uncertain. That year will witness a new Intergovernmental Conference with key negotiations taking place about the internal institutional and decision-making processes of the EU. It is doubtful whether many of the existing member states would wish that the new members participate in making and influencing decisions of such importance. However, even if some of the candidates were admitted in 2004 (or possibly in 2005), they would only attain full membership in the second half of the decade at the earliest, and possibly only after 2010. The number of countries admitted to the EU in the first wave of enlargement will be contingent on political decisions about which, for the present, we can only speculate. One possible scenario would be so-called minimal enlargement – a few ‘cheap’ countries would join followed by a long gap before the next batch were admitted. Furthermore, we cannot rule out other scenarios, including the further postponement or even blocking of the enlargement process.

### III THE CZECH REPUBLIC AND THE EU

#### THE EU IN LIGHT OF THE CZECH CONCEPT OF STATEHOOD AND CZECH NATIONAL INTERESTS

A FREELY ESTABLISHED DEMOCRATIC European group of loosely connected and cooperating states – an organisation which would originate from below – has always been fully compatible with the concept of Czech statehood as a permanently inspiring formulation of national identity; and state sovereignty derived from this identity. The main current of modern Czech politics is built around this idea of Czech statehood and is embodied by Palacký, Havlíček and Masaryk. This stream has always quite naturally tended to the liberal democratic form of government and is notably close to the Anglo-Saxon traditions of liberal conservatism. The problems with European integration we have discussed above arise from the EU’s adherence to policies contrary to these liberal democratic principles and which are therefore contrary to the founding ideals of the Czech state. Apart from earlier extremist ideologies such as fascism or Marxism which attempted to unite Europe by force, political systems incompatible with the founding ideals of the Czech republic include both present-day European social democracy with its

central re-distributive processes as well as Christian-democracy.

Although full membership of the EU remains one of our country’s strategic goals, all the ‘cons’ of EU enlargement described in detail in the preceding paragraphs fully apply to the Czech Republic. We will therefore have to monitor further developments and continue to evaluate the goal of membership in the light of Czech national interests. In this context, these may be summed up as follows: the strengthening of the international legal order and its institutional framework (with the same rules applying to large and small countries); territorial integrity; political sovereignty; independence; stability and security; and the mutual opening and integration of markets accompanied by the dismantling of unnecessary trade barriers. This means: politically, our full and equal participation in the decision-making processes within the EU; economically, our full and equal participation in the single market.

#### AN INTERGOVERNMENTAL MODEL

IT IS DIFFICULT to talk about an ideal model of European integration, but from the two alternatives described above – the intergovernmental and the supranational model, the Czech Republic should clearly favour the intergovernmental one. European integration must be a bottom up process. It must come from below, from European nations and citizens of member states represented by their parliaments and governments. It must not come from the European political and bureaucratic elite. We should reject further unnatural ‘intensification’ of the integration process toward a federal state if only because of our own historical experience as a part of a non-homogenous federative entity in the shape of Czechoslovakia.

Efforts to establish a supranational federation stem from theories about the unavoidable extinction and dismantling of national states as a result of economic globalisation. These theories, however, contradict certain essential features of European democratic history. First, they disregard such fundamental prerequisites of a stable state such as a common language, a shared historical experience or a jointly created model of democracy and political culture developing from this model. Second, these theories reduce the concept of national identity to that of mere culture or folklore. They fail to take into account a state’s political and constitutional

significance, based on the political concept of a nation as the source of state sovereignty and constitutional legitimacy. These concepts are replaced by the idea of a ‘European’ identity and a ‘European’ political nation.

But there is no such thing at the present, and if one were ever to come into being, it would require a long process of social evolution, not a few decades of integration. The reduction of nations to the level of mere ethnic groups with no possibility of political self-identification could unleash a destructive wave of ethnic nationalism.

For similar reasons, we must also reject another popular theory. It is a myth that nation states are bound to succumb to regionalisation in some sort of ‘progressive’ historical process. The Swedish diplomat Karlsson (now the ambassador to the Czech Republic) characterised this European regionalism with great accuracy: “... *Many of the existing regional movements are rather provincial and anti-modernist than anti-centrist, and their principal wish is to close their region to the influences of modern society...*”

The EU decision-making processes are another reason to prefer the intergovernmental model. The conclusion that “*the position of a small state stimulates interest in the strengthening of the supranational elements of the European order*” and that “... *intergovernmental elements ... open the field for the workings of power politics...*” (Prague Institute of International Relations) must be rejected. These analyses are completely erroneous – the contrary is actually true. The potential of great powers to order about their smaller neighbours can be prevented by using the intergovernmental approach. Intergovernmentalism signifies the equality of individual states regardless of size, and the possibility for each state to say ‘no’ to changes in all key areas by exercising a national veto.

This is why the EU Council, despite everything, remains the most legitimate EU body, as it is made up of representatives of national governments. Moreover, the distribution of votes in the Council is weighted in favour of smaller countries like the Czech Republic (notwithstanding the measures adopted at the Nice summit which weakened the position of small states).

#### WHICH EU SHOULD WE SUPPORT?

WE MUST REJECT any further extension of the European Commission’s powers because it is a non-elected, executive and administrative body with no direct



electoral mandate. We must also reject new competencies for the European parliament. Since there is no such thing as a 'European' public or electorate, the EP can never become a genuine parliamentary institution reflecting European interests. It will always be a body of representatives speaking for various national, regional, local and other interests or lobbies. We must strictly oppose further emasculation of the national veto and the extension of QMV to new areas.

We must also oppose the inclusion of the Charter of Fundamental Rights (CFR) into the EU treaties as well as the adoption of a European constitution. All these measures would represent gradual steps towards a federal state. They would enable the European Court of Justice to enforce its interpretation of the CFR, thus wreaking havoc with national legislatures. Instead we should campaign for the adoption of a basic, simple document which would define those areas to be controlled at the European level.

In fact, the foundations of a 'flexible' or 'multi-speed' European Union have already been laid. Any other model would hardly be viable in an enlarged EU. Let us therefore embrace a form of flexibility that would enable some states to opt out of common policies without preventing others from participating in the closer integration they prefer. This model would resemble a menu from which member states can select areas in which they would opt for closer integration. Flexibility could be risky: instead of a multi-speed Europe in which all speeds are equally legitimate, it could lead to the emergence of a two-class Europe – some states could become more equal than others. This risk is already present today with enhanced flexibility in the Nice Treaty. Those states that do not take part would be indirectly forced to adopt its standards without having the opportunity to influence them. This process has actually already begun for states with so-called opt-outs. A version of flexibility which brings about an EU vanguard and inequality between individual states must be rejected.

Economic and Monetary Union (EMU) is primarily a political project since a single currency is one of the attributes of a federal state. Economic theory, in particular the theory of optimal monetary zones, casts doubt on EMU's future success. Moreover, it is likely that the criteria for the accession of new members to EMU will be tightened. It would therefore be premature, even in the case of our rapid admission to the Union, to

think about this issue at this stage. Our potential accession to EMU as well as to the EU must be preceded by a referendum. Although we already have strong links with the European currency, it does not mean that we cannot, if the circumstances require, retain an independent monetary policy. We

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**We must also oppose the inclusion of the Charter of Fundamental Rights (CFR) into the EU treaties as well as the adoption of a European constitution. All these measures would represent gradual steps towards a federal state.**

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must, however, clearly reject fiscal union, that is the unification of taxation, social, pension and other related policies, since this would represent yet another step towards a federal state. Fiscal union might help those countries with extensive social systems, high taxes, a high cost of labour and large indirect wage expenses by bringing others to their level. It would thus do away with comparative advantages within the EU.

In regard to the second pillar – a Common Foreign and Security Policy – the only European defence structure should in our view be NATO. It is unacceptable for any European project in the field of security and defence to weaken NATO and the transatlantic link with the United States. We insist that the Czech Republic, as a member of NATO, be included now in all the relevant decision-making processes within the EU. The EU must not build a parallel system of defence planning nor any structures duplicating those of NATO. European operations should be considered only if NATO decides not to act. Joint forces and resources of NATO should be used only with its consent and under its supervision.

It is necessary that we find ourselves allies in the EU with whom we could, after our accession, best defend our common interests and form interest coalitions. With some exceptions, our potential partners belong to the same category of smaller European states. Our potential allies can be divided into two groups – those that hold similar views about the internal organisation of the

EU (the 'northern wing', including the United Kingdom and Scandinavia), and those with a strong Atlanticist orientation (also Portugal and the Netherlands). The Czech Republic needs to build alliances to help counteract the influence of Germany, our strongest neighbour. Germany is not only our most important economic partner, but also a prominent architect of the federalist project.

It is necessary to mention one particular problem which has disappeared from the bilateral Czech-German agenda only to appear on the agenda of the Czech Republic's relations with the EU (for example through the European parliament). German lobbies from the former *Sudetendeutschen* are trying to make our accession to the EU conditional on revising the outcome of the Second World War (and in particular on the abolition of some presidential decrees from the relevant period). This would be followed by a reinterpretation of Czech history from the *Sudetendeutschen* viewpoint; eventually, by legal and economic 'restitution'. It is especially alarming that these demands have found a positive response in conservative Germanophile segments of Czech journalism and intellectual circles. These demands must be opposed in principle.

#### **HOW SHOULD WE NEGOTIATE ACCESSION?**

OUR NEGOTIATIONS regarding accession to the EU should be governed by the principal requirement of our full and immediate participation in the EU decision-making processes and in the single market. Given that the Czech Republic would be a weaker partner in the Union and a transition economy, we should make every effort to obtain transition periods of the sort that were granted during previous waves of enlargement (Spain, Portugal, Greece). We should also try to change the Nice decision concerning the number of Czech representatives in the European parliament. The Czech Republic should insist on raising its allocation of votes from 20 to 22 to align it with states of a comparable size. Of course, given the nature of the EP, this would be more about symbolic influence than real power. We also should insist on full participation in decisions about the future of the European Union to be discussed at the next intergovernmental conference in 2004 (regardless of whether or not we have already joined.)

The process of European integration must be looked at realistically and soberly. During the past centuries, the Czech lands have been part of several integrated structures, all of which eventually disintegrated. It would therefore be a mistake to see the European Union as the final development of Europe. It is necessary to take disintegrationist tendencies as well as integrationist tendencies into account. We must therefore learn to face and accept both in accordance with our national interests.

## IV ALTERNATIVE SOLUTIONS

### REMAIN OUTSIDE THE EU

OUR ACCESSION to the EU may be prevented by various circumstances internal or external to the Czech Republic. It would be politically short-sighted and even hypocritical to pretend that this possibility does not exist. It is necessary at least to outline and further analyse possible avenues for Czech foreign policy in case our country does not join the EU.

The EU could block or postpone enlargement for institutional or financial reasons. This is not very likely. The Czech Republic and other countries could, however, be excluded from the first wave of enlargement for political reasons. In the competition among the candidate countries, the Union may give preference to 'cheap' and 'no-problem' countries that wish to join at all costs. Countries that defend their interests more vigorously may be 'punished' by an indefinite postponement of their accession, especially if, as is the case with the Czech Republic, their application is not sponsored by a powerful EU member state.

The Czech Republic may also change its attitude towards membership if the EU evolves in ways that are contrary to our foreign policy or national interests. This concerns mainly the possibility of long-lasting or even permanent unequal status within the Union. The EU cannot adequately compensate us for any long-term exclusion from some of the fundamental freedoms of the single market. Moreover, the EU decision-making mechanisms could be adjusted in a way that would make us only a puppet member dominated by large European states or interest coalitions, with no opportunity to put through proposals of our own. In such a set-up, EU membership would have even fewer advantages than 'mere' integration into the single market

through the EEA (see below). Another reason for a reassessment of our accession efforts could be for example the growing number of anti-American elements in the policies of the second pillar, accompanied by attempts to dismantle the transatlantic security link. Being a full member of NATO, our country of course could not accept this. An equally unacceptable requirement would be to make revision of the arrangements following the Second World War a condition of our accession (see previous page).

The public could also reject EU membership in the planned referendum if it is felt that the EU does not treat us as equals and with respect. To underestimate this possibility would be to underestimate democracy itself. The outcome of the referendum is unpredictable at this stage and we should not pretend that the only acceptable result is a 'Yes' vote. If this were the case there would be no point in having a referendum.

### EFTA, EEA

IT IS VITAL FOR THE CZECH REPUBLIC, a country with a small, export-oriented economy, to gain full access to the single market where we do most of our trade and which is still not fully open to us. If we remain outside of the EU, we could join the single market by joining the European Free Trade Area (EFTA). This organisation now consists of four small states with substantial export potential – Switzerland, Norway, Iceland and Liechtenstein. The volume of EFTA foreign trade is comparable with much larger economic associations. Accession to EFTA would not exclude us from future membership in the EU. On the contrary, for many existing member states, EFTA membership has been a stepping stone on the way to full EU membership (Finland became a fully-fledged member of EFTA nine years before its accession to the EU.)

EFTA members (with the exception of Switzerland) have signed an agreement with the EU establishing the European Economic Area (EEA), which provides them with full and free access to the EU single market. They had to adopt the parts of the *acquis communautaire* that directly concern the single market. Their experts, moreover, can participate in the preparation of relevant legislation. Access to the EEA also brings participating countries closer to the EU, as was demonstrated when Sweden, Finland and Austria joined the EU two years after the creation of EEA.

Unlike the EU, EFTA is also building links to areas outside Europe by integrating non-European states into its free trade area, and is currently working on a transatlantic link by negotiating with Canada. EFTA also enables its members to negotiate individually other bilateral agreements on free trade, based on their needs. Through EFTA and the EEA, the Czech Republic could therefore secure access to the European market and could continue independently to negotiate bilateral agreements with other states or even with the EU.

Accession to EFTA is, of course, not directly comparable with accession to the EU. The latter – as a political organisation – will always have a political influence on its immediate neighbours, including non-members. EFTA is an intergovernmental organisation which serves 'only' the interests of its members. It is not directly concerned with, for example, the possibility of introducing free movement of labor and it does not have re-distributive mechanisms comparable to EU funds. Its members, however, enjoy full legislative and political sovereignty and are not forced to adopt the entire *acquis communautaire*. Apart from an autonomous and independent internal and foreign policy, EFTA membership would also mean that we would not have to transpose – on the contrary, we could at least partially reduce – the huge burden imposed by the EU's unnecessary social, labour, environmental and consumer legislation; and we would save the one-off expenses incurred by the implementation of the *acquis*. EFTA membership combined with membership of NATO could therefore, if the above conditions were met, prove to be a relatively satisfactory and advantageous political solution, as is demonstrated by the example of Norway.

### THE BILATERAL SOLUTION

THE CZECH REPUBLIC could also try to set up a bilateral relationship with the EU modelled on that of Switzerland. Switzerland has repeatedly refused to join both the EU and the EEA because of the restrictions membership of those organisations would place on Swiss sovereignty. That country launched instead a complicated negotiating process which resulted in the adoption of a bilateral treaty with the EU in 2000. The treaty consists of seven parts which regulate the relations between Switzerland and the EU *per partes*. Although the treaty goes even further than the EEA in some respects, Switzerland's

position remains crucially different from that of EEA members. In contrast to the EEA, this treaty guarantees Switzerland full future legislative autonomy since it requires no *acquis* implementation. If the Czech Republic were to choose this approach, it could make good use of the experience and positions taken in its negotiations to join the EU. In any case, we should start studying the Swiss treaties in order to adjust our negotiating position. A case in point would concern the free movement of people – here the EU is in opposition to the Czech Republic. In any case, the bilateral Association Agreement the Czech Republic has with the EU would definitely need to be revised and renegotiated, since it was drafted as a temporary arrangement intended to precede EU membership.

#### TOWARDS A TRANSATLANTIC LINK?

IT WOULD BE NECESSARY to strengthen our relationship with the United States if the Czech Republic were to stay out of the EU. This process would naturally begin with national security through NATO. This would involve, for example, our full and

active participation in America's planned missile defence system, about which the EU has reservations. It would also be necessary fully to respect the priorities of American foreign policy, even if they were in conflict with those of European states. As a member of EFTA and the EEA the Czech Republic should attempt to forge links with the North American Free Trade Area (NAFTA). If EFTA were to let Canada join (see previous section), the establishment of closer relations with NAFTA would be easier. Thus far, we have primarily traded with European countries but we must realise that the importance of geographic distance is gradually diminishing in the global marketplace. The Czech Republic would, of course, have to focus on those sectors of the domestic economy that have the best growth potential.

To forge closer relations with the United States should be one of the priorities of the Czech Republic even if it joins the EU. Such relations would be in our best interest from the long-term strategic point of view. We must strive for a broad Euro-Atlantic area joined by economic, political and security

links. We must oppose the creation of a fortress Europe that defines itself in opposition to the United States and other world centres and that rejects the reforms which have proved successful elsewhere.

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#### ... news in brief

##### Visas for sale

The French ambassador to Bulgaria has been recalled to Paris for questioning in relation to a scandal involving the sale of visas. It has long been suspected that Western embassies in Eastern European capitals are involved in a tidy little trade in visas for the Schengen area. Now, four people have now been placed under police investigation for “assisting people to come to France under irregular conditions” and for “complicity in procuring prostitutes”. This last charge relates to the fact that the visas in question have been found in the passport of prostitutes on the streets of ... wait for it ... Strasbourg.

The affair began in 1999 when police in Strasbourg – the seat of the European Parliament, the Council of Europe and the European Court of Human Rights – began to pick up prostitutes who were in possession of business visas delivered by the French embassy at Sofia. They had been issued ostensibly so that the girls could come as trainees to work in French companies. In reality, though, the companies had never invited them. By the end of 2000, 60,000 visas had been issued in this way by the French embassy in Sofia, against 30,000 the previous year. Pending requests stood at 85,000: one in a hundred Bulgarians was therefore supposedly applying to go to France. In reality, of course, not all the applicants were Bulgarians. Meanwhile, the Belgian police had also found girls with these same visas working the streets of Brussels. The Bulgarian press then started to report that an official in the French embassy was giving visas to his mistress, who worked in the visa department, and that she then sold them on for between £100 and £300. When an investigating magistrate finally went to the French embassy in Sofia, he found that “tens of thousands” of visas had been delivered fraudulently. The suspicion is therefore of complicity in a Mafia-run prostitution network. [Sylvia Zappi, *Le Monde*, 25 August 2001]

##### European growth predictions revised downwards

The EU Commissar for economic and financial questions, Pedro Solbes, has said that growth in the EU will be lower now as a result of the terrorist attacks in the USA. He now expects EU-wide growth to be “near 2%” in 2001. The Office of Economic Predictions has also revised downwards its growth predictions as a result of the events of 11th September. It thinks that there might now be a prolonged crisis in the USA and that the economy there might contract by 0.5% instead of growing by 2.1% as was initially predicted. On this basis, growth in the Eurozone would have to be revised downwards to 1.3% – 1.8% instead of the 2.3% anticipated earlier. Germany – the biggest economy in the Eurozone – could suffer especially badly if her exports to the US dry up. [*Les Echos*, 17th September 2001]

The European Central Bank agrees that the attacks have increased uncertainty about the world economy and that they will have a negative impact on growth in the Eurozone. It adds, however, that this means that inflation could fall below 2%. In its September report, it therefore concludes that the economic fundamentals of the Eurozone remain good and that any slow-down will be short-lived. The ECB warns, however, against any relaxation of the terms of stability pact on public deficits as revenue from tax falls if growth declines. [*La Repubblica*, 20th September 2001] Despite this, the Belgian finance minister has said that Italy risks being given a formal warning by the EU if its budget deficit continues to rise. Currently the president of the EU Council of Finance Minister, Didier Reynders said that a budget deficit of 2.6% was unacceptable to the other members of the Eurozone. The Italian budget for the forthcoming year would therefore have to be examined very carefully. On the other hand, said Mr Reynders, it would be better if the Eurozone countries tried to “help” Italy get out of her present situation rather than merely scold her. [*Handelsblatt*, 19th September 2001]

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# BOOK REVIEWS

## Jack: What I've Learned Leading a Great Company and Great People

by **Jack Welch** with **John A Byrne**, Headline Book Publishing, 2001, ISBN 0-74-724935-0, 496 pp, £20.00

*Reviewed by John Grimley*

**J**ACK WELCH, the former Chief Executive Officer (CEO) of General Electric corporation (GE), one of America's most successful companies, has penned an interesting and revealing biography. Since being appointed its CEO in 1981, Welch turned GE into one of the most valuable companies in the world. Indeed, a \$10,000 investment in GE shares in 1981 would now be worth almost \$750,000.

Welch writes about his highly successful twenty-year leadership of GE. But most interesting perhaps is his description of his most striking career defeat – coming at the hands of the European Commission when GE tried unsuccessfully to merge with Honeywell, an aerospace company, earlier in 2001. Welch's autobiography vividly relates how even the most savvy of American corporate leaders can be fooled by the EU's regulatory practices. *"When someone asked about getting approval from the regulatory agencies, I said there should be no problem at all. I predicted the deal would close sometime in February. This is the cleanest deal you'll ever see,"* he recalls. *"I still believe that,"* writes Welch, *"and so did just about everybody except the European Commission. The last thing I ever expected was a long antitrust review by the European Commission."* Welch cites earlier EU approval, with limited concessions, of mergers between AlliedSignal and Honeywell. He was aware, however, that WorldCom and Sprint, two telecom groups, as well as Time Warner and EMI, two entertainment giants, all had their mergers derailed by the Commission.

On 13 June 2001, Welch walked into European Competition Commission Chairman Mario Monti's office on rue de la Loi in Brussels to present his final offer in the attempt by GE and Honeywell to gain Commission approval of their proposed merger.

Having already made \$2.2 billion dollars worth of concessions to the Commission, GE and Honeywell could go no further. Welch recalls that Commissioner Monti

opened the meeting by reading a scripted statement which concluded that the GE-Honeywell proposal was inadequate. He then read out a series of demands which included further divestitures in the neighborhood of between \$5 billion and \$6 billion. Welch responded *"Mr Monti, I'm shocked and stunned by these demands. There's no way I could consider this. If that's your position, I'll go home tonight. I've got a book to write."* Welch continues the story: *"Across the table, [Competition Commission official] Alexander Schaub, a heavy-set, round-faced German, broke out laughing. 'That can be your last chapter Mr Welch,' he said. Go Home, Mr Welch is a perfect title."*

And so ended GE's attempted \$44 billion dollar acquisition of Honeywell International. GE and Honeywell, having already obtained approval for their merger from antitrust authorities in the US and more than a dozen other jurisdictions, were singularly blocked by European Commission regulators.

**I**T ALL STARTED in October 2000 when Welch saw an opportunity to lure Honeywell from the hands of United Technologies Corporation, a rival suitor. GE, one of the world's largest conglomerates with diversified industrial interests, saw Honeywell, with its global aerospace products and services, as the perfect bride. The only thing standing between Welch and the crowning glory of his career was regulatory approval from the US Department of Justice and the European Commission.

Welch doesn't go into this kind of detail but, according to the *Lawyer* magazine, European lawyers came on board in October 2000 – but only after the merger contract was signed. No external competition advice was sought before the purchase was formalised simply because there was no time, although a GE lawyer stated that *"internal reviews were made of competition advice and no conventional antitrust issues were identified"*.

The *Lawyer* reported that a GE lawyer defended the corporation's decision to forge ahead, saying: *"Jack Welch didn't get where he is today by saying, 'We've got to run it past legal'."* The magazine does go on to say that lawyers feel that, even if GE had taken European Union competition advice at this stage, it would not have made any difference to the merger.

In January, Welch was advised that the EU would begin a so-called "Phase 1" preliminary investigation of the deal, and that Mario Monti, the EU's Competition Commissioner, assured Welch that *"extortionist aspects will remain outside this investigation."* At the same meeting, Welch writes, he asked Monti and his Commission colleague Enrique Gonzalez-Diaz: *"Do any of you think I should be doing anything differently? I have not been through this type of thing before."*

He received positive assurances but soon began to get 'bad vibes' when the Commission *"raised some unusual objections to the deal that went far beyond traditional antitrust concerns"*. Six days after the US Justice Department approved the merger, the Commission issued a 155-page statement of objections and launched a "Phase 2" investigation – a much more detailed look.

Welch explains that *"unfortunately, we were operating under a set of rules that allowed the Commission to function as both the opposing team and umpire...With the European Commission's rejection of the Honeywell acquisition, again there was no viable review process. The bureaucrats can take the most extreme positions and not have any incentive to compromise. In the United States, antitrust authorities have to get a court order to stop a deal. Not in [the EU]. Companies should have the right to a fair and public hearing in a reasonable time by an impartial tribunal."*

This month, as he stepped down as CEO of GE, Welch said of the EU: *"There are no rules. They're making them up as they go along. The Europeans have to impose some*

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by Theresa Villiers  
published by the  
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*discipline and not let EU antitrust administrators be both judge and jury. And they must create a court of appeals. A traffic violator in the US has more rights than a company does trying to merge in Europe."*

Welch's story, highlighted in this insightful new book, is a wake-up call not only for American businesses in Europe but for all businesses dealing with EU regulatory bureaucracy. Welch's experience highlights the Byzantine nature of the EU

regulatory process and the need for American business people to understand the grave dangers they face when dealing with the EU.

Jack Welch vividly tells the story of an American corporate icon whose personal determination and leadership skills helped navigate one of America's largest corporations to the heights of success. But those skills failed him when he moved into an area that looked so similar to home territory but

turned out not to play by the same rules. Anyone doing business in the EU should take heed.

*John Grimley served in the George Bush, Sr, White House and now specialises in European Union regulatory issues for the London-based public affairs consultancy Chelgate ([www.chelgate.com](http://www.chelgate.com)). He is a member of the European Foundation's UK Advisory Board.*

## Reflections on a Ravaged Century

by **Robert Conquest**, John Murray, 1999, ISBN: 0-719 56041-1, 332pp, £25.00

*Reviewed by Sir Oliver Wright, GCMG, GCVO, DSC*

ROBERT CONQUEST has impeccable credentials to be considered the doyen of historians of the former Soviet Union. With such trailblazing books as *The Great Terror*, he was both first and right about the true nature of Soviet society. His track record entitles him to our attention when he reflects on the tyrannies of the past century and also, and perhaps more pertinently, on the ideological experiment now being conducted in Brussels, Luxembourg and Strasbourg.

Conquest's central thesis, about communism and nazism, is that the main responsibility for the disasters of the 20th century lies not so much in the problems as in the solutions, not from forces outside human control, but from ideas and actions dictated by ideas. Humanity has been ravaged, in his view, by rogue ideologies.

Looking across the Channel, he warns us against shaping our future on the pattern of a new and potentially rogue ideology, Europeanism. Of course, he does not equate the European idea with the horrors committed in the name of communism or nazism, but he fears that we may not have learned from the Cold War that to give the state too much power is disastrous. There are important lessons from that period for the west in understanding and coping with threats arising from intrinsically aggressive mindsets. 'Aggressive mindsets': does this not neatly encapsulate the intellectual arrogance of the Brussels world of *énarques* and other political élites?

In his view, what the European approach misses is how the feeling of citizenship arises: it cannot simply be elicited by appeals or compulsions on behalf of a supernational entity. Does that not describe

pretty accurately what the 'democratic deficit' is all about and why attempts to remedy it on the basis of present institutions are bound eventually to fail? For the truth is, according to Conquest, that democracy is far less a matter of constitutions than of habits of mind. No doubt there is a great deal of ruin in the European superstate and the inevitable process of failing will take a long time and bring a great deal of misery in its wake.

Turning specifically to Europe and Britain's place in it, Conquest suggests that the main lesson of the collapse of the Soviet Union is that in the modern age of national consciousness multinational arrangements are precarious and that "*the closer nations come together, the looser the ties that unite them must be.*" He's right again, of course. It is an observable fact that as soon as the clamp of tyranny was relaxed, the component nations of the Soviet Union (and Yugoslavia for that matter) at once sought to regain their national identities. The application of this political fact to the European Union would indicate that widening is good; deepening is bad; that European Union is an idea whose time has passed. Brussels, of course, has drawn precisely the wrong conclusion from recent experience in real life.

Conquest goes on to observe that the 'European idea' has something in common with the short-sightedness, and too great reliance simply on political willpower, of the revolutionaries. His view is that the political leader who wishes to carve out the forms of the future is likely to be more successful if he goes with the deep-seated traditions of a civilisation rather than across them. He concludes, "*The European idea is both*

*obsolete and premature. It is obsolete in the sense that the physical propinquity, the cartological tidiness, on which the whole idea so largely rests is no longer as real as it might have been in the days of Sully. It is premature in the sense that the political cultures involved are not yet similar, or assimilable enough for what is intended, while there are more closely related cultures whose connection should take precedence.*" Britain's natural links, he writes, are over the open seas, to countries that emerged from a similar legal and political history, to the English-speaking world, in fact. Your reviewer says "amen" to that.

*Reflections on a Ravaged Century* is the product of a fine mind recollecting in tranquillity the experience of a long life devoted to the study of the tyrannies which Europe over the 20th century has inflicted on hundreds of millions of people. It is, as one would expect, wise in judgement, moderate in language and of deep significance for the future of Britain and its continental partners. It confirms by sophisticated analysis and sound prescription the gut instincts of the majority of the British people: namely, that Europe as at present organised is simply not for us; for us "*there is a world elsewhere*".

*Sir Oliver Wright, GCMG, GCVO, DSC, was British ambassador to West Germany 1975–81 and to the USA 1982–86. He was President of the German Chamber of Commerce and Industry in London 1988–92. He is a regular contributor to the European Journal and a member of the European Foundation's UK Advisory Board.*

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Fringe Meeting at the Conservative Conference, 8th October 2001  
and  
All Day Annual Conference, 3rd November 2001



# CHUNNEL VISION

## Gardening for Motorists

by Dr Lee Rotherham

**A**S GREAT POLITICAL SATIRICAL STUNTS of the last one hundred years go, this one wasn't up there. Maybe it eased the 1997 General Election's headless chicken out of 837th place. It was certainly way behind the man-in-a-foam-suit CND missiles that lolled past security guards at one MOD site recently and marvellously had to be chased around *à la jeux sans frontières*.

But first, the background. Delve deep into the furthest recesses of your mind. December 1996. The John Major Government. The Cabinet is in turmoil. Eighteen members reportedly seek a tougher line on the euro, but the Chancellor is dead set against. He briefs the media that he is vetoing any such policy changes. A Labour spokesman, by chance sitting nearby in the same restaurant, leaks the source. Conservative Central Office counterbrief. And then Ken Clarke retaliates by calling up the Party Chairman, Brian Mawhinney, MP, ordering him famously to *"Tell your kids to get their scooters off my lawn."*

Cue Vincent Price voiceover from a Branston Pickle ad. The scene: Rushcliffe in 2001. It is a balmy August day. The residents are blissfully unaware of what is shortly to befall. For they are to find in their midst a hardened gang of media criminals.

Representatives from four Eurosceptic organisations – CAFE, the Bruges Group, the Freedom Association and Save Britain's Fish, had gathered in Ken Clarke's constituency for a day of mindless scootering.

Armed with non-motorised transport, they wheeled themselves around the Conservative Club and pushed themselves menacingly around in front of the Constituency office, before tootling off to the man's house. Sadly, he was unable to come out and play, so they parked themselves on his pelouse and posed with his media-friendly cat. The cat's name, for the record, is unknown. He did, however, strangely take a liking to the jumper of the rep from Save Britain's Fish. Possibly because it smelled slightly of saved British fish, or possibly not.

In summary, a bit of a wheeze and a fun day out. But there was a serious point attached. William Hague's greatest legacy to

his Party is over Europe. After years of civil war, a settlement of sorts had been reached. The Party would be Eurosceptic, and while its form was not as robust as many would have liked, it did enjoy popular and proven grassroots support amongst the membership, and it allowed those involved in

Given that the ten year  
derogation on 6 and 12  
mile limits is due to run  
out again next year,  
the issue of fishing  
is pressing

monitoring EU affairs to concentrate their fire on what the Blair government was giving in to.

The participation of SBF in this day trip is therefore particularly telling. That band of stalwarts was represented for the day by a delegate from what remains of the Boston fleet. They were concerned that the policy shift led by Patrick Nicholls (now, tragically, no longer in the Commons), which had led to a robust fisheries stance for renegotiation, would be ditched, and that with a Clarke victory would come a return to the bad old days of the early Seventies. Given that the ten year derogation on 6 and 12 mile limits is due to run out again next year, the issue is pressing. It would mean foreign vessels coming so far in as to let them hear their keel graze the pebbles on the shore. It would mean the establishment of a single Community fishing fleet, run by a common permit system. Or, if successfully blocked for another decade, it will mean concessions elsewhere – possibly on allowing more grants to the heavily-subsidised Iberian fleets. Even if successful, this Government will only gain a ten-year reprieve.

But this gathering of the 4th Unmotorised Eurosceptic Brigade carried another message too. In a very different, much more sinister, context, another politician said of

his more militant and rather more heavily-armed activists, *"They haven't gone away, you know."* The same could equally be said of both Eurosceptic and Europhile organisations, and for different reasons.

The former continue to flourish because they are fed an endless diet of directives, laws and speeches which prove that there is indeed an agenda for a federal Europe. Moreover (as Hugo Young has written) given that the vision thing on the ultimate political direction of the Community was fudged three decades ago, people in the UK are rather less than happy to compare and contrast the EEC now and then, and can today see the truth. As for the latter group of campaigners, well, apart from the genuine happy-clappy idealism of some, the Commission generously throws millions of euros around every year to make us love the starry blue flag, so no wonder if Brussels-hugging lefty subversive cells flourish across the continent.

Perhaps this lawn-based Eurosceptic cooperation is a happy star for the future. There was a time, let's admit it, where our groups were a little factionalised. Five years back, comical to relate today, because one set of MPs were patrons of one group and another group of so-and-so an institution, there was a smidgeon of huddling and twitching when you bumped into each other inside Westminster. The aftermath of the 1997 election saw a revolution in that way of thinking and a remarkable degree of trust has evolved, a confidence which has been built upon. Now is the time to extend this even further.

**E**UROSCEPTICS ACROSS THE EU have for many years looked towards Britain as the key player in halting Eurofederalism. Consistency is a virtue that we can and should build on. Moderate, democratic political parties and campaigning groups from accession countries will be looking at ways in which they can boost their arguments at home. In turn, they can help us for our part demonstrate we are not isolated, but have a strong and positive vision of where we want to be heading.

The scooters are truly out of the closet.

*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

Maastricht debates. Its task has been to mount a vigorous and constructive campaign in the United Kingdom and throughout Europe for the reform of the EC as a community of independent sovereign states. The Foundation continues to establish links with other like-minded institutes across Europe.

## Objectives

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

- to provide a forum for the development of ideas and policies for the furtherance of commerce and democracy in Europe;
- to increase co-operation between independent sovereign states in the European Community and the promotion of the widening and enlargement of that Community to include all applicant European nations;
- to resist by all lawful democratic means all and any moves tending towards the coming into being of a European federal or unitary state and for the furtherance and/or maintenance of such end;

## Activities

The Foundation pursues its objectives by:

- organising meetings and conferences in the UK and in mainland Europe;
- publishing newsletters, periodicals and other material and participating in radio and television broadcasts;
- producing policy papers and briefs;
- monitoring EC developments and the evolution of public opinion and its impact on the political process in the main EC countries;
- liaison with like-minded organisations in other EC and EC applicant countries and elsewhere;
- liaison with trade associations and other professional bodies affected by EC action and policy.

## The Foundation

The Foundation addresses itself to the general public and to politicians, journalists, academics, students, economists, lawyers, businessmen, trade associations and the City.

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- industrial and commercial policy;
- economic and monetary matters;
- foreign policy;
- security and defence;
- environmental issues;
- the Common Agricultural Policy;
- the reform of Community institutions;
- the developing world.

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