



Centre for Policy Studies

NICE AND BEYOND

THE PARTING OF THE WAYS?

Christopher Booker

The single market was the theme of the Eighties; the single currency was the theme of the Nineties; we must now face the difficult task of moving towards a single economy, a single political unity.

Romano Prodi, President-designate of the European Commission, speech to European Parliament, 13 April 1999

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Christopher Booker, through his weekly column in *the Sunday Telegraph*, is one of the most trenchant and well-informed critics of the European Union system of government and its growing impact on British life. He has been particularly identified with his campaign to highlight the regulatory excesses of Brussels and Whitehall bureaucracy, as exemplified in the contradictions of the EU's single market or the social and ecological disaster created by the Common Fisheries Policy. But he has always been concerned to set these in wider context, by showing how such structural failures follow inevitably from the nature of the ideological and bureaucratic system which gives rise to them. He has extended this analysis in two books, co-written with Dr Richard North, *The Mad Officials* (1994) and *The Castle of Lies* (1996), a unique picture of how the EU system of government operates in practice. Educated at Shrewsbury and Cambridge University, he was founding editor of the satirical magazine *Private Eye*. He has also written various works of contemporary history, including *The Neophiliacs* (1969), *The Seventies* (1980), *The Games War* (1981) on the Moscow Olympics and *A Looking Glass Tragedy* (1997).

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CONTENTS

INTRODUCTION AND SUMMARY

1	APPROACHING NIAGARA	1
2	ENTER THE GERMANS: NOVEMBER 1998-JUNE 1999	7
3	MR PRODI TAKES CENTRE STAGE: MAY-DECEMBER 1999	14
4	THE ROCKY ROAD TO NICE: JANUARY-APRIL 2000	22
5	ENTER THE 'AVANT-GARDE': MAY-SEPTEMBER 2000	37
6	BRITAIN AND EUROPE: THE MOMENT OF TRUTH	50

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INTRODUCTION

In order to ensure its political future the European Union must go beyond the completion of the internal market and the introduction of the single currency and move towards a real political union.

Resolution of European Parliament, 22 October 1998

The EU will at some time in the next ten years be confronted with this alternative: will a majority of member states take the leap into full integration and agree on a European constitution? Or will a smaller group of states take this route as an avant-garde... the driving force for the completion of political integration?

Joschka Fischer, German Foreign Minister, speech at Humboldt University, Berlin, 12 May 2000

The decision of the people of Denmark on 28 September 2000 to reject their country's entry into the euro set off a shock wave across the European Union. But what escaped general notice was just why, at this particularly crucial moment in the EU's history, that shock should have run so deep.

This is because the Danish vote has brought to a head a fundamental debate already raging at the heart of the EU as to which way the "European project" should develop.

It is remarkable how little attention has so far been paid on this side of the Channel to the way in which, in recent months, the terms of the debate over the future of the European Union and Britain's involvement in it have been dramatically transformed.

Even many close followers of the debate, Europhiles and Eurosceptics alike, seem to have missed the significance of a startling new initiative on the continent, one which raises a huge question mark over where the EU is now heading. Just when political attention was beginning to focus on the next EU treaty, due to be signed in Nice between 7 and 9 December, the leaders of Germany and France have thrown down a challenge which in some respects makes Nice seem almost like a side-show.

In a series of major speeches between May and July 2000, Germany's Foreign Minister Joschka Fischer, France's Prime Minister Lionel Jospin and French President Jacques Chirac – supported by such elder statesmen as Jacques Delors, Helmut Schmidt and Valéry Giscard d'Estaing – proposed not only that the EU must now drive ahead to full political integration, but that this should be led by a “pioneer group” or “avant-garde” of nations, prepared to move ahead of the rest.¹

Now, for the first time, continental leaders are openly envisaging a division of the EU into two groups: the first group determined to move to political federation; and the second group, including the applicant countries from eastern Europe who would be relegated to second-tier status.

This is a departure from anything previously on the agenda. Now, for the first time, continental leaders are openly envisaging a division of the EU into two groups: a ‘hard core’ or inner club of countries, probably based on the eurozone, determined to move to political federation as soon as possible, if necessary with their own treaty and their own collective institutions; and a second wider grouping, including applicant countries from eastern Europe, which would no longer be part of the EU's central core.

The declared purpose of this initiative is to overcome two obstacles to maintaining the EU's momentum towards political union: firstly, how to accommodate the applicant countries without the difficulties which have arisen in granting them full membership; and, secondly, how to get round the problem of those reluctantly integrationist members, like Britain, Denmark and Sweden, which have not even yet joined the euro.

Indeed, as Mr Blair and his colleagues are uncomfortably aware, no nation has been more obviously put on the spot by this Franco-German initiative than Britain. This is because an inescapable condition of admission to the inner club is membership of the single currency. Yet in the immediate future the chances of the British people being persuaded to accept the euro are so problematical it seems inevitable that, as this next decisive phase of EU integration takes shape, Britain must remain excluded.

1 See footnote 39 on page 39.

The implications of all this for Britain's future involvement with the European Union run so deep that they can scarcely be exaggerated.

If the countries of euroland now intend to move rapidly forward to forming a full political federation, this must re-open the question of just what Britain's future relationship with the EU should be. It may seem hard at present to imagine circumstances in which our politicians could talk the British people into accepting all the steps necessary to join that inner core. But what if the only alternative is to remain, with Denmark, Sweden, Poland, Hungary and Slovenia, on the outer fringes of a new two-tier Europe?

As Mr Blair is aware, Britain is put on the spot by the Franco-German initiative.

As the Nice treaty approaches, the parameters of Britain's involvement in the European Union have suddenly altered, in a way which even a few months ago might have seemed unthinkable. It is a matter of highest priority that we should now engage in a full and open debate as to where our nation's interests should lie.

But a first pre-condition of such a debate must be a proper understanding of what our EU partners are now proposing, and where the European Union is now heading: issues on which, as so often before on matters concerning our relations with "Europe", the British Government is being remarkably secretive. This pamphlet brings out some of the background which is necessary to that understanding. Its aim is to show how the EU's drive to political integration has unexpectedly brought us to what, both for our continental partners and for our own continuing relationship with them, is a moment of truth.

Author's Note

I have tried in these pages to avoid referring to "Europe" as synonymous with "the European Union". This confusion between the name of a continent and a political project covering well under half its land area and less than half its component countries betrays a mindset highly demeaning to all those 25 European nations and peoples who are not part of the EU (as when Tony Blair condescendingly remarked during the Balkan conflict in 1999 that this was a tragedy "taking place almost on the doorstep of Europe"). Wherever possible, this confusion should be resisted.

SUMMARY

Even before the Danish referendum vote against the euro on 28 September 2000, it was clear that the year 2000 was likely to mark a decisive watershed in the history of what is called on the continent the "European construction" or the "European Project".

To understand why it is approaching such a critical moment, we must reconstruct a story which falls into four parts:

1. Part One began in the autumn of 1998, shortly after the ratification of the previous year's Amsterdam treaty, when a new German Government under Gerhard Schroeder launched a new drive for further EU integration, to follow the launch of the euro in January 1999. Although the EU was temporarily thrown into crisis by the corruption scandals which led to the resignation of the European Commission, this phase continued up to the summer of 1999, when it was agreed there should be a new European treaty by the end of 2000.
2. In Part Two, from mid-1999 to the end of that year, the focus switched to the man chosen as the new President of the Commission, Romano Prodi. As a believer in the EU's political unification, President Prodi took the lead in preparing for the new treaty, which it was agreed should be signed in Nice in December 2000.
3. Part Three began in the early months of 2000, when an "Inter-Governmental Conference" met to start drafting the treaty agenda. The Prodi Commission produced its own highly ambitious proposals, reinforced by those of the European Parliament. But difficulties had emerged: firstly, over how to accommodate the would-be new member states from eastern Europe; and, secondly, over the foot-dragging of less keenly integrationist countries, led by Britain. These were now compounded by growing impatience at the role played by Prodi himself. Finally, a "core group" of states, led by France and Germany, decided on a radical new departure.
4. Part Four began in May 2000, with France and Germany outlining their new initiative. An "avant-garde" or "vanguard" group of countries, centred on the Franco-German alliance, would forge ahead towards full political union on their own. The Nice treaty will help pave the way, by allowing them to advance without the unanimous agreement of the rest. But what matters now are the steps to be taken "post-Nice", towards planning an "EU Federation" with its own constitution, and a new, fully integrationist treaty for those who wish to join it, probably in 2004. The remaining member states, certainly including those which remain outside the euro, would be excluded from the "Federation", as parts of some "wider Union" the nature of which has yet to be defined.

Where does this leave the United Kingdom? The question of how we should respond to this dramatic new development has suddenly become the most important political challenge confronting Britain today.

So far, none of our major political parties has produced a response.

CHAPTER ONE

APPROACHING NIAGARA

There is a lot of talk about a European superstate, a federal Europe, a centralised monster that sits in Brussels and wants to extend its tentacles all over Europe. I do not recognise the EU with which I have to work every day in that description at all. There will never be a federal centralised superstate, not now and not in the future. Any thought that [the EU] might be extended into some kind of superstate is pure fantasy. Let us base the debate on facts and not idle imaginings”.

Frits Bolkestein, European Commissioner for the Internal Market, BBC
Today programme, 27 June 2000

The last step will then be completion of integration in a European Federation... such a group of states would conclude a new European framework treaty, the nucleus of a constitution of the Federation. On the basis of this treaty, the Federation would develop its own institutions, establish a government which, within the EU, should speak with one voice... a strong parliament and a directly elected president. Such a driving force would have to be the avant-garde, the driving force for the completion of political integration.

Joschka Fischer, German Foreign Minister, speech at Humboldt
University, Berlin, 12 May 2000

For 40 years, the United Kingdom’s involvement with the economic and political entity gradually taking shape on the continent of Europe has presented the British with one of the most perplexing challenges of their history.

The heart of the problem is that there has always been a fundamental difference of perception between Britain and her continental partners as to the real nature of this project. British politicians consistently portrayed it to their fellow-citizens as little more than a means of increasing trade and sharing prosperity: a common or single market, through which, as a bonus, she might live in greater political amity with her neighbours.

The heart of the problem is that there has always been a fundamental difference of perception between Britain and her partners as to the real nature of the project.

On the continent, however, from the time of its original inspiration in the vision of its founders, Jean Monnet and Robert Schuman, it was always seen as something much more ambitious than that. It was viewed as a long-term project to lead western Europe eventually, step by step, to complete economic and political integration; towards what Winston Churchill, in a series of historic speeches in the immediate post-war years, called a “United States of Europe”, comparable with the United States of America. Except that, as Churchill made explicitly clear in those speeches in Zurich, London and Strasbourg between 1946 and 1949, he did not foresee any part for Britain in that new western European state, since Britain and her English-speaking Commonwealth had their own separate destiny in the world.

Even when Britain decided in the 1960s and 1970s, for reasons related to her loss of empire and economic decline, to make a dramatic change of course and to join this great continental adventure, for a long time it still remained possible for her political leaders to maintain their separate, insular view of its nature. But gradually, as the “European Economic Community” evolved in the 1980s into the “European Community”, then in the early 1990s into the “European Union”, it came ever more clearly out into the open where the whole project was heading.

In the Council of Ministers and the European Commission it already had its own embryonic government and executive. It had its own parliament and its own supreme court. In the 1980s it adopted its own flag; in 1986 its own anthem; in the early 1990s its own citizenship, passport and driving licence. At Maastricht, it laid the foundations for its own currency and its own foreign and defence policy. Piece by piece, it was taking on all the attributes of a sovereign state. And this inevitably imposed increasing strain on the determination of Britain’s politicians to insist that this was not the project’s real intention; and that, however far Europe’s nations might develop new means of working together, the last thing anyone intended was that they should be irrevocably welded together into a political federation, “a country called Europe”.

It was this sense of strain, from being torn between two incompatible views of what “Europe” was about, which underlay all the difficulties bedevilling Britain’s relations with the EU during the years of John Major’s premiership; and which, after an unreal honeymoon period, soon re-surfaced when he was

succeeded in 1997 by Tony Blair. It was this sense of irresolution which, at a conference in London in March 1999, provoked Lord Jenkins of Hillhead, one of the most committed British supporters of “the European project”, to an unusually frank speech, warning his fellow-countrymen that the time had come when they must make a fundamental choice as to which way they wanted their country to go:

My central belief is that there are only two coherent British attitudes to Europe. One is to participate fully... and to endeavour to exercise as much influence and gain as much benefit as possible from the inside. The other is to recognise that Britain’s history, national psychology and political culture may be such that we can never be other than a foot-dragging and constantly complaining member; and that it would be better, and certainly would produce less friction, to accept this and move towards an orderly and, if possible, reasonably amicable withdrawal.

Lord Jenkins of Hillhead, former President of the European Commission, conference speech, 22 March 1999.

Between these two views, insisted the former President of the European Commission, there could be no half way house:

Both in the national interest and in the interests of national politicians, Mr Blair included, [Britain must take] a firm, clear, unequivocal approach in favour of being fully in or out.

The one course the British could no longer afford was to:

..hang about in the middle of the road, where you are merely asking to be run down.

Nothing had perhaps made it easier for the British to think they could still afford to wander on uncommitted down the middle of that road than the fact that even on the continent there had long been an engrained reluctance to come out into the open as to where the “the European project” was heading. But by the time Lord Jenkins spoke, as we shall see, decisive moves were already in train which were to bring that long period of reticence to an end. Within little more than a year, the degree of Britain’s commitment to a “European” future was at last to be put to the test as at no time since she had first thrown in her destiny with the “Common Market” nearly three decades earlier.

“NO SUCH THING AS A SUPERSTATE”

The development which was to transform the whole nature of the debate over the future of the EU was the initiative launched in the summer of 2000 by the leaders of France and Germany to drive the EU forward as fast as possible to full political union.

The speeches made in May 2000 by France’s Prime Minister Lionel Jospin and Germany’s Foreign Minister Joschka Fischer, followed by another in Berlin in June by President Chirac, marked the most radical shift of gear in the advancing of “the European Project” since the period leading up to the Maastricht treaty ten years earlier.

Words which had rarely been heard before were suddenly being openly used to describe where “the Project” was now heading, just as soon as it could be brought about. There was talk on all sides of “a Federation of Europe”, “full political integration”, “a European constitution”, “a European army”, even “a directly elected president” of Europe.

All this was precisely what had been predicted for years by those alarmed by the direction the “European project” had seemed to be taking since the heyday of that integrationist troika, Jacques Delors, President Mitterrand and Chancellor Kohl, in the late 1980s.

But the one point on which the integrationists themselves have always remained insistent was that they have absolutely no intention of turning the European Union into a “superstate”. The greater their integrationist fervour, the more scornfully they have heaped ridicule on anyone “extremist” and “xenophobic” enough to suggest that their aim was to set up any such thing.

Even as late as the summer of 2000, when plans for “Federation” and a “constitution for Europe” were being discussed by almost every leading politician on the continent, one European Commissioner, Frits Bolkestein, was still expressing incredulity that anyone could accuse them of planning anything so absurd. “There will never be a federal centralised superstate”, he assured listeners to the BBC’s *Today* programme, “not now and not in the future”. Any thought of the EU developing into “some kind of superstate” was “pure fantasy”.

The point here was that, whatever other words they were happy to use to describe the supra-national, politically unified state they are now planning to bring about, the one description they have always been careful to deny was that this might be called a “superstate”. This had to be reserved as a pre-emptive term of abuse, to dismiss the “scaremongering” of those who might still try to mount opposition to moves to weld the EU into a unified state.

Such playing with words is curiously reminiscent of a celebrated comment by President Prodi when he was countering resistance to the idea of setting up a ‘European army’.

When I was talking about the European army, I was not joking. If you don’t want to call it a European army, don’t call it a European army. You can call it ‘Margaret’, you can call it ‘Mary Ann’, you can call it any name.

President Prodi, interview in the *Independent*, February 4

If the idea of a “superstate” seemed equally provocative, then it could be called a “Federation” or any less alarming term that came to hand. But there is no longer any doubt over the nature of what was now, in the minds of the continental leaders, at the top of the “European” agenda.

THE ‘AVANT-GARDE’ V. BRITAIN

A particular feature of all this which the British have been remarkably slow to take on board in the summer of 2000 was the pointed way in which the initiative launched by the German and French leaders between May and July, with strong support from other continental states, posed a direct challenge to Britain’s own future involvement in the European Union.

The central idea, which emerged with dramatic speed in the early months of the year, with the prospect of an important new treaty to be signed at Nice in December, is that a “core group” of EU countries should now move ahead towards full political integration on their own; if necessary leaving countries more reluctant about integration on the outer fringes of a European Union now divided into two groups.

The prime candidate for this new ‘fringe’ status is Britain, which has so notably failed to join the most decisive earlier step towards fuller integration, the single currency; although clearly other potential candidates for exclusion from the “hard core” are the two Scandinavian states, Denmark and Sweden, also so far outside the euro-zone, and also highly dubious over further political integration.

Indeed one of the two chief triggers for the “core group” initiative was precisely the increasing problems Britain in particular had been presenting to her partners by her reluctance to accept a wide range of other proposals which the majority now regarded as vital to further integration. In particular Britain had created serious difficulties over plans for harmonising taxes between EU countries. But other issues on which she had been at odds with most or all of her partners had varied from curbing the right to veto EU legislation to a new Charter of Fundamental Rights and proposals for a European constitution.

The challenge facing Mr Blair is that, if the Franco-German initiative gets off the ground, Britain would find herself excluded from “the heart of Europe”.

The second main trigger for the new initiative was a dawning realisation of the enormous practical difficulties which would arise in granting full EU membership to the countries of eastern Europe now queuing up to join as part of the “enlargement” process; in particular, the impracticality of admitting them to all the benefits of the Common Agricultural Policy and of allowing their citizens to travel freely round the European Union in search of more highly-paid jobs.

The solution to both these problems, it was suggested was to divide the EU into two tiers; permitting the core group countries to move ahead to political federation without having to worry about objections from the British; and allowing the new entrant countries to remain in a wider “Union”, along with Britain and other “reluctant” countries, as a kind of ante-room to “the Federation”, should they wish to comply with the conditions of full membership at some later date.

Such is the awesome challenge which confronts Tony Blair and his Government as the date of the Nice treaty approaches: the prospect that if this Franco-German initiative is allowed to get off the ground, Britain could soon find herself excluded from the “heart of Europe”, consigned to second-class status in the very project for which her political leaders had been prepared to sacrifice so much over the previous three decades.

The Nice treaty was destined to be a decisive watershed in this process because, in the summer of 2000, a crucial new proposal had been added to the official treaty agenda. Under the heading of “Enhanced Co-Operation”, this would abolish the right of any member state to veto plans by other countries to move ahead to greater integration if they so wished. If that proposal became part of the treaty, there would be nothing left to stop France and Germany leading the majority of EU countries, probably those in the euro-zone, forward into their “Federation”, leaving Britain out in the cold.

Not only is this a devastating personal prospect to a Prime Minister who had once so proudly proclaimed his determination to “play a leading role in Europe”. It poses the most fundamental threat to Britain’s involvement in “Europe” in all the 40 years since Harold Macmillan had first taken the decision that Britain should join her future with that of her continental neighbours across the Channel.

Yet less than three years earlier, in June 1997 the newly-elected Mr Blair had gone off to Amsterdam to be received with acclamation by his fellow heads of government, as the charismatic young leader who was going to bring his country back into the “heart of Europe”. Then it would have seemed unimaginable that within such a short time Britain’s involvement in the European Union would be called so fundamentally into question.

How could this have come about? To understand how we have reached the extraordinary predicament we now face, we must recreate a sequence of events which has unfolded at the heart of the European Union over the past two years. And to understand how and why everything has now so dramatically changed, we must first go back to the events of a few remarkable days towards the end of 1998.

CHAPTER TWO

ENTER THE GERMANS: NOVEMBER 1998-JUNE 1999

Creating a single European state bound by one European constitution is the decisive task of our time.

Joschka Fischer, interview *Frankfurter Rundschau*, 25 November 1998

A united Europe remains a vision to which we are all committed.

Gerhard Schroeder, Brussels press conference, 26 November 1998

We want to see the European Union develop into a political union.

Oskar Lafontaine, speech 17 January 1999

The story of how “political union” moved to the centre of the European Union agenda really began in one extraordinary week at the end of November 1998.

For some time there had been a comparative lull in coverage of the EU in Britain. Only recently had the EU states completed the ratification of the Amsterdam treaty, signed in June 1997, the fourth European treaty since Rome in 1957. There were no immediate plans for another. Such coverage as there was tended to focus on preparations for the launch of the EU’s single currency, the euro, on 1 January the following year. This was due to coincide with Germany taking over the EU’s six-monthly presidency under its new Social Democrat-Green Government, elected just seven weeks earlier on 30 September 1998.

Then, suddenly, the EU erupted onto Britain’s front pages and stayed there for six days. Attention centred on two issues. The first had been grumbling along in

the background for some time, but only now became the top news of the day, set off by the launching in Brussels on 22 November of a manifesto by 11 EU left-of-centre finance ministers entitled *The New European Way: economic reform in a framework for monetary union*. With the approach of the euro, it was a clarion call for the harmonising of EU taxes, to provide, as Austria's Finance Minister Rudolf Edlinger put it, "a common economic roof" for our "common house of Europe".²

Behind the scenes, the thorny issue of tax harmonisation had already for some months been pushing Britain into the position of the EU's odd man out. In December 1997, seven months after the election of Tony Blair's New Labour Government, EU finance ministers had agreed a resolution on the need "to tackle harmful tax competition". This specifically included the intention to introduce a "withholding tax" on "cross border savings".³

Even at the time, Britain's Chancellor of the Exchequer Gordon Brown had insisted that this must not be allowed to damage the City of London's position as the world's leading capital market, not least through its role as easily the largest issuer of Eurobonds (75% of the total). For a long time, the Chancellor remained curiously reluctant to pledge publicly that, if necessary, he would veto such a tax. Yet, by the autumn of 1998 it was clear that both the proposed directive on a withholding tax, and tax harmonisation generally, had become a major bone of contention between Britain and her partners. And although Mr Brown signed the manifesto, *The New European Way*, he immediately caused a storm by stating publicly for the first time that Britain would be prepared to use her veto to block any moves towards tax harmonisation.⁴

Over the next few days, the temperature was raised by statements from three European Commissioners. Commission President Jacques Santer challenged Mr Brown's threat that he would use Britain's veto, by claiming the UK had already signed up in principle to greater tax harmonisation the previous December.⁵ Mario Monti, the single market Commissioner, insisted that the EU would proceed with plans to harmonise rates of VAT, energy taxes and excise duties.⁶ Yves-Thibault de Silguy, the Commissioner for economic and monetary union, suggested in London that tax-harmonisation could ultimately lead to EU-wide rates of income tax.⁷ This was reinforced by a promise from Germany's Finance Minister Oskar Lafontaine that tax harmonisation would be a top priority for the forthcoming German presidency, which provoked the *Sun* in a famous front page on 25 November to dub him "the most dangerous man in Europe".

But the temperature was raised still further when two of Lafontaine's colleagues took the debate into a new dimension. On 26 November, the *Daily Telegraph*

2 *The Times*, 23 November 1998.

3 Conclusions of the Ecofin Council Meeting concerning taxation policy, 98/C 2/01, 1 December 1997, *Official Journal of the European Communities*, 6.1.98.

4 *Daily Mail*, 25 November 1998.

5 *Daily Mail*, 25 November 1998.

6 *Daily Mail*, 26 November 1998; *Guardian*, 27 November 1998.

7 *Daily Telegraph*, 27 November 1998.

reported on its front page an interview with Germany's new Foreign Minister Joschka Fischer, under the headline "Germany prepares to push for a single European state".

Interviewed by a Frankfurt newspaper, Fischer had promised that "deeper integration" would be the priority of the German presidency in more than just tax matters. He said:

Just as we worked on the first real transfer of sovereignty in the field of currencies, we ought to work on a common constitution to turn the European Union into an entity under international law.

Asked whether he wanted a European army, Mr Fischer replied: "If it is going to turn into a full union, then one day foreign and defence policy will also have to become community tasks".⁸

"If it is going to turn into a full union, then one day foreign and defence policy will have also have to become community tasks"

– German Foreign Minister, 26 November 1998

Next day in Brussels Gerhard Schroeder, Helmut Kohl's successor as Chancellor, tried to downplay his Foreign Minister's enthusiasm, as he spoke of the need to proceed carefully on the EU's plans for eastward enlargement. But he did reaffirm that the vision of a "united" and "ever more integrated Europe" was an idea which "unites all German politicians".⁹

This only inspired still more media frenzy, despite efforts by "British officials", according to the *Daily Telegraph*, "to play down the extent to which the public would be scared away by such comments from supporting a more pro-European stance and entry into monetary union". "The British press" a Downing Street spokesman explained, "has reacted in an entirely predictable way. But people are sensible. In the end they will realise there are a lot of scare stories around".¹⁰

By the end of the week all these excitements were enough to provoke the *Telegraph* into summing up: "the danger of Britain being subsumed into a not very democratic European superstate suddenly seems more alive than ever before."¹¹ But before the story could develop further, the "European Project" was about to hit the front pages for a quite different reason.

THE COMMISSION IN CRISIS: DECEMBER 1998-APRIL 1999

Over the next few months coverage of the EU was dominated by the extraordinary crisis set off when, on 9 December 1998, Paul van Buitenen, a Dutch accountant, sent MEPs a 34-page letter, with 600 pages of supporting documents, describing instances of corruption and fraud he had identified in his

8 *Daily Telegraph*, 26 November 1998.

9 *Financial Times, The Times*, 27 November 1998.

10 *Daily Telegraph*, 27 November 1998.

11 *Daily Telegraph*, 28 November 1998.

work as an assistant auditor in the European Commission.¹² These included cases directly involving two Commissioners.

His charges came as no great surprise. Reports and rumours of wholesale corruption and mismanagement in the Commission had been building up for a long time; and in November, for the fourth year running, the EU Court of Auditors had refused to approve the Commission's accounts on the grounds that at least 5% of its spending – £3 billion – had been fraudulent or mismanaged.

In January 1999 the Commission enjoyed a reprieve when the European Parliament withdrew a censure motion on all 20 Commissioners, after the promise of an investigation by a committee of five "Wise Men". But the respite was only temporary. In March, the "Comité des Sages" confirmed van Buitinen's allegations, reporting that it had been "hard to find anyone in the Commission who was prepared to take responsibility for anything". On 16 March the scandal reached its climax when President Santer and all his 19 fellow Commissioners resigned.

Optimism about the future of "the Project" had been briefly re-kindled at the start of the year by the launch of the single currency, easily the most ambitious step so far in bringing the EU into "ever closer union". But heady boasts that the euro would rival the dollar as one of the strongest, most stable currencies in the world soon died away as the new currency began a headlong slide which in little more than a year was to see it losing a quarter of its value.

It had not been an auspicious start for the German presidency. This was not helped when, on 11 March, its most fervent integrationist, the Finance Minister, Oskar Lafontaine, resigned, only two months after proclaiming "we want to see the EU develop into a political union".¹³ The first summit of the German presidency, held in Berlin in March, was also marred by the failure of German efforts to reform the EU's finances, not least through Britain's refusal to give up the rebate on its budget payments negotiated by Mrs Thatcher in 1984.

But what had been hailed as "the most serious crisis in the EU's history" turned out to be only a temporary hiccup. It was not long before the momentum towards "closer integration" was resumed. On 24 March, the EU heads of government in Berlin announced that they had chosen the former Italian Prime Minister, Romano Prodi, as the new President of the European Commission. Despite being himself dogged at home by persistent suspicions of corruption, for which he had twice been formally investigated by local prosecutors, Prodi was universally acclaimed by the EU's leaders – not least by Mr Blair, who rather oddly described him as "a high-quality person". And his integrationist credentials were impeccable, as he demonstrated when he made his first public appearance before the European Parliament on 13 April. The challenge now, he told applauding MEPs, was to move the EU towards "a single economy, a single political unity".¹⁴ The task of building "the Project" seemed to be firmly back on track.

12 Paul van Buitinen, *Blowing The Whistle: one man's fight against fraud in the European Commission*, Politico's, 2000.

13 *The Times*, 19 January 1999.

14 Prodi speech, as reported in the *Daily Telegraph*, 14 April 1999.

TOWARDS A NEW TREATY: MAY-JUNE 1999

The German Government got what it wanted, as was evident at the final summit of the German presidency staged in Cologne on 3 and 4 June 1999. This was not least thanks to a renewal the previous autumn of the intimate relationship at the heart of the European integration process between Germany and France.

After a temporary cooling, Franco-German co-operation was once again conspicuously in evidence when the leaders of the two countries met in Toulouse on 28 and 29 May for their customary “pre-summit summit”, to prepare a common position for the European Council in Cologne the following week.

Although their deliberations were secret, Chancellor Schroeder, President Chirac and Prime Minister Jospin were in obvious good humour when they afterwards answered questions from selected members of the media. Schroeder described their co-operation as:

...particularly useful when, during the next European summit in Cologne, it will be a question of advancing yet further European integration.

Transcript of press conference following 73rd Franco-German summit at Toulouse, British Management Data Foundation (BMDF) translation, 6 July 1999

He then continued, in a scarcely coded sideswipe at the British:

It will be necessary to encourage those member states in this direction who perhaps have not yet gone as far, or do not wish to go so far on the subject of integration.

This referred not just to the difficulties over tax harmonisation, but also to Britain’s intransigence in blocking Germany’s bid to reform the EU budget.

The Cologne Council, held as the war in Kosovo was coming to an end, chalked up easily the most ambitious list of achievements of any EU summit for a long time. It pushed forward the integration process in all directions.¹⁵

For example, there was much talk of progress on expanding the EU’s Common Foreign and Security Policy, launched under Maastricht. The Council appointed Javier Solana, the Spanish former Secretary-General of NATO, as the EU’s “High Representative”: in effect its first collective Foreign Minister. Reports were given on all the main areas where the EU was now establishing its own foreign policy. These ranged from planned “summits” between the European Union, the US and Japan to a Balkan Stability Pact, allowing the EU to control the reconstruction of former Yugoslavia after the Kosovo war.

The introduction of the euro, through which “the European Union reached its highest level of economic integration so far”, was hailed as a success. The heads of government agreed, apparently without irony since the new currency had already lost a tenth of its value in six months, that:

15 The quotations which follow come from the Cologne European Council, Presidency Conclusions.

A stable euro will strengthen Europe's ability to boost growth and employment.

The Council reiterated its determination to push on with the key issue of tax harmonisation; and agreed that, despite Britain's obduracy, discussions should continue on proposals for "a directive on the taxation of savings" – the controversial withholding tax.

The Council supported moves towards the EU launching its own satellite global positioning system, 'Galileo', to give the EU "strategic" independence from the American GPS system, already free to users worldwide. Plans were laid to give every school in the EU access to the internet "as soon as possible"; and to extend the £10 billion "5th Community Framework Research programme", to give Brussels unrivalled control over scientific projects throughout the EU.

There were calls for swift action on the plan to create "an area of freedom, security and justice", to promote the integration of EU legal systems; and for the setting up of "a single market in financial services", to help integrate the EU's financial markets. It was agreed the EU should adopt a "Charter of Fundamental Rights".

Reports were then made on the formal negotiations opened the previous November with the first six applicant countries wishing to join the EU (Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia), with Malta and five more to follow. And, in this context, it was further agreed that a new "Inter-Governmental Conference" should be convened, "early in 2000, to resolve the institutional issues left open in Amsterdam that need to be settled before enlargement". The necessary "amendments to the Treaties" should be agreed by the end of 2000.

Thus, only two years after Amsterdam, the EU was now planning yet another treaty. This would constitute the shortest interval so far between those treaties which constitute the major landmarks in the process of building "ever closer union" between the "European peoples". From the Treaty of Rome in 1957 it had taken 29 years before the Single European Act in 1986. It had been nearly six more years before Maastricht, signed in 1992. Amsterdam in 1997 had taken another five. The new treaty was to follow less than three years later, and was also to be negotiated in less than 12 months, the shortest time on record.

But at this stage, the Cologne Council considered the treaty need only concentrate on three main issues, the so-called "Amsterdam leftovers". These were all concerned with reforming the EU's institutions, to adapt them for the enlargement which would soon see the EU's membership rise from 15 nations to 21 and even perhaps eventually to as many as 30.

The three central items would be:

- (1) the size and composition of the Commission, which might become completely unwieldy if every state in an enlarged EU was allowed its own Commissioner;

- (2) reform of the “qualified majority voting” (QMV) system, to give greater weight to larger states;
- (3) a “possible extension of qualified majority voting”, to reduce the number of policy-areas on which any country had power to exercise a veto.

As it happened, any of these had the potential to arouse fierce argument. But before the story was finished, the agenda for that next treaty was going to take on a great deal more than just the three ‘leftovers’ from Amsterdam. The next phase of “European construction” was just beginning.

CHAPTER THREE

MR PRODI TAKES CENTRE STAGE: MAY-DECEMBER 1999

We have started a new chapter in the construction of Europe. The euro was not just a bankers' decision or a technical decision. It was a decision which completely changed the nature of the nation states. The pillars of the nation state are the sword and the currency, and we changed that. The euro decision changed the concept of the nation state and we have to go beyond that.

Romano Prodi, interview with *Financial Times*, 9 April 1999

Over the next decade we will complete our economic integration and, even more importantly, give shape to a new political Europe. The next five years will be decisive... The Commission has a pivotal role to play. It is Europe's executive arm, the initiator of ideas and proposals and the guardian of the Treaties. The Commission has always been the driving force for European integration, and it will provide strong leadership in years to come.

Shaping The New Europe: Strategic Objectives 2000-2005,

Communication from President Prodi and the Commission to the European Parliament, The Council, the Economic and Social Committee and the Committee of the Regions, OM(2000)154 final, 9 February 2000

One thing which soon became obvious about the former economics professor suddenly plucked from the murky maelstrom of Italian politics to be President-designate of the European Commission was that he was determined to play an absolutely central role in turning the EU into a politically unified state, capable

of acting as a major power on the world stage. At the heart of that state, he made clear in interviews after his appointment, would be the Brussels Commission, acting as what he liked to describe as “the Government of Europe” or even “my Government”.

In his first speech to the European Parliament, on 13 April 1999, he declared his intention that the President of the Commission should be given greater power to appoint his fellow Commissioners; and that to play its new collective role in foreign affairs, the EU needed a new treaty “that will give us our own defence capabilities”.¹⁶

In an interview with the *Financial Times* on 12 April 1999, he said his “real goal” as President was to build on “the consequences of the single currency and create a political Europe”. He hoped that, under his Presidency, the EU would begin to develop “a common European soul”, for which “you need a very high, top-level Commission, not in terms of bureaucracy, but in terms of common feeling and understanding of what is happening”.

“The Commissioners have a political responsibility. They will be the Government for the power that is given to Europe”

– President Prodi, 23 April 1999

On 23 April, interviewed on the BBC’s *On The Record*, Prodi reiterated his view that “the Commissioners have a political responsibility. They will be the Government for the power that is given to Europe”. He also confirmed his view that Europe risked being “marginalised” unless it forged its own defence capability independent of the United States, and that the “logical next step” in the integration of EU foreign policy was the creation of “a European army”.¹⁷

By July, when he had been established in Brussels for three months and had just announced the names of his 19 Commissioners-designate, the *Sunday Telegraph* (11 July) reported, under the headline “Prodi lays foundations for ‘United States of Europe’”, that he was “planning the biggest centralisation of power in the history of Brussels politics”. Julian Coman wrote that:

Mr Prodi is to model his administration on a national government”, giving himself “an unprecedented prime ministerial role at the heart of Europe, making Brussels a power to rival London, Paris and Berlin... Mr Prodi, a convinced federalist, has abandoned the collegiate idea and aims to create a European government ... set to become an aggressive promoter of causes such as tax harmonisation and a European army.

In the same article, a former associate of Prodi at Bologna University, Stefano Zamagni, was quoted as saying:

16 *Daily Telegraph*, 14 April 1999.

17 *The Times*, 24 April 1999.

What Prodi is doing is putting in place the structures and aides he needs to become the first European premier ... he wants his tenure to help accelerate the move to a United States of Europe.

Only towards the end of the report was there any hint that this ambitious new President might not have things entirely his own way, when Coman added “the most serious opposition to Mr Prodi’s plans is likely to come from... France and Germany, who have already tussled with the President over nominations to the new Commission”.

It was to prove a prescient comment. But for the moment, the Brussels’ new broom seemed to be sweeping all before him. And whatever difficulties might eventually emerge, there was certainly no difference of opinion on the overall goal, as was made clear in a speech given in Frankfurt the following month by Gerhard Schroeder.

Addressing Professor Hans Tietmeyer on his retirement as president of the Bundesbank, the German Chancellor said on 30 August 1999:

You were always conscious that the European monetary union would have to be based on a closer political integration within Europe... It was an original political act to hand over sovereignty over one of the most important areas of national authority, namely monetary policy, to a European authority. For this reason alone monetary union requires of us Europeans decisive advances in the field of political integration.

Speech by Gerhard Schroeder, Frankfurt, translated by BMDF, 8 September 1999

Even President-elect Prodi could not have stated more plainly where the goal of “the Project” now lay.

PRESIDENT PRODI BEGINS HIS TERM: SEPTEMBER 1999-DECEMBER 1999

On 15 September 1999, in the gleaming new £300 million European Parliament building in Strasbourg, President Prodi and his 19 new fellow-Commissioners were formally approved by 600 MEPs. This unprecedented ceremony was marked by a strange air of triumphalism.

Only six months after the Santer Commission had resigned in disgrace, here was a new Commission (including five members of the old one), pledged not only to stamp out corruption in Brussels but to lead the way in expanding the European Union’s role in all directions. As speaker after speaker enthused about the prospect of the EU extending its frontiers to cover most of Europe, and its mission to intervene in trouble spots across the globe, like the crisis then unfolding in East Timor, there was, as one observer put it, “an unmistakable sense of ‘today Europe, tomorrow the world’”.¹⁸

Certainly there was a recognition that “the Project” faced problems. One was the awareness that it seemed to have “lost touch” with the ordinary people of

18 Author’s notes, Strasbourg, 15 September 1999.

Europe. The elections for the new European Parliament in June had recorded the lowest percentage turnout on record, in some countries well below 30%.

What was needed, as President Prodi put it in his acceptance speech, was to show how relevant “Europe” could be to improving people’s lives, a campaign to win “their hearts and minds”. For instance, he suggested, the EU should move to capitalise on popular issues like food safety, then fresh in everyone’s thoughts because of the major recent scare over contamination of Belgian chickens by dioxins. If Brussels could “restore consumer confidence” about “the safety of the food we eat” by imposing a new EU-wide system of regulation, this could be “a key element of building Europe”.¹⁹

A second increasingly urgent problem exercising much thought was the practical implications of what would actually be needed to accommodate all those countries on the EU’s eastern and southern borders now applying for membership. It was all very well in theory to dream of the day when the EU would be doubled in size. Certainly the fact that so many outsiders were queuing up to join was seen as a powerful propaganda point, to show how successful the EU had become. But if the EU was enlarged to as many as 30 members, how could it be prevented from becoming unmanageable? And how could the momentum of ever-closer integration be maintained?

If the EU was enlarged to as many as 30 members, how could it be prevented from becoming unmanageable? And how could the momentum of ever-closer integration be maintained?

THE EMINENT PERSONS’ REPORT

On 1 September, shortly before he was confirmed as President, Romano Prodi had invited three “eminent persons” from EU states to draw up a report entitled *The Institutional Implications of Enlargement*.

In the mid-1990s, when ‘enlargement’ of the EU into former Communist Europe had first loomed on the horizon, the Major Government in Britain had welcomed it in the fond belief that bringing more countries into the EU could only be achieved by weakening the power of Brussels. “Widening”, in the jargon of that time, was looked on as the best way to avoid further “deepening”. But hardly surprisingly, it now turned out that precisely the opposite was the case. “Widening”, it had become obvious, was to be used as the best possible excuse for “deepening”, by extending the powers of the centre.

Mr Prodi’s three *eminenti* were Jean-Luc Dehaene, just ejected from office as Belgian Prime Minister after his country’s dioxin crisis; Richard von Weizsacker, a former President of Germany; and Lord Simon of Highbury, former chairman of British Petroleum, who had enjoyed a brief spell as a junior trade minister in the Blair Government.

19 Prodi speech, author’s verbatim notes.

When they presented their report to President Prodi on 18 October 1999, it contained many proposals which were to become major talking points over the next few months. And one of their central recommendations was that, to an unprecedented degree, the leading role in the forthcoming EU treaty negotiations should be played by the Commission, which should “submit comprehensive and concrete proposals, in the form of a draft treaty, right at the beginning of the conference”.²⁰

It was then suggested that the overall EU treaty should be split into two parts. A “basic treaty” would set out the EU’s “aims, principles and general policy orientations”, along with its “institutional framework” and a statement of “citizen’s rights”. This could only be amended unanimously and would later be described as an “EU constitution”, on the lines of the US constitution with its Bill of Rights. A “separate text” would set out those parts of the existing treaties dealing with specific policies, and could be amended by QMV.

The report was adamant that the enlargement of the Union would require “qualified majority voting to be the rule” in all EU decision making, except that pertaining to the basic Treaty. This should apply to everything, including foreign and defence policy, and ‘home and justice’ issues, such as legal and judicial policy and immigration.

The report approved the Cologne Council’s view that the new treaty should include a “Charter of Fundamental Rights of the European Union”. It recommended that the treaty should recognise “the paramount importance of the issue of European defence policy”, described as “of fundamental significance for the future of Europe and the development of the European Union”.

*“Some [countries] will wish to go faster than others. They will want to build on the Union’s agreed common policies, objectives and achievements. This seems both legitimate and indispensable” –
Report to the European Commission, 18 October 1999.*

Finally, in two separate passages the significance of which would not fully emerge for some months, the report raised, under the ambiguous heading of “flexibility”, the issue of “closer co-operation” between states wishing to move towards integration “further or faster than others”.

In a larger and more diverse Union, flexibility in the institutional framework is even more important than at present. This does not imply that Member States should be allowed to opt out of any policy they choose: the European Union would not survive if Member States were allowed to pick and choose among

20 *The Institutional Implications of Enlargement* by Richard von Weizsacker, Jean-Luc Dehaene and David Simon, Report to the European Commission, 18 October 1999.

obligations to the Union. But it does imply that... some will wish to go faster than others. They will want to build on the Union's agreed common policies, objectives and achievements. This seems both legitimate and indispensable.

In addition, it was proposed that the new treaty should relax the rules already laid down for this at Amsterdam, by ensuring that any such decision could be taken by QMV and no longer subject to anyone's veto.²¹

This report gave President Prodi what he took to be the authorisation he needed to begin drawing up his agenda for the new IGC; and in sharing his "vision of Europe" with a 'Forum on Financial Policy and Taxation' in Karlsruhe on 12 November 1999 he was able to explain how "enlargement" justified the reforms the report had called for.²²

He explained "the need to review the European Union Treaty", which was now "so big and complex" that it should be split into two; the first part becoming in effect a constitution for the "new Europe".

He then came to the three central issues to be resolved, the "Amsterdam leftovers". But he passed quickly over the first two – the make-up of the Commission and re-weighting of votes – to concentrate on what he described as the "most contentious of the three", the extension of qualified majority voting. This was particularly relevant to his Karlsruhe audience because the most "sensitive" issue of all, as he put it, was the extreme reluctance of "some member states" to give up their veto over taxation.

"This problem," Prodi went on, "is well illustrated by the member states' current wrangling over the tax package" aimed at eliminating "harmful tax competition". And here at last he identified the chief source of the difficulties which had arisen in the interminable battle over taxation, in confessing that the proposed withholding tax apparently "poses a big problem for the City of London, which earns very large amounts of money from dealing in Eurobonds".

"This point has raised many difficulties", he lamented, seemingly unconcerned by the damage such a tax would inflict on what was arguably the single most successful sector in the entire EU economy. How "much more easily" such matters could be resolved, Prodi suggested, if only such a tax "could be adopted under a QMV arrangement", overriding any chance of a British veto.

21 In a new "Title VII" added at Amsterdam, headed "Provisions on Closer Co-Operation", the new Articles 43-5 of the treaty allowed groups of states to "co-operate" more closely in certain areas, on certain conditions. The most important of these was that any such co-operation must involve "at least a majority of member states". Although majority voting would apply among the states concerned once the basic decision to "co-operate" was in place, up to that point it could be stopped by veto, the so-called "emergency brake". See *The Treaty of Amsterdam in Perspective: Consolidated Treaty on European Union*, BMDF, revised edition, 1999.

22 Prodi speech to 21st Forum on Financial Policy and Taxation, Karlsruhe, BMDF, 12 November 1999.

Three weeks later, on 1 December, in a speech to the European Parliament, Prodi returned to the charge. “The European tax package” he admitted, “is now in great difficulty”. Not only was it “an important initiative to combat harmful tax competition, but also an essential piece of our employment strategy”.²³

So impatient had Prodi now become at how Europe was being “handicapped by the unanimity requirement” that he compared it to “a soldier trying to march with a ball and chain round one leg”. Unless the right to veto could be severely cut back, it could lead to “complete paralysis”. He hoped the forthcoming Helsinki summit would “clearly show we have the ambition and political will to rid ourselves of this encumbrance”.

But at least in other areas the drive to integration was proceeding more to Mr Prodi’s liking. He was able to report favourably on the progress which had been made at the recent Tampere summit (held on 15 and 16 October 1999), the first of the two under the Finnish presidency, on drafting a Charter of Fundamental Rights and the possible “restructuring of the Treaty”.

Even more significantly, the Tampere Council had declared the EU “a single legal space”, an “area of freedom, security and justice”, laying the foundations for harmonising legal systems and the appointment of an “EU prosecutor”, whose staff would have the right to intervene in any member state on any case involving “fraud against the EU”, overriding national courts and judicial procedures.

Mr Prodi was also able to report to Parliament on “important decisions” shortly due to be taken in Helsinki on security and defence. The setting up of “new operational structures” would work towards giving the EU its own armed forces.

“This will enable us to travel further in the direction of integration, along the path traced in Cologne”, he said; as would the setting up of “a European defence industry”, which the Commission now intended “to promote by using all the instruments at its disposal”.

THE HELSINKI SUMMIT

The Helsinki summit on 10 and 11 December 1999 was notably sparser in content than the torrent of new initiatives produced in Cologne at the end of the German presidency six months earlier.²⁴

Although the Council formally agreed to the opening of negotiations with six more would-be member states (Romania, Slovakia, Latvia, Lithuania, Bulgaria and Malta), its main concrete decisions related to what was now known as “the Common European Policy on Security and Defence”.

Firstly, it was resolved that by 2003 “the Union” should establish “new political and military bodies and structures”, within the Council, to enable it to deploy, independently of NATO, its own “military forces of up to 50,000-60,000

23 Prodi speech to European Parliament, BMDF, 3 December 1999.

24 Helsinki European Council, Presidency Conclusions.

persons”, the so-called Rapid Reaction Force. And this should be sustainable “for at least a year”, which meant that member states would have to make available at least 200,000 personnel, to keep such a force in being.

In addition, it was agreed to develop the EU’s “non-military crisis management capability”. This should “co-ordinate and make more effective the various civilian means and resources, in parallel with the military ones, at the disposal of the Union and the Member States”. Interestingly no distinction was drawn as to whether this “crisis management” police force was intended to be used only outside “the Union” or could be deployed within the EU’s own borders.

The Council made a terse reference to the continuing failure to reach an agreement on the “tax package”, noting that Britain had come up with a new proposal to avoid the need for a withholding tax. This would require making financial information available to other countries’ tax authorities: a scheme which, as the British Treasury was aware, would be strongly opposed by other member states like Luxembourg which liked to allow financial transactions within their borders to be confidential. It was agreed that a “High Level Working Group” should be set up to see whether “a way forward” could be found, to report in six months time.

Another point of interest was an indication that member state governments were far from happy about Mr Prodi’s insistence that he and the Commission would play the dominant role in drawing up the agenda for next year’s new treaty. The negotiations making up the IGC were due to start in February 2000; and although the “representative of the Commission” would be expected to “participate at the political and preparatory level”, the lead responsibility for these was definitely to be retained by the Council of Ministers.

But, after such a heady six months, this was not enough to deter President Prodi. As 1999 came to an end, with Portugal about to succeed to the presidency, he and his staff in Brussels, including Commissioner Michel Barnier, a Frenchman with special responsibility for the IGC, were already well advanced in drawing up their treaty agenda. They would be ready to unveil their proposals early in the new year.

CHAPTER FOUR

THE ROCKY ROAD TO NICE: JANUARY-APRIL 2000

Our objective must be to make the European Union a global player, with a political weight commensurate with our economic strength.

Shaping The New Europe, COM(2000)154, 9 February 2000

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

President Prodi, interview in the *Independent*, 4 February 2000

One of the most respected sources in Brussels is Agence Europe, a press agency which issues a daily briefing on everything going on at the heart of the European Union. Early in 2000 its keenly Europhile editor, Ferdinando Riccardi, issued an almost breathlessly excited bulletin.²⁵

All is moving faster than expected. The landscape surrounding the forthcoming institutional reform of the EU is no longer what it was on the eve of the Helsinki summit, at a time of great disenchantment, when things seemed to favour a mini-reform that for a Europe with 28 members or more would have meant disintegration towards a Union without ambition or ability to act.

25 *Agence Europe*, 10/11 January 2000.

But then had come “many indications”, Riccardi revealed, that “certain heads of government had become aware of the dangers surrounding European construction”. Behind the scenes, significant shifts of opinion had taken place. “The discussions on Europe’s future have finally entered the debating chamber at the highest level. Following years of silence and evasion, nothing may now prevent the real issues being raised, and answers provided”.

What had excited Mr Riccardi’s enthusiasm was the startling headway being made by the idea floated in the Dehaene-Weiszacker-Simon report that a group of nations should be permitted to engage in “closer co-operation”, allowing them to move towards fuller integration ahead of the rest.

This proposal had been picked up in a speech in Berlin to the Aspen Institute on 14 November 1999 by that tireless champion of European unification, Jacques Delors, former Commission President and shaper of the Maastricht treaty. Faced with the threat that enlargement might dilute the original vision of a united Europe, Delors suggested, “the new treaty should allow” an “avant-garde” of nations to move ahead “further and faster”, to achieve full “confederation” ahead of the others. Furthermore, to avoid any confusion, “this avant-garde should have its own institutions”. This was the only way to stay “faithful to the ideals and political thinking of Fathers of Europe, Monnet, Schuman, Adenauer, de Gasperi and Spaak”.²⁶

“Eight States, or whatever the total number, should be able to form an avant-garde of integration, without the others being able to prevent them through a vote enlarged to as many as 30 members” – Jean-Claude Juncker, Prime Minister of Luxembourg, December 1999

At Helsinki, where publicly the agenda had still been limited only to the “Amsterdam leftovers”, the same idea had been forcefully taken up by Jean-Claude Juncker, Prime Minister of Luxembourg. The prospect of enlargement, he warned his colleagues, raised “the disastrous spectre” of Europe disintegrating into nothing more than “a free trade area”. This could only be avoided by allowing “enhanced co-operation” between “member states prepared to go further in integration”. “Eight States,” he suggested, “or whatever the total number, should be able to form an avant-garde of integration, without the others being able to prevent them through a vote”.²⁷

Furthermore, on 13 December 1999, two days after Helsinki, the same thought had been echoed by President Chirac, previously one of those who had argued for “a limited agenda for the forthcoming IGC”, to ensure its conclusion by the end of the year. Referring to that “flexibility” which had allowed certain countries to move ahead in signing up to monetary union and the Schengen agreement dismantling border controls, Chirac had mused, might not the same principle be applied to moves towards fuller political integration?

26 Speech to the Aspen Institute, Berlin by Jacques Delors, “Our Historic Challenge: the Reunification of Europe, 14 November 1999.

27 *Agence Europe*, 10/11 January 2000.

Other leaders, Riccardi reported, had so far been “less explicit and precise”. But some, including Mr Schroeder and Prime Minister Massimo D’Alema of Italy, had not ruled out the idea of widening the Nice agenda. And President Prodi himself, who had previously said the “door was closed” to anything but the “Amsterdam leftovers”, had now let it be known the agenda was open.

Suddenly, it seemed, the pressure was building up to widen the new treaty to allow a “hard core” of countries to move forward to political union, not just ahead of new members but, “should the need arise”, as Mr Riccardi emphasised, “without one or two of the current ones”. And lest anyone should miss to whom he was referring, he added that “at least two heads of government” still remained firmly opposed to extending the agenda in such a controversial direction. These were Jose-Maria Aznar of Spain and Britain’s Tony Blair.²⁸

THE COMMISSION’S TREATY PROPOSALS

On 26 January 2000, President Prodi appeared before the European Parliament in Brussels to present the “Commission Opinion” on what the Nice agenda should contain. Headed “Adapting the institutions to make a success of enlargement”, it was a good deal more radical than anything agreed so far.²⁹

Emphasising that enlargement must not be allowed to create a Union “weakened and diluted by its mere size”, Prodi began with the three core items:

1. On the number of Commissioners, he suggested, there were two options. The Commission could remain limited to its present size of 20 members. But if so, in a Union expanded to more than 20 countries, this would mean that each country no longer had the automatic right to a Commissioner. This could only work if “a rotating system” ensured that member states took it in turns to be excluded, regardless of size. Thus eventually there would come a time when even countries as large as Germany, France or Britain were not represented. If, on the other hand, it was insisted that every country must retain the right to a Commissioner, this would make the Commission so unwieldy that it would have to be divided into “two tiers”. This would inevitably mean “a stronger President”, while an inner ring of his senior colleagues “co-ordinated” the work of lesser Commissioners.
2. On voting, the Commission recommended that the existing QMV system, requiring a minimum of 62 votes out of 87, should be replaced with one based on a “double simple majority”. To be carried, any decision would only now need the support of a majority of member states, so long as these also represented more than 50% of the EU’s population.
3. On the vexed issue of where national vetoes should be retained, Mr Prodi was adamant that “majority voting should be the general rule”. The veto should only remain in five areas, four of which related to treaty changes or major international agreements. In addition he reluctantly agreed that the veto would still also have to remain for decisions on “taxation and social

28 *Agence Europe*, 10/11 January 2000.

29 Commission Opinion on the reform of the institutions of the European Union, 26 January 2000 and Prodi speech to European Parliament on the same day.

security”. But here the significant rider was added that this should not apply to those relating to “the operation of the single market”. If a tax proposal could be presented as necessary for the single market, such the harmonisation of VAT (which the Commission had proposed as a single market measure in 1996), it could go through under QMV, and no country would have the right to a veto.

Having dealt with the three essential issues, however, Mr Prodi went on to suggest that the treaty should also include considerably more than just these “Amsterdam leftovers”.

For a start, it should “add a judicial dimension to the action to combat fraud against the Community budget”. This was shorthand for the so-called Corpus Juris project to allow an EU prosecution office to operate in member states above the jurisdiction of national courts, widely looked on as a first step towards creating a common EU legal system.

Mr Prodi then reminded his audience how “several parallel debates” were taking place on other important issues, which would also “ultimately converge on the conference table”. These included “the debate on security and defence”, which meant the moves towards a fully-integrated EU defence capability including the EU’s own armed forces; the “remarkable work which has now begun on a Charter of Fundamental Rights”; and “our idea of re-organising the Treaty”, to create an EU constitution.

The Commission also suggested that a greater role should be given to the European Parliament, by making it the rule that Parliament should be involved by “co-decision” in the making of all EU laws; and that some seats in the Parliament should be reserved for MEPs representing “Europe-wide” parties, elected by voters from all the member states, on EU-wide lists.

The Commission’s last crucial proposal, taking up the idea which had recently been winning such significant support, was that a change should be made to the “closer co-operation” rules introduced in the Amsterdam treaty. This would reduce to only a third the number of countries needed to sanction any move allowing a group of member states to integrate more closely on chosen issues and would remove the emergency brake. If a “core group” wanted to forge ahead of the rest, this would eliminate the power of the others to stop them.

COM 154 – THE COMMISSION LOOKS TO THE FUTURE

Shortly after issuing its Opinion on the IGC agenda, on 9 February 2000 the Commission published another remarkable document, headed *Shaping The New Europe: Strategic Objectives 2000-2005*.³⁰

Very much shaped by President Prodi’s own ambitious vision, this paper set out a general strategy for the EU’s future development. It proclaimed:

Over the next decade, we will complete our economic integration and, even more importantly, give shape to a new, political Europe. The next five years will be decisive.

30 COM(2000) 154 final, 8 February 2000.

Prodi and his colleagues underlined how:

We are already pushing forward with political integration by establishing an area of freedom, security and justice, and by developing common foreign, security and defence policies.

“Over the next decade, we will complete our economic integration and, even more importantly, give shape to a new, political Europe.

The next five years will be decisive” –

European Commission Opinion on the IGC agenda, 9 February 2000

Political integration should be pursued by every means; and not the least important embodiment of this was the proposed “European Charter of Fundamental Rights”. Prodi proclaimed that:

Only a Europe which shares fundamental values and political objectives, and which can pursue them effectively, will be able to meet the huge challenges of the new millennium.

He went on to argue that:

Europe will also need strong institutions that answer to new forms of democratic governance. At present, public faith in our national and European institutions is low. Citizens feel remote from them and are calling for a greater say in how things are done at European level.

In other words, the very remoteness of the EU institutions should be used as an excuse for strengthening them. The paper went on to state:

The Europe we want, the Europe which can show genuine leadership on the world stage, will be a Europe that heeds the warnings of globalisation... what we are aiming at is a new kind of global governance to manage the global economy and environment ... Europe’s model of integration, working successfully on a continental scale, is a quarry from which ideas for global governance can and should be drawn.

And in all this, President Prodi was keen to emphasise that:

The Commission has a pivotal role to play. It is Europe’s executive arm, the initiator of ideas and proposals and guardian of the Treaties. The Commission has always been the driving force for European integration... Enlargement must be seen as a factor driving deeper integration.

Under specific headings, the paper then referred to the vital task of “promoting new forms of European governance”, in which not only EU institutions had a key role to play, but also “Governments and Parliaments, regional and local authorities”.

The Commission must remain the driving force within this process, both through its vision and its action. The Commission will focus more on its core functions of policy conception, political initiative, enforcing Community law, monitoring social and economic developments.

In a section on “boosting Europe’s voice in the world”, the paper described how “Europe” was to be made “a global actor”, with its own distinctive foreign, defence and aid policies.

Under the heading “towards a new economic and social agenda”, the EU, as “the biggest trading power in the world”, was to unleash its “scientific and technological” potential, in tackling the problem of 15 million people unemployed (the paper did not mention that this figure had doubled since the launch in 1993 of the Single Market, which it had been promised would “create millions of new jobs”). “A new economic dynamism” would be created, by such measures as making “further progress in the co-ordination of tax policy”; stimulating research by “creating a much needed European Research Area”; developing “a European strategy for fighting social exclusion”; and strengthening “the European Model of Agriculture”.

Under the heading “a better quality of life for all”, the paper suggested a whole list of ways in which “Europe should be brought closer to its people”. These ranged from establishing the new “area of freedom, security and justice”, complete with common policies on asylum, immigration and “the fight against all forms of crime”, to setting up a “European Food Authority” and creating a “single airspace” controlled by a “European Air Safety Agency”.

Finally, in this great task of building “the New Europe”, President Prodi wanted everyone to know that:

The Commission is ready for action and we are willing to be judged on our performance over the next five years.

Certainly by this time there were signs he was getting quite carried away with his new role as the “Project’s” central driving force, as was reflected in an interview published in the *Independent* on February 4, headlined “EU is becoming the ‘European Government’ Says Bullish Prodi”.

Unless the EU’s big states were prepared to join together in political integration, and in creating an EU army, Prodi told the paper, they would “disappear from the history books”. But there seemed no doubt in Mr Prodi’s mind what lay at the heart of that process. It was now “the European Commission”, he said, which was behaving “like a growing government”. And at the centre of that “government” of course was President Prodi himself.

THE EUROPEAN PARLIAMENT’S PROPOSALS

The Commission’s proposals for the Nice treaty had already gone much further than those agreed at the previous year’s Cologne and Helsinki Councils. But when two weeks later the European Parliament came up with its own proposals, these went further still.³¹

31 European Parliament proposals for IGC, 24 February 2000.

The MEPs began with recommendations for changes to the make-up of the Parliament itself, which should remain limited to 700 members, regardless of the EU's future size. 70 of these seats, they suggested, should be reserved for a "single European constituency", whose MEPs would represent the whole of the EU. Naturally these would need funding:

European political parties contribute to forming a European awareness and to expressing the political will of the citizens of the Union; on a proposal from the Commission, the European Parliament and the Council shall adopt... the requirements for recognition, the statute and funding arrangements (including Community funding) for European political parties.

But not all parties would receive funding:

European political parties which do not respect democratic principles and fundamental rights may be subject of suspension proceedings... to suspend their EU funding.

The European Parliament should also in future have the right to choose the President of the Commission "from among candidates proposed by the Council"; and he should then have the right, after consulting with member states, to appoint his fellow-Commissioners. Up to 2010, the Commission should consist of one Commissioner for each country. After that it should be limited to the President and 20 members.

Major new powers should be given to the European Court of Justice, giving it supreme jurisdiction over all matters relating to visas, asylum, immigration and EU-wide co-operation on police and judicial matters. Under the Corpus Juris plan, a "European Public Prosecutor's office" should be set up, free to intervene anywhere in the EU to protect "the Union" against fraud; and "the Union" should also be allowed "to take legislative measures" in respect of anything which could be considered as fraud damaging to its interests.

On the thorny question of how the EU should make its laws, these should all be passed under majority voting and by the "co-decision procedure", allowing the Parliament to consult with the Commission. This would relate to several key areas hitherto excluded, including visa, asylum and immigration policies, and also "budgetary, fiscal, economic and monetary policy".

The right to veto should in future be strictly limited "to decisions of a fundamental constitutional nature". In this respect the Parliament went considerably further than the Commission, in insisting that all decisions on tax should in future be settled by majority voting.

Under the heading "Constitutionalisation of the Union", the Parliament endorsed the proposal that the treaty be split into two parts: the first confined to "provisions of a constitutional nature", such as the EU's objectives, institutional structures and decision-making procedures, coupled with a "Charter of Fundamental Rights". This would thus give the EU a full-blown constitution on the US model, complete with its own version of the US Bill of Rights.

In addition “the Union should have legal personality”:

...otherwise its international status, visibility and negotiating power will continue to be limited.

On the Common Foreign and Security Policy, the Parliament wanted the treaty to be amended to give the Commission “a major role in co-ordinating Community and national non-military instruments in respect of international crisis management”; and to transfer to the Union “the institutional structures and operational capacities” which had previously governed military co-operation in Europe under the Western European Union agreement.

On “the co-ordination of economic, social and employment policies”, the Parliament wanted greater powers for itself in all these areas; and in addition made the telling recommendation that all references in the treaties to the Community’s support for an “open market economy” (as in Articles 4 and 98) should be changed to “social market economy”.

On the new “area of freedom, security and justice”, otherwise known as the “single judicial space”, MEPs wanted within three years to see the adoption of provisions already agreed “relating to police and judicial co-operation in criminal matters”. This would mean moving ahead with development of the EU’s police force, Europol (launched on 1 October 1998 with its headquarters at the Hague) and laying the foundations for a common code of criminal law. They also wanted it to be agreed that there should be “no restrictions whatever” on “the jurisdiction of the European Court of Justice”, apart from a bar on any legal actions “brought in connection with the affairs of the European Parliament.

Finally the Parliament wanted the treaty to include provision for “a Common Energy Policy” (ominous for Britain as the EU’s only possessor of major oil reserves); for competences for MEPs to legislate “on nuclear matters”; for the EU “to act in the area of tourism”; and lastly it supported the Commission’s call for “the establishment of a single European air traffic control agency”.

THE IGC OPENS

Certainly the Commission and Parliament had set out a much more far-reaching shopping list for the Nice treaty than anything so far agreed by the Council of Ministers. But the moment had now come for the member states themselves to get involved, as they began the process known as the Inter-Governmental Conference to hammer out the final agenda.

When ministers gathered in Brussels on 14 February 2000 for the formal start of the IGC process, President Prodi appeared before them to “remind” them of what he described as “a few simple points”.³²

The first was that “the question before us is enlargement”, and how this must “concentrate our minds on the absolute need for institutional change”.

The second was that “we must not think, even for a moment, that this is just the beginning of reform” and that there would be other opportunities in the future.

32 Prodi speech to IGC, General Affairs Council, 24 February 2000.

Everything would have to be settled in one go. “I see no room for a second IGC,” said Prodi; “we cannot countenance any leftovers from Nice”.

Most important of all, if the EU was to continue to work, was that there would have to be an end to national vetoes.

I genuinely believe that, with 28 members, any areas that are still decided by unanimity will be condemned to stagnation.

But Mr Prodi then reminded them that “we are still discovering the problems we face”; and that the Nice agenda would inevitably have to be extended from those Amsterdam leftovers. The Commission had already put forward its own suggestions. For example, the new treaty would have to take into account:

...the consolidation of the common foreign and security policy into a European security and defence policy”;

And it would also need to review:

the ‘closer co-operation’ arrangements which must be looked at again if a 28-member Union is to work.

With these brief points Mr Prodi left the ministers to begin their 10 months of negotiation.

THE BRITISH RESPONSE

One Government which declared its hand right from the start was Britain’s. On the day the IGC began, it issued a ‘White Paper’, *IGC: Reform for Enlargement*. This opened with a foreword by Tony Blair, proclaiming that “unlike its predecessors, this Government is unwaveringly pro-European”.³³

After the usual platitudes about how “the Government’s approach to the IGC is part of a wider policy of getting more out of Europe by working within the European Union, rather than against it”, the document explained the Government’s position. This was largely focussed on those three original core issues, the “Amsterdam leftovers”.

The section on the make-up of the Commission recognised the logic of both the Commission’s own proposals, without choosing between them. The same applied to the proposals on re-weighting votes. “Whichever approach” was adopted, “the right balance needs to be struck between the ease with which legislation can be passed or blocked”.

On reducing national veto powers, the Government similarly concluded that it would agree to an extension of qualified majority voting where this was “in Britain’s interests. But in areas of key national concern, we will insist on retaining unanimity”.

What was bizarre about this document was how little it contained in its glossy 38 pages. A succession of bland “on the one hand, on the other” paragraphs revealed almost nothing of Britain’s negotiating position, with the one

33 *IGC, Reform for Enlargement: the British Approach to the EU Inter-Governmental Conference*, FCO, Com 4595, 14 February 2000.

exception of a firm commitment that Britain would “insist on retaining unanimity” for “key issues of national interest” including “taxation, border controls, social security, defence and Own Resources” (i.e. payments into the EU budget).

There was a brief reference to the proposed “restructuring of the treaties” (code for giving the EU its own constitution). Here the White Paper stated that “a majority of Member States, including the UK, has made clear that this issue should not be discussed at this IGC”.

But the drafting skills of the officials were nowhere more in evidence than in the page devoted to downplaying what they explained was sometimes referred to as “closer co-operation”, although the FCO preferred the term “flexibility”. This was defined as the suggestion that “a core of Member States” might on occasion wish “to move ahead with an activity while others stay out”. The White Paper loftily observed that:

The Government feels that a stronger case will have to be made in order to justify procedures that were agreed only in 1997 and which have not yet been put to the test, or indeed used at all. The conditions governing the use of closer co-operation were ensured to intend that too much flexibility did not undermine the Single Market, or could not be used against the interests of a minority of Member States. These remain important objectives.

Not for a moment did the Government admit openly how alarmed it was becoming about the interest continental countries were now showing in the possibility of a “core group” being permitted to “move ahead”. But for insiders this careful wording plainly flagged up concern at the way things were moving. On this, as on other proposals, it was clear that, for the Blair Government at least, the road to Nice was suddenly threatening to become strewn with some rather large rocks.

BRITAIN BOXED IN: THE LISBON SUMMIT

The basic hook on which Mr Blair and his ministers were impaled in the spring of 2000 was one familiar to other British Governments before them. On one hand they wished to be thought of as “good Europeans”, taking a “positive” and “constructive” attitude towards Britain’s involvement in the EU. On the other they recognised that, as “the Project” moved ever more overtly towards economic and political integration, it was going to become increasingly difficult to carry the British people along with this. The push for integration was also throwing up a succession of practical difficulties, arising from the fact that, in so many fundamental ways, Britain thought and did things differently from her partners.

Nowhere had this shown more glaringly than in Britain’s reluctance to join the single currency, regarded on the continent as the most crucial single building block in the entire integration process. But this had more lately been joined by all the difficulties Britain was putting up over the drive to tax harmonisation.

Firstly, in general, most of the other EU members wanted at least a significant measure of common taxation: partly because this would be another important symbol of integration; partly because they thought the single currency could not ultimately work without it.

Secondly, in particular, there was widespread resentment on the continent of the fact that, since the Thatcher era, Britain had in the main enjoyed markedly lower taxes than most other EU members, and this was viewed as “unfair tax competition”. A particular bugbear was Britain’s failure to impose VAT on many of the items which carried VAT on the continent, such as food, transport fares, newspapers and new houses. This was despite the fact that VAT was a tax devised by the Community and was supposedly governed by the famous “Sixth VAT Directive” of 1977, the intention of which had been ultimately to achieve the complete harmonisation of VAT across the Community.

Discrepancies in tax rates have made it peculiarly difficult for Britain to accept the general EU pressure to create “a level playing field” by harmonising taxes; in general this could only have the effect of forcing UK taxes upwards to continental levels.

This conflict had come to a head with the row over the “withholding tax”, which had reached deadlock in Gordon Brown’s persistent refusal to agree to a tax which would be devastating for Britain’s economy. It had now been taken still wider by Britain’s refusal to accept any abolition of the national veto on tax.

So frustrating was this intransigence to her EU partners that the European Commission attempted to find a way round the impasse. On 15 March, it issued a supplementary paper to its Opinion on the IGC, devoted entirely to finding ways in which “qualified majority voting” might be extended to certain areas of taxation and social security.³⁴

The tactic, which had been tried before, was to suggest that tax issues might be settled by QMV so long as they could be shown to be necessary “for the operations of the Single Market”. On the particularly sensitive issue of VAT, for instance, an ingenious piece of drafting explained how there had been virtually no “significant evolution” since the original Sixth VAT Directive had laid down ground rules for the harmonisation of VAT. It suggested that QMV should apply to VAT decisions which might “modernise and simplify existing Community rules in order to eliminate distortions of competition”.

Similar formulae were used to justify extending QMV to decisions on excise duties, environmental taxes and social security payments. And although this was still a long way from granting the EU general competence to override national vetoes on all tax matters, it might at least, by conceding the basic principle, unlock a door which could later be opened wider.

But if Britain remained at odds with her partners over tax, as in failing to join the euro, Mr Blair and his ministers tried to compensate for this, in their eagerness to play “a leading role in Europe”, by showing extra enthusiasm for other areas of EU integration.

One of these was the new Common Defence and Security Policy, and the fast-accelerating drive towards integrating the EU’s defence capability. In

34 Supplementary contribution of the European Commission to the IGC on institutional reforms; qualified majority voting for Single Market aspects in the taxation and social security fields, COM(2000)114 final, 14 March 2000.

December 1998, Mr Blair had been quick to follow up the Franco-German initiative by signing the St Malo accord with France's President Chirac. This was intended to lay the groundwork for the EU's Rapid Reaction Force and the integration of defence and aerospace firms into a single "European defence industry".

In the spring of 2000, Mr Blair's ministers then went out of their way to talk up the significance of the first summit of the Portuguese presidency, held at Lisbon on 23 and 24 March, under the title of "Employment, Economic Reform and Social Cohesion". This, they claimed, was a demonstration of how they were "setting the agenda in Europe" and "winning the economic argument", by converting their partners to the forward-looking virtues of deregulation, the free market and the internet.³⁵

The Lisbon summit produced many grandiloquent pledges on such vital topics as "preparing the transition to a competitive, dynamic and knowledge-based economy"; "modernising the European social model by investing in people and building an active welfare state"; and promoting "a better understanding of social exclusion through continued dialogue and exchanges of information and best practice, on the basis of commonly agreed indicators" (these to be established by a 'High Level Working Group on Social Protection').

But behind all the leaden prose of the post-summit communiqué (full of delightful sentences such as "the combat against illiteracy must be reinforced"), it was only too clear how the process of "creeping integration" was advancing on all fronts.

The EU was to set up "a European research area", to co-ordinate all scientific research in the Community. A "European framework" was to be introduced to "define the new basic skills to be provided through lifelong learning, IT skills, foreign languages, technological culture, entrepreneurship and social skills", complete with its own "European diploma for basic IT skills".

It was resolved to set up a "Committee for Civilian Crisis Management", to supervise the EU's new "non-military crisis management capability". In another significant decision hardly noticed at the time, the Council agreed that it was "essential to exploit the potential of the euro to push forward the integration of EU financial markets", complete with moves towards "more intensive co-operation" on regulation of a sector in which Britain led every other country in the EU. Certainly from the enthusiasm British ministers showed over Lisbon, it might have seemed Britain was as actively committed to the process of "European construction" as anyone.

But by April 2000, behind the scenes, some of the older-established members of "the Project", particularly France and Germany, were becoming distinctly impatient with the way events in the European Union were developing; and their frustration was centred on three issues in particular.

35 Lisbon European Council, Presidency Conclusions.

THE THREE PROBLEM AREAS

1. The Reluctant British

The first cause of frustration identified by certain continental leaders was the continuing hindrance to the integration process created by Britain. It was all very well for British ministers to proclaim how keen they were to play “a positive role in Europe”. But the fact remained that, in some of the most important areas of all, the British were proving a major obstacle to progress.

British ministers proclaimed that they were keen to play “a positive role in Europe”. But in some of the most important areas of all, the British were proving a major obstacle to progress.

At a meeting of EU finance ministers (Ecofin) in Lisbon on 8 April 2000, Britain had come up with new compromise proposals designed to resolve the deadlock over the withholding tax. The UK compromise turned out to be simply a refinement of the earlier suggestion that, instead of imposing a tax, EU countries should provide each other with full information on non-resident investors.³⁶

The British knew that this proposal would be rejected by countries which maintained strict banking secrecy, such as Luxembourg, Austria and Germany. Indeed, several ministers, including those from Belgium and France, expressed anger at what they regarded as a cynical British trick. Luxembourg’s Prime Minister Jean-Claude Juncker was particularly contemptuous of what he described as these British “manoeuvres”.

Two days later, at an IGC meeting, the Foreign Secretary Robin Cook again declared Britain’s total opposition to any extension of majority voting to tax matters. Here other countries also expressed reservations, if rather less forcefully.

Easily the most significant difference between Britain and most of her ‘partners’, however, remained her reluctance to join the single currency. As in April the euro hit new lows on the international exchanges, Britain’s refusal to share in this central symbolic act of faith in the “new Europe” was beginning to rankle more than ever.

2. The Stalling of Enlargement

A second cause of growing frustration was the very issue which had been supposed to provide justification for the new treaty in the first place: ‘enlargement’. Negotiations between the EU and the first six applicant countries had now been going on for over a year. The first requirement had been that each should be presented with 80,000 pages of directives and regulations, the established body of EU law known as the *acquis communautaire*, with which they had to conform before entry. This had given them headaches enough, as these eastern European countries worked out the cost of complying with this mass of diktats, which faced them with the kind of bureaucratic labyrinth from which they thought they had escaped with the fall of Communism.

36 Ecofin, Lisbon, *Agence Europe*, 10/11 April 2000.

But the real problem, it was now dawning in the West, was how to admit these countries to the European Union on the same terms as its 15 existing members. It was no accident that discussion of the Common Agricultural Policy (CAP) had been postponed to the final stages of the negotiations.

The real problem was how to admit the applicant countries to the European Union on the same terms as its 15 existing members.

CAP subsidies already took up almost half the EU's annual expenditure of £60 billion, and Poland alone had more farmers than all the existing EU states put together. If the eastern European countries were to be allowed to enjoy the benefits of the CAP on equal terms with their western counterparts, it would bankrupt the EU within a year. Neither could their agricultural products be allowed free access to western markets, as these cost so much less to produce and would undercut their western competitors.

In addition, Germany and Austria in particular were becoming worried about what it would mean for those countries on their borders to be admitted to the EU when they were allowed to share in its much-vaunted "four freedoms": the freedoms of goods and services, capital and people to cross frontiers unimpeded.

Once Poles and Czechs, Hungarians and Slovenes were allowed to seek higher-paid jobs over the border in Germany and Austria, who could predict what a mass-migration might result? Had not many German firms like Siemens and Daimler-Benz benefited enormously from being able to re-locate production in eastern Europe, where labour costs were as little as a quarter of what they were in Germany?

Although none of these concerns were publicly admitted, by the spring of 2000 the eastern European countries were beginning to wonder why their negotiations with the EU seemed to be dragging on so long, bogged down in endless bureaucratic nit-picking from Brussels, almost as if their western friends no longer wanted them.

The truth was that the western European countries, headed by Germany and France, were finally realising that to allow in the applicant countries on level terms with existing members was simply not a practical proposition. What was the way out of this appalling dilemma?

3. The 'Prodi Problem'

A third source of frustration to the French and Germans in particular was the role played by the European Commission itself and its new President. This was becoming known in Brussels as 'the Prodi problem'.

In recent years, as the European Union had expanded to 15 members, the six original members had seen what was once just their own little enterprise being taken over by outsiders, who did not necessarily understand the spirit which had guided the evolution of "the Project" in earlier decades. The French in particular had for so long been used to dominating the internal workings of the Commission, which was very much a creation of the French *fonctionnaire* tradition and used, for instance, to regarding French as its customary first language.

But now they saw this tradition being eroded and diluted, by newcomers with different attitudes and ways of doing things. With the arrival of so many new nations, from Portugal to Finland, they saw English replacing French as the EU's *lingua franca*. They felt their old influence, and their instinctive understanding of what "the Project" was all about, very much on the wane.

And not least of the concerns of the founding members was the personality of the Commission's new President, with his inflated idea of his own importance and, on occasions, highly embarrassing manner. It was all very well for his predecessor Jacques Delors to have played such a central part in advancing "the Project" in the Eighties and early Nineties. Delors had been an *énarque*, who instinctively understood the French way of doing things. He had evolved an intimate and highly effective working relationship with the two most important national leaders of his time, President Mitterrand and Chancellor Kohl; and it was this which had enabled them to bring about the two most decisive landmarks in European integration since 1957, the Single European Act and the Treaty of European Union at Maastricht.

But a very different proposition was President Prodi, the Italian who had immediately started to refer to the Commission as "my Government" and who had dared take off on his own with all sorts of ambitious suggestions for what should be in the new treaty.

As the Franco-German leaders looked round the European Union in the spring of 2000 they could be forgiven for not being at all happy with what they saw. Could the only way to save their "Project" from disintegration be to launch a daring new initiative, which would change its future direction in the most dramatic way?

CHAPTER FIVE

ENTER THE 'AVANT-GARDE': MAY-SEPTEMBER 2000

If we are to meet this historic challenge, and integrate the new member states without substantially denting the EU's capacity for action, we must put into place the last brick in the building of European integration, namely political integration... this latest stage of European Union...will depend decisively on France and Germany.

Joschka Fischer at Humboldt University, 12 May 2000

To promote the process of European integration, we must improve an institutional mechanism already existing in the European Union, reinforced co-operation, by making its more flexible and effective. This approach allows a few states to move faster and further... we are all aware that this mechanism is vital.

Lionel Jospin, to French Parliament, 9 May 2000

We will have to create an avant-garde... we could have a Union for the enlarged Europe, and a Federation for the avant-garde".

Jacques Delors, interview in *Libération*, 17 June 2000

The next treaty was to be signed in December 2000. This meant it would come at the end of the six months when France held the EU presidency, giving the French Government the maximum chance to influence its contents. But no one, when the date was fixed, could have foreseen how important to the leaders of France and Germany such an opportunity would be.

The idea about to take centre stage in the debate over the future of the EU was the one put forward by Jacques Delors in his November speech to the Aspen Institute in Berlin, “Our Historic Challenge: the Reunification of Europe”. In this speech, Delors proposed that an “avant-garde” of EU countries should lead the way forward to full political integration ahead of the rest. The glory of this strategy was that, in one bold stroke, it could provide an answer to all the three major problems now giving such concern.

If the “core group” were permitted to forge ahead on its own, this would create a “two-tier Europe”, an inner and an outer ring. The awkward British, with their refusal to join the euro, could be left in the outer ring. It would also enable the applicant countries from the East to be admitted to the outer ring, without having to give them full membership. And if the ‘core group’ could set up its own institutions, this might equally help resolve the third problem: it could sideline the Prodi Commission.

The new initiative first began to emerge in a speech given to the French Parliament by Lionel Jospin on 9 May 2000, to mark the 50th anniversary of the launching of the embryonic European Union by the French Foreign Minister Robert Schuman on 9 May 1950.³⁷ Jospin observed:

Europe had established itself a model of integration unparalleled anywhere in the world;

He then sketched out how this process might be continued under the French presidency due to start at the end of the following month.

The first half of Jospin’s speech was concerned with general points. “Our first priority” he said, “will be the adoption of a social agenda”. Economic modernisation in Europe was “inseparable from the strengthening of the social model”. He then paid tribute to the “success” of the euro, which had “played the role of ‘shield’ expected of it, thereby sheltering Europe from monetary turbulence” (an interesting point, since it had by now lost 25% of its value against the dollar).

In a direct sideswipe at Britain, he went on to promise:

We will also endeavour, despite some well known reluctance, to make headway on the tax harmonisation necessary for the proper functioning of the single market and the fight against unfair competition.

Mr Jospin outlined various steps towards bringing “Europe closer to its citizens”, such as setting up “an independent European food authority”; “real advances in the harmonisation of working hours in the transport sector”; and “tightening up measures to prevent illegal immigration” (it was to be only a few weeks later that 58 Chinese immigrants were found dead at Dover, after having had no difficulty in boarding a lorry in Calais).

France’s Prime Minister then came to the subject of the forthcoming treaty. He would not dwell in detail on the negotiations still in progress, but he did wish to

37 Jospin’s speech to French Parliament, BMDF translation, 9 June 2000.

underline how, to “avoid paralysis” from the use of national vetoes, it would be essential to extend qualified majority voting in EU decision-making. France would also insist that the treaty included the Charter of Fundamental Rights, strongly favoured by Germany.

The real point he wished to make, however, went rather wider:

How can we make sure that the European Union, in enlarging, does not merely become a free trade area but continues to be a genuine community?

Mr Jospin referred to the ideas which had been floated about the setting up of “a federation” by “a vanguard” or “hard core of a few more closely integrated countries”, and “the drawing up of a European constitution”. “Such thinking”, Mr Jospin insisted, was “legitimate and must be actively pursued”, although “it must also be realistic enough to be shared”.

He was unequivocal on one thing. “To promote the process of European integration” it would be necessary to “improve an institutional mechanism already existing in the European Union, reinforced co-operation”. “This approach” would allow “a few states to move faster and further” towards the goal; and “we are all aware that this mechanism is vital”.

Mr Jospin’s speech met with enthusiasm from other French politicians, and it was Daniel Cohn-Bendit, leader of the rebellious Parisian students in 1968 and now leader of the French Green Party in the European Parliament, who underlined an important sub-text. “Tony Blair” he said, “must be put on the spot. He is being depicted as a leader of Europe. In fact he is a brake on Europe.”³⁸

“We must put into place the last brick in the building of European integration, namely political integration”

– German Foreign Secretary, 12 May 2000.

Three days later, on 12 May, the new initiative was given much more powerful and unambiguous voice in a speech by Joschka Fischer, the German Foreign Minister, at Humboldt University in Berlin. Under the title “From Confederacy to Federation: Thoughts On The Finality of European Integration”, he declared that if the EU was to meet the historic challenge of enlargement without losing its capacity for action, “we must put into place the last brick in the building of European integration, namely political integration”.³⁹

38 *The Times*, 10 May 2000.

39 Fischer speech of 12 May 2000 at Humboldt University reported in BMDF, 7 June 2000. Although Fischer had been keen to emphasise that he was only offering a “personal view” which did not represent his Government’s policy, it was to become clear as the summer progressed that this reflected the informal discussions going on between German, French and other EU leaders (as when Fischer’s thinking was later echoed by President Chirac) and that it represented the beginning of a concerted initiative between the various governments involved.

This process, Fischer pointed out, had already begun:

The introduction of the euro was not only the crowning point of economic integration, it was also a profoundly political act; because a currency is not just an economic factor but also symbolises the power of the sovereign who guarantees it.

Similar advances, Fischer went on, had begun to be made in other areas. The European Council in Tampere had:

...marked the beginning of a new far-reaching integration project, namely the development of a common area of justice and internal security, making the Europe of the citizens a tangible reality. But there is even more in this new integration project: common laws can be a highly integrative force.

Again, in the wake of the Kosovo war, the Cologne and Helsinki Councils had agreed on “a new goal: the development of a Common Security and Defence Policy”. This was all quite logical. After, all how could it be

...justified that countries inextricably linked by monetary union and by economic and political realities do not face up together to external threats and together maintain their security?

All this had so far been achieved by the “Monnet method” of co-operation between sovereign governments. But now, with the prospect of enlargement to 30 members, it was a matter of highest urgency to recognise that, unless the most radical changes were made, the EU would become completely unworkable. These must be so far-reaching that, although “the first step towards reform” might be taken in the forthcoming treaty at Nice, this would “not in the long term be sufficient” for the integration that was needed.

There could only be one very simple answer:

The transition from a union of states to full parliamentarisation as a European Federation, something Robert Schuman demanded 50 years ago. And that means nothing less than a European Parliament and a European Government which really do exercise legislative and executive power within the Federation.

Such a Federation would have to be based on “a constituent treaty”, creating a “European constitution”.

Mr Fischer was tactfully keen to emphasise that such a Federation would not mean the complete “abolition of the nation state”:

I say this not least with an eye to our friends in the United Kingdom, because I know that the term ‘federation’ irritates many Britons. But to date I have been unable to come up with another word.

The treaty would have to draw a clear distinction between those areas which were to remain the responsibility of each nation state and those to be taken over by the new federal government. This could, for instance, be reflected in giving

the European Parliament “two chambers”: one “for elected members who are also members of their national parliaments”, the other perhaps modelled on the American Senate, with “directly elected senators from the member states”.

But even then, Mr Fischer went on, it might be difficult for “all EU members to move ahead” at the same time. And in this case, it might be necessary to draw on the precedents of monetary union and Schengen, to look to a process of “enhanced co-operation” allowing some states to move on ahead of the rest.

Fischer cited Jacques Delors, Helmut Schmidt and Valéry Giscard d’Estaing as having:

...recently tried to find new answers to this dilemma. Delors’s idea is that ‘a federation of nation states’ comprising the six founding states of the European Community should conclude ‘a treaty within a treaty’ with a view to making far-reaching reforms in the European institutions. Schmidt and Giscard’s ideas are in similar vein, although they place the Euro-11 states at the centre.

But if the alternative facing the EU was “either erosion or integration”, and if it proved impossible to win the agreement of “a majority of member states to take the leap into full integration”, was not the only way forward then for “a smaller group of member states” to “take this route as an *avant-garde*?”.

Should not “a few member states which are staunchly committed to the European ideal, and are in a position to push ahead with integration” form a new “centre of gravity”? “Such a group of states would conclude a new European framework treaty”, on the basis of which “the Federation would develop its own institutions, establish a Government... a strong parliament and a directly elected president”.

Fischer was quick to point out that :

Mechanisms would have to be developed which permit the members of the centre of gravity to co-operate smoothly with others in the larger EU.

But “the steps towards such a constituent treaty” required “a deliberate political act to re-establish Europe”. And if Europe’s development was to continue “far beyond the coming decade”, “one thing at least” was certain:

No European project will succeed in future without the closest Franco-German co-operation.

As it happened, on the same day Mr Fischer made his remarkable speech, the Italian Government published its official position on the Nice treaty.⁴⁰ This showed complete support for the direction in which France and Germany were moving. Italy agreed the treaty should include a “revision of enhanced co-operation mechanisms”, by lowering the required threshold of votes needed to permit a smaller group of countries to integrate ahead of the rest. “

40 *Agence Europe*, 13 May 2000.

The recent history of the Union shows that, if enhanced co-operation mechanisms cannot be achieved within the institutional framework, they will come into play anyhow, but outside this framework.

Italy added that the need for qualified majority voting to be the general rule was another “politically defining aspect” of the negotiations; that the treaty must include the “Common Defence Policy”; and that the Charter on Fundamental Rights should be included “as an annexed protocol which could become the core of the future European constitution”.

No one was happier about all these developments than the man who in a sense had set them in train with his Aspen Institute speech six months before. As the *éminence grise* of European integration, Jacques Delors gave a significant interview to *Libération* on 17 June 2000, in which he set out more clearly than ever just what the overall strategy might be.⁴¹

What he proposed was that, at Nice, the EU should set a December 2001 deadline for negotiations with all would-be member states whose discussions with the EU had “reached an advanced stage”. In the meantime “Europeans should have a frank discussion about what they want to achieve together”. Since complete agreement between all EU states was unlikely, “we will have to create an *avant-garde*”, open to all those countries who wished to join it and were in a position to do so. This “Federation” was “the only way to reconcile enlargement and deepening”.

The essence of Delors’s proposal was that the EU would divide into two tiers. The ‘*avant-garde*’ would make up the ‘Federation’, with “its own institutions”, including “its own Council of Ministers and its own Parliament”. The remaining countries, including the new members from the East, would be part of the wider Union.

The Commission “would remain unchanged” since its responsibilities would still cover both Union and Federation, and the Federation would have its “own institutions” to look after its particular interests. But in general so different would the status of the two tiers be that it might one day even be possible for the “*avant-garde* countries” to send only “a single representative” to meetings of the European Council; armed of course “with the appropriate number of votes”.

One enormous advantage of this strategy, Mr Delors pointed out, was that it would get round the problem of the “applicant countries”; “particularly”, he added in a tart reference to Poland, “when we hear one of them demanding to benefit immediately from the entire Common Agricultural Policy and the free movement of people”. Under his proposals, such applicant states could be offered “a place in the European fold without delay”, because they would only be joining the wider Union, without having to be given all the benefits of full membership.

41 *Libération*, 17 June 2000, *Agence Europe* 23 June 2000.

But in the same outer ring, of course, they would also be joining any of the existing member states which could not or did not wish to join the avant-garde. The most obvious candidate for that status, it was becoming clear in the summer of 2000, was Britain.

FOG IN CHANNEL: CONTINENT ISOLATED

It was somehow apt that, on the very day when Italy publicly joined Germany and France in insisting that a high priority for the Nice treaty should be the Charter of Fundamental Rights, the *Guardian* should report on its front page that the British Government was planning to “block ambitious plans for a new European Charter of Fundamental Rights”.⁴²

The specific point at issue here, as had emerged in the discussions of the 62-strong body which had been drafting the proposed Charter since the previous December, was the British Government’s insistence that any such Charter should not be included in the treaty, and that it should only be “a simple confirmation of existing rights” rather than setting out new ones.

This was not how it was seen by most continental governments, who saw the Charter as a crucial building block in European integration, laying out more than 50 “fundamental rights”, including “economic and social rights”, to be enshrined in the treaty as EU law overriding all national laws, and ultimately enforceable by the European Court of Justice with power to overrule any national court.⁴³

42 *Guardian*, 13 May 2000.

43 The Charter of Fundamental Rights (not to be confused with the European Convention on Human Rights, incorporated into UK law on 1 October 2000) was being drawn up by a 62-strong convention deliberately modelled on the Philadelphia convention which drafted the US constitution in 1787. Its members came from the European Commission, the European Parliament and national Parliaments. The draft contained 54 articles, under the headings “Dignity”, “Freedoms”, “Equality”, “Solidarity”, “Justice” and “General Provisions”. Among its more controversial provisions, predicted to give a field day to lawyers, were those granting the right to “equality between men and women” in “all areas”; the universal right to belong to a trade union and take strike action (thus including members of the armed forces and essential services); the right of all workers to be “guaranteed information and consultation in good time” on all matters affecting them in their workplace; the right of all employees, including part-time workers, to “an annual quota of paid leave”; a total ban on employing children below minimum school-leaving age (this would outlaw paper-rounds and other traditional sources of pocket money); and the right to “a high level of human health protection”. Perhaps the most controversial provision of all, which had no parallel in the American Bill of Rights, was Article 51, allowing any right to be suspended if this was deemed necessary to “meet objectives of general interest being pursued by the Union”. Most EU countries supported the Charter, described by the Commission in June as “the final transformation of European integration from its essentially economic origins to a fully-fledged political union”. Opposition to its inclusion in the treaty was led by Sweden, Ireland and, most strongly, the UK. (*Daily Telegraph*, 21 September 2000; Charter Text available on www.telegraph.co.uk).

Britain's isolation on the Charter was merely another item to be added to that list of major issues on which she was now at odds with all or most of the other member states, from the harmonising of taxes to the elimination of almost all national vetoes.

But easily the most alarming of these, from the British Government's point of view, was this suddenly dawning prospect of a clause in the new treaty allowing an 'avant-garde' group of member states to move ahead towards political integration on their own. The reason why Mr Blair and his Ministers were so alarmed was that they were just beginning to grasp what an impossible position this would leave them in.

As supporters of Britain's membership of the European Union, the last thing they would want was for Britain to be left out in the cold, excluded from the top table, consigned to some kind of second-class status along with Poland and Slovenia. But they could also now see that the one absolutely essential condition which would have to be met if they were to remain in the inner club, which was most likely to be based on the eurozone, was that Britain must join the final stage of economic and monetary union, the single currency.

They further knew, of course, that, for that to happen, they would first have to win the support of the British people in a referendum. And not only did that already look for the foreseeable future highly problematical, with polls showing opposition to the euro rising above 70%. If the British people came to realise that the real purpose of joining the single currency was to qualify Britain to join in the final moves towards the EU's political integration, any remaining chances of winning that referendum were likely to vanish in a puff of smoke.

This left Mr Blair the rest of the summer to puzzle over what had suddenly become the most insoluble riddle of his premiership.

By the end of May, Mr Blair and his colleagues could see how profoundly these latest manoeuvres on the continent had put them on the spot. Their first response was for senior ministers – including Robin Cook, Peter Mandelson and Stephen Byers – to make a series of somewhat agitated speeches in a desperate effort to re-activate the flagging campaign for Britain to join the euro. But this forlorn effort soon petered out, as it became apparent just how far the debate and general opinion in Britain had moved against them. This left Mr Blair the rest of the summer to puzzle over what had suddenly reared up at him as the most insoluble riddle of his premiership.

The only advantage he had in his travails was that, so far, few people in Britain had yet woken up to the extraordinary significance of what was going on across the Channel. But the determination of continental politicians to forge ahead with their new initiative was now hardening by the day. It scarcely held out much hope for Mr Blair that he might somehow be miraculously let off the hook.

NICE: THE CLOCK TICKS DOWN

Ever since Cologne the previous year, the one constant factor in all discussions of the agenda for Nice was that this should centre on three main items, the 'Amsterdam leftovers'. When the heads of government gathered in Feira on 19 June 1999 for the final summit of the Portuguese presidency there had been a significant addition to the agenda.⁴⁴ The presidency report explained:

As a result of the recent informal discussions within the IGC, the subject of 'closer co-operation' is now regarded as part of the debate on institutional reform, and the presidency officially proposes that this item should be added to the conference agenda.

In carefully veiled terms, it was admitted that certain objections had been raised to any change in the rules. One (recognisably from Britain) was that there was no need for a change, because the closer-co-operation mechanism introduced at Amsterdam had never been used. The other was that the possibility of closer-co-operation was viewed with "considerable apprehension" by the applicant states, who saw it as "paving the way for future fragmentation of the Union".

These objections had been generally dismissed, and it was proposed that the rules should be changed, partly by reducing the minimum number of states required to support such an initiative and partly by "dispensing with any procedure which could be treated as a veto (emergency brake)". How Mr Blair responded was not recorded.⁴⁵

Apart from Britain and would-be new members, a third party with reason to be disappointed by the Feira summit was the Commission, whose representatives it was generally agreed had put up a distinctly unimpressive show.⁴⁶ "The Commission has its faults", Pierre Moscovici, the French minister for European

44 Presidency Proposals to the Inter-Governmental Conference on Institutional Reform, Feira Council, 14 June 2000 (CONFER 4750/00).

45 Britain was also to the fore in contentious discussions on possible extensions of QMV. There was widespread opposition to many of the 39 candidates on the main list, which included visa, immigration and asylum rules and financial regulation. But a separate, opaquely worded draft article trying to slip in VAT and excise duties which could be shown as necessary to "the functioning of the single market" met with particularly strong opposition from Britain. See *Agence Europe*, 28 July 2000.

46 In a retrospect on the Feira summit, under the heading "A Prodi Problem?", *Agence Europe* later quoted a commentary by Peter Ludlow, director of the Centre for European Policy Studies, observing that "there is a Prodi question, and it is most pointed at the European Council, where the Commission President seems to have little impact or none at all", in striking contrast to the role played by his predecessors "Delors, Jenkins and even Santer". "We must hope that President Prodi may still win back the lost ground" Ludlow went on, noting that "the Commission cannot simply be removed from the scenario" (*Agence Europe*, 4/5 September 2000). At an informal meeting of EU foreign ministers at Evian on 3 September 2000, the agency noted that the Dutch minister had been "critical of a German-style federalism and urged for a strong Commission to be retained". See *Agence Europe*, 4/5 July 2000.

Affairs, was quoted afterwards as saying, although “it has played and will continue to play a great role”. But “of course it has problems and must be thoroughly reformed, beginning with the number of its Members and its mode of operation”.⁴⁷

Indeed earlier that month the Commission’s IGC Commissioner Michel Barnier had produced a lengthy paper entitled *Europe’s Future: Two Steps and Three Paths*, which looked remarkably like a forlorn effort by the Prodi Commission to recapture the ground which had been so fast slipping away from it. The paper praised Joschka Fischer’s Berlin speech for opening an important new debate about “Europe’s” future, and outlined three possible ways in which radical reform might be achieved.⁴⁸

One was a “Federal” solution, with the EU run by an elected President and executive, a full-blown “European Government”. This was rejected for various reasons, as was the second “Intergovernmental” solution, whereby essentially the EU would be run by the Council of Ministers. The third proposal, headed “Renewal of the Community”, suggested that a strengthened Commission should become “the keystone” of EU Government, run by an elected President. Naturally this was the Commission’s preferred option; but equally naturally, in the light of recent developments, the paper had caused scarcely a ripple.

PRESIDENT CHIRAC JOINS IN

The French presidency was due to begin on 1 July 2000, just five months before Nice. Three days earlier, on 27 June, President Chirac flew to Berlin to make a historic speech, as the first French leader to address the German Bundestag in the new Reichstag building. He recalled President de Gaulle’s claim 40 years before that the post-war rapprochement of France and Germany and their founding of what was to become the European Union had been “two of the most striking events history has ever seen”. He spoke of how the EU was now “the world’s leading economic and trading power” and how Franco-German co-operation had been “one of its most powerful driving forces”.⁴⁹

He spoke at length about all the steps which had been taken and were being taken towards the integration of “Europe”, from the “success” of the euro to the building of a “European defence”. He scorned the idea that what was being envisaged was any kind of a “European super-state”, saying that “the face of the future Europe still has to be shaped”.

He then turned to the forthcoming treaty, referring to “the four essential points on its agenda” which now included “the development of the enhanced co-operation procedure”. After Nice, he said, there would begin “what I call the ‘great transition’ period”, a central theme of which would be “the initiative of those countries” who “wish to go further or faster”. Chirac suggested that:

47 *Agence Europe*, 1 July 2000.

48 Michel Barnier, *Europe’s Future: Two Steps And Three Paths*, a personal note, European Commission, 8 June 2000.

49 Statement by the President, Jacques Chirac, to the German Bundestag, Presidency, 27 June 2000.

Together with Germany and France, they could form a 'pioneer group'. This group would blaze the trail, by making use of the new enhanced co-operation procedure defined by the IGC" and "starting next year I would like the 'pioneer group' to be able to set to work.

Chirac did not believe these states would need to conclude a new treaty together. But they would need "a secretariat"; and, immediately after Nice, a process should be launched enabling "us to address the other institutional issues facing Europe". These would include "re-organising the treaties"; clarifying "the nature of the Charter of Fundamental Rights which I hope we shall have adopted in Nice"; and "making the necessary institutional adjustments to the executive and the Parliament".

When this process was completed, Chirac predicted, the governments and the peoples of Europe "would be called on to give their verdict on a text which we will then be able to establish as the first 'European Constitution'". And, finally, if this "European enterprise" was to prosper, it was "the Franco-German friendship that we must first seek constantly to deepen".

Chirac's speech, echoing that of Joschka Fischer six weeks earlier, sent something of a shock wave around Europe; and a crucial, if unspoken part of his message was not missed by a report in *The Times*, headed "Fast-lane Signal by Paris Leaves Britain Sidelined".⁵⁰

Picking up on the reaction to the speech in France, *The Times* report began:

France is threatening to forge ahead with a two-speed Europe... if Britain and other member states fail to sign up to its plans for wide-ranging integration and curbs on national vetoes. Privately, French ministers have been signalling their determination to force through a 'radical' reform of the EU institutions at the Inter-Governmental Conference in Nice at the end of the six-month presidency. The briefings follow President Chirac's call in Berlin for a formal constitution and measures allowing a group of member states to forge ahead ... to further integration while others, such as Britain, look on.

A French newspaper poll, *The Times* went on, had found broad support for "the President's initiative, with 68% of those questioned favouring the creation of an EU constitution". The Italian Foreign Minister Lamberto Dini had told another newspaper that if "the core countries" decided "to forge ahead on the road to further integration", it would be "very difficult for the others which cannot follow to block those initiatives". *The Times* concluded:

The most alarming development for the British Government is the emergence of a 'deal' that will be put before member states at Nice in December. According to *Le Monde* this package is largely designed to manoeuvre the 'reticent Europeans' between a rock and a hard place. The newspaper said that Paris would send a 'clear

50 *The Times*, 3 July 2000.

signal' to London and the Scandinavian capitals that, unless they signed up to the French proposals, they would find themselves in the EU slow lane as other countries accelerated away.

President Chirac still had not finished as, on 4 July 2000, he addressed the European Parliament in Strasbourg on the programme for the French presidency. Much of this was merely repeating points made before: how the euro had been a "success", how he intended the French presidency to work to "bring the Union closer to its citizens" and to "develop the creation of a European judicial area founded on the mutual recognition of judgements and judicial decisions"; how "the armaments industries must confirm, by their increased co-operation, their support for the political ambition of a European defence policy".⁵¹

But on Nice President Chirac confirmed France's determination "to make progress on closer co-operation which was added to the agenda at the time of the European Council of Feira. The objective is to introduce a greater adaptability in the working of the wider Union, while allowing those that wish it to go more quickly on the common path".

Two days later, on 6 July, Joschka Fischer followed Chirac to Strasbourg for a meeting with the Parliament's constitutional affairs committee. Under the heading "German minister backs fast track to federal Europe", Ambrose Evans-Pritchard reported in the *Daily Telegraph* how Fischer "gave his full backing yesterday to French proposals for a 'pioneer group; of European Union states, paving the way towards closer integration".⁵²

Mr Fischer said of the move, which would leave half-hearted members on the sidelines:

You can't tie progress in the Union to the slowest ship in the convoy. The best solution is for all 15 states to do their historical homework and rise to the challenge together. But if they can't, countries that want to proceed will march on.

Let us be clear. The 11 countries in the euro have already given up part of their sovereignty. They have transferred it to the EU. Adopting the euro was a step towards a certain objective. We try to avoid the word 'federation' but how else can it be described?

Mr Fischer pointed out that the Maastricht treaty, creating the single currency, had been a 'quantum leap' towards federalism, imposing an inexorable 'federal logic' on those participating in economic and monetary union.

Mr Fischer suggested that the 11 countries in the eurozone "formed the obvious core of the new pioneer group". The British had fought to prevent the euro 11 becoming a "union within the Union", proposing instead an alternative vision of a 'flexible EU' where groupings of states co-operate more closely in

51 President Chirac on programme of the French EU Presidency, Strasbourg, BMDF, 25 June 2000.

52 *Daily Telegraph*, 7 July 2000.

certain areas, with Britain playing a leading role in defence and security. But when Mr Fischer was specifically asked by Emma Bonino, the former Commissioner who was now an Italian MEP, whether this was the kind of “enhanced co-operation” he had in mind, he dismissed it out of hand, insisting that the ‘hard core’ would move together in every area of policy.⁵³

The next major landmark in the story, as the main players prepared to spend much of the next two months on holiday, would be the first summit of the French presidency at Biarritz on 13 and 14 October 2000. This would be “an informal summit essentially dedicated to institutional reform”: in other words to thrashing out behind closed doors all those highly controversial issues which had exploded onto the European stage since May.

Since the speeches by Fischer and Jospin had opened the debate, it had been a summer packed with drama, as portentous for the future of the European Union as any period since the run-up to Maastricht in 1991. But for no nation did these startling new developments pose such a challenge as Britain. In light of the dilemma now facing him, how on earth was Mr Blair going to respond?

53 The British Government’s hostility to the Franco-German initiative was to be underlined by the contribution of Robin Cook at the first informal meeting of EU foreign ministers at Evian after the summer holiday. He was not alone, *Agence Europe* reported, in “expressing reticence about the catalogue of powers that Germany would like”. He asked for the term ‘federalism’ not to be used in the debate, “as this could create difficulties in some countries”. Referring to parallels which had been drawn between the United States of America and the building of a ‘United States of Europe’, Cook said “he did not suppose that any member state would wish to find itself in the long run in the situation of California or Texas”. On the proposal to set up a ‘vanguard’ or ‘pioneer group’, he felt that “this is only accepted by countries like France and Germany because they are sure they would be included”. (*Agence Europe*, 4/5 September 2000).

CHAPTER SIX

BRITAIN AND EUROPE: THE MOMENT OF TRUTH

There are some in this country who fear that in going into Europe we shall in some way sacrifice independence and sovereignty. These fears, I need hardly say, are completely unjustified.

Edward Heath, as Conservative Prime Minister, January 1973

Mr Blair's reminders that we are a European country are clearer than those of any predecessor for 25 years, but they remain defensive, conditional, sometimes apologetic. Confronted with an invitation to admit that any future progress is going to be a step towards some modicum more of political integration, all ministers search their copious vocabulary to rephrase the question and deny the possibility.

Hugo Young, *Guardian*, 4 July 2000

Part of what disturbs people in Britain and many elsewhere is that they see a constant transfer of power in one direction only. They see all the footprints leading into the cave and none coming out... so they doubt whether it is wise to go any further in themselves. Where does it end?

Malcolm Rifkind, February 21 1997

I speak as someone who spent a year negotiating the Maastricht Treaty and who has closely followed what has happened since then. There is no argument in Europe, There is Britain's point of view, then there is the rest of Europe.

Norman Lamont, former Conservative Chancellor, speech, 11 October 1994

As the autumn of 2000 began, it was clear that not all was well in the European Union. As the euro plumbed new lows against the dollar, having lost more than a quarter of its original value, there were reports of doubts from various countries in the eurozone as to whether the experiment should be allowed to continue; most notably in Germany, where polls showed a two-to-one popular majority now hostile to the new currency, even before the psychologically crucial moment where it would take physical shape in notes and coins.

With world oil prices hitting their highest levels for nearly ten years, there were widespread popular protests, notably in France and Britain, against the record levels of fuel taxation. This was scarcely helped when it emerged that EU finance ministers had agreed at an Ecofin meeting in Versailles on 9 September not to lower their taxes on environmental grounds.

But on 28 September all this was overshadowed by the result of Denmark's referendum on the euro, when the news came through that the Danish people had snubbed their country's political, big business and media establishment in rejecting the euro by 53% to 47%.

The response of Europe's political élite seemed to be a determination to ignore, in the words of The Times, "the wider political message sent by the only nation that has been able to vote on this latest step towards ever closer union".

What was interesting about the general response to the Danish vote was how widely it was interpreted across Europe as a popular revolt against the EU's relentless advance towards ever more political and economic integration. But the response of the EU's political élite, as *The Times* reported under the headline "Europe's leaders shrug and carry on regardless", seemed only a determination to ignore the "wider political message sent by the only nation that has been able to vote on this latest step towards ever closer union".⁵⁴

The European Commission's chief spokesman Jonathan Faule, according to *The Times*:

...denied that there was 'a yawning chasm' between Europe's political leaders and its people. He did not believe that the Danish vote amounted to 'a resounding rejection of the EU or of anything', or that 'the Commission got anything wrong whatever'.

In Berlin, Germany's Finance Minister Hans Eichel said that, while Denmark's decision was "regrettable":

European integration is an historic process which is irreversible. The sooner you join the better.

In Brussels, *The Times* reported:

⁵⁴ This and the quotes which follow come from *The Times*, 30 September 2000.

Commission officials privately predicted a new drive from countries such as Germany and France for a two-speed Europe in which more sceptical countries such as Britain are left behind. 'It bolsters the view of those who already believe they have a consensus among themselves to press ahead. It's another crack in the taboo about a two-speed Europe', one said.

In Paris, according to *The Times*:

The 'no' was welcomed by pro-EU politicians and the media because it would reinforce the development of a two-tier Union, with the single currency bloc at its heart and non-members outside.

In Italy, *The Times* went on, *La Stampa* had pronounced in a front page comment that it was:

...a tragedy that 'a few thousand Hamlets' had been able to weaken not only the euro but the wider process of European integration. Coupled with British and Swedish hostility to the euro, this would lead to 'internal fracturing' of the European Union. The Danes had 'irresponsibly and selfishly' voted for reasons that were 'both irrational and foolish' without any thought for the damage to the European Union as a whole.

All this was taking place less than three months before the Nice treaty; and already attention had been further focussing behind the scenes on the question of that crucial amendment on "enhanced co-operation", which could allow the French and the Germans to proceed with the plan to set up a "pioneer group" free of any threat of veto.

When the ministers making up the Inter-Governmental Conference had reconvened in Brussels after the summer holiday on 4 September, "enhanced co-operation" had been top of their agenda. According to *Agence Europe*, the earlier opposition of some delegations, including Spain, had been "smoothed away". According to a source within the talks, "the camp of total opponents" to the proposals allowing a 'core group' to forge ahead to form their own 'Federation' had now diminished to just four countries: Denmark, Sweden, Ireland and the United Kingdom.⁵⁵

Despite its commitment to Denmark joining the euro, the Danish Government had thus expressed opposition to this proposal even before it knew the result of the referendum 24 days later. As for Sweden, ever since it joined the EU in 1995 the opinion polls had shown a consistent majority in favour of reversing the narrow 1994 referendum vote in favour of entry, and it was regarded as even less likely to join the euro than its Scandinavian neighbour.

Ireland, as the only one of the four already in the euro, was a peculiar case. Despite the Eurobarometer finding as late as July that Ireland registered the highest level of popular support for EU membership of any country in the Union, there was now a rising tide of scepticism. With a soaring inflation rate,

55 *Agence Europe*, 6 September, 2000.

Ireland was set to become the first victim of the eurozone's one-size-fits-all interest rate. Within a year or two, ahead of enlargement, the tidal wave of EU funding was expected to shrink drastically. Now the prospect of finding themselves isolated, without the UK, in a political federation dominated by France and Germany, was for the first time provoking even Europhile Irish ministers to express serious doubts about the EU's drive to political integration.⁵⁶

As for the people of Britain, they were scarcely as yet aware that the prospect of "enhanced co-operation" leading to a two-tier Europe existed. Nor were they aware, since their Government had never bothered to tell them, on just what a range of other key issues to be covered in the forthcoming Nice treaty Britain was now in a minority of opposition to most or all of her partners. These included:

- extension of majority voting and an end to national vetoes;
- tax harmonisation;
- the Charter of Fundamental Rights;⁵⁷
- a "constitution" for the EU.

But the most important issue of all, it now seemed, was "enhanced co-operation" and the abolition of that "emergency brake" which would allow Britain to veto any move to set up a "pioneer group" moving ahead to political integration. And once the most Eurosceptical people in the EU realised they might soon have to share second-class status on the Union's outer fringes with applicant countries from the East, like Cyprus, Slovenia and the Czech Republic, it was hardly likely this would increase their enthusiasm for remaining in the European Union at all.

CLARITY

One of the most significant implications of the new initiative at the centre of the European Union is the way it has finally called the bluff of Britain's politicians going back over 30 years or more.

The continental leaders may during 2000 have become unusually candid in setting out where the real goal of "the European Project" now lies. But all they

56 On 18 September, Sile de Valera, Ireland's Minister for Arts and Culture and former-President de Valera's grand-daughter, broke ranks by making a speech in which she warned that "while the Irish Government is promoting policies of decentralisation, in the European Union the opposite is taking place, with the push towards closer integration. It is a move I would not personally favour. It is not necessarily in our interests". In calling on her country "to express a more vigilant, more questioning attitude to the European Union", Ms de Valera was supported by Ireland's deputy-Prime Minister, Mary Harney, who said "Ireland favours a Europe of nation states, not a centralised superstate or United States of Europe". Despite calls for the Irish Prime Minister Bertie Ahern to "repudiate the speech in its entirety", he declined to comment. (Press Association report, 19 September 2000).

57 See STOP PRESS on page 62 for more details.

have really done is spell out more unequivocally than ever where that goal has always been, ever since the Treaty of Rome proclaimed in 1957 that its purpose was to “lay the foundations of an ever closer union among the peoples of Europe”.

One of the most significant implications of the new initiative at the centre of the European Union is the way it has finally called the bluff of Britain’s politicians going back over 30 years or more.

At no time in the past 30 years have Britain’s politicians been prepared to admit this. From Macmillan to Blair, they have consistently presented Britain’s relationship with “Europe” as essentially an economic issue. But that pretence has now been stripped away. In light of everything now being proposed on the continent, it is no longer possible to hide the project’s real purpose.

This conflict between self-delusion and reality has long been a source of strain in British politics which has been profoundly damaging. For 30 years we have seen the project inching forwards, always moving another step towards its goal of full integration. And at every point Britain’s political leaders have had to go through the same painful ritual: first claiming that they are “good Europeans” and want to get the best out of Europe; then realising that they are being asked to give away more than they dare or than is feasible; then trying to conceal that from the British people; then having to “draw a line in the sand” and say “this is something we cannot accept”; and finally having to compromise by giving away more than they wanted to. Then we move on to the next stage, and the whole process is repeated.

So familiar has this pattern become that we do not really appreciate just how debilitating it is to our political life; all because we never face up openly to what the project is about and that its real agenda is the ceaseless drive to integration, brick added to brick: single market, single currency, single economy, single foreign policy, single defence policy, single legal space, until unification is complete.

In fact it was all there right from the beginning in October 1962, when a much younger Edward Heath was first trying to negotiate our entry into the Common Market, and the two party leaders of the time made speeches to their party conferences on what had become suddenly become the biggest political issue of the day and the source of the most fundamental divide in British politics.

On the one hand was Hugh Gaitskell, warning the Labour Party of the dangers of going into “Europe”, using his famous phrase about “the end of a thousand years of history”.⁵⁸ What people often forget is the context in which he used that phrase. The point he asked his audience to consider was the question:

58 Hugh Gaitskell’s Brighton speech 1962, reprinted in *The Eurosceptic Reader*, edited by Dr Martin Holmes, Macmillan 1996.

What does federalism mean? It means that powers are taken from national governments and handed over to federal governments. It means – and I repeat it – that if we go into this we are no more than a state in the United States of Europe, such as Texas and California... we must be clear about this: it does mean, if this is the idea, the end of Britain as an independent European state. It means the end of a thousand years of history.⁵⁹

On the other hand, a week after Gaitskell's speech, as Harold Macmillan was trying to woo the Tory faithful in Llandudno into supporting Britain's entry into the Common Market, he quoted the words of an old music hall song:

She wouldn't say 'yes', she wouldn't say 'no'
She wouldn't say 'stay', she wouldn't say 'go';
She wanted to climb, but she dreaded to fall,
So she bided her time, and clung to the wall.

Macmillan used this song to ridicule all those like Gaitskell who were fearful of what Britain was letting herself in for by cutting loose from her history and throwing in her destiny with this new continental experiment. But how telling his words were later to become, in summing up the position to which the issue of "Europe" has reduced almost every British Prime Minister since: with the exception of Heath, whose determination to get us in was so total that it could not admit any shadow of a doubt.

Macmillan's "she wouldn't say 'yes', she wouldn't say 'no'" provided a perfect image of John Major's policy on the single currency; and indeed on Britain's relationship with the EU in general, over which, despite his initial wish to be "at the heart of Europe", he ended up more firmly at odds with his European partners – over beef, fishing, the European Court of Justice, the social chapter and the working time directive – than any of his predecessors.

Mr Blair finds himself in the same position. He started with a wish to be Britain's most committed European leader since Heath. Since then, he has been progressively worn down by the strains of that structural fault line between Britain and Europe, to end up as much the EU's odd man out as Major before him.

And now Mr Blair has been finally confronted by a riddle so unanswerable it is hard to see where he can turn. And what has more than anything else put him there was the legacy left to him by John Major, when he realised at Maastricht that he could not win support from his party on the next great leap forward to integration unless he was given at least the temporary palliative of a right for Britain to postpone its entry into the single currency.

This was followed in 1996 and 1997, at the height of Major's estrangement from his EU partners, by Sir James Goldsmith throwing down the gauntlet of a

⁵⁹ It was interesting that, nearly 40 years later, a Labour Foreign Secretary, Robin Cook, should use the same analogy (see footnote 53 on page 49), of becoming no more than a "Texas or California" in a federal Europe, to make exactly the reverse point, by dismissing as absurd that anyone could want such a thing to happen.

referendum. Because there was an election looming, all parties responded to his challenge by pledging themselves to a referendum on joining the single currency, without any idea of how far-reaching the implications of that pledge might become just a few years later.

NICE AND MR BLAIR

The heart of the problem, as the Nice treaty approaches, is that, after 27 years of being the most conspicuously reluctant member of the club, Britain has in effect been confronted by its partners with an ultimatum. If the EU splits into two camps, the avant-garde and the outer ring, Mr Blair knows the one essential admission ticket to the inner club is membership of the single currency. But he cannot take Britain into the euro without winning a referendum, which he knows, in the immediate future, would be all but impossible. He therefore faces the prospect of being frozen out of the core-group as it moves on to political union, with Britain consigned to second-class status.

So what can he do? He knows that in theory he could veto the proposal to change the rules on “enhanced co-operation”, allowing the core group to move ahead. But this would only result in a major showdown with his partners, leaving him more out in the cold than ever.

He also knows how isolated he is on other issues, from tax harmonisation to the Charter of Fundamental Rights. And however much he may wish to proclaim Britain’s eagerness to “co-operate” on the Common Defence Policy or employment policy, these are in no way enough to compensate for the hostility likely to erupt over Britain’s intransigence on issues now regarded by the majority of its partners as central to the agenda.

Furthermore Mr Blair goes into the Conference knowing that the chances of recovering his position by swinging British sentiment behind the euro and further integration are slimmer than ever. In July 2000 the European Commission’s own Eurobarometer poll showed support for the EU on almost every indicator is now markedly lower in Britain than in any other member state. Only 25% of those polled in Britain think that EU membership is a good thing (as opposed to 75% in Ireland and Luxembourg, and an EU average of 49%). Only 25% think that Britain has benefited from membership. Only 24% trust the European Commission. Only 22% favour the euro (as opposed to 81% in Italy, and an EU average of 58%).⁶⁰

Such is the response of the British people to 27 years experience of being “part of Europe”. It is on this basis that Mr Blair now faces the prospect of negotiating a treaty which, whichever of its terms he signs, can only serve to lock Britain even further into a project which, according to the Commission’s own poll, does not have the support of three quarters of her people.

He cannot say yes, he cannot say no. But for Britain the moment has at last come, 38 years after Harold Macmillan first quoted that old song, where bidding

60 Eurobarometer No. 53, European Commission (DG Education and Culture), 24 July 2000.

our time and clinging to the wall is no longer an option. If we do not climb with the rest, we are in danger of falling off. And before we could be allowed to climb any further, thanks to the legacy left by that unlikely alliance between Mr Major and Sir James, the British people would have to give their agreement.

From Mr Blair's point of view therefore, it seems the Nice treaty is likely to leave him on a hiding to nothing.

From Mr Blair's point of view therefore, to add to all the other problems beginning to pile up for his Government at the start of the autumn of 2000, it seems the Nice treaty is likely to leave him on a hiding to nothing.

Of course publicly, however, Mr Blair has not been ready to admit any of this. On 5 October 2000, he flew to Warsaw to make a much-trailed "repositioning" speech on Europe, in which he carefully avoided what had now become the central issue, calling instead for a new drive to bring the EU's institutions under greater democratic control.

Even four days before the speech, *The Times* was reporting that he would:

...signal his support for more responsibilities being handed to national governments [and] a beefed up role for the European Council of elected heads of government which would become a more strategic body, wresting back powers from the unelected European Commission.⁶¹

This looked remarkably like a forlorn attempt to 'shadow' the proposals for a core-group, as did Mr Blair's echo of Joschka Fischer's call for a second chamber in the European Parliament composed of members of national parliaments.

But in reality, as *The Times* recognised, Mr Blair's vision was:

...in stark contrast to proposals from the French and German Governments in recent months who have suggested that their solution to the problem of enlargement will be to create a 'pioneer group' of nations centred round those in the eurozone, which would press ahead with integration.

Clearly inspired by a background briefing, the Times added that Mr Blair was

...desperate for Britain not to be left behind in a two-speed Europe.

But what the Warsaw speech naturally did not reveal was the Prime Minister's dawning realisation that, outside the euro, this was the fate for Britain which now looked increasingly inevitable.

NICE AND MR HAGUE

However impossible Mr Blair's position, it has also put the Conservative Party on the spot. The Tories' carefully-crafted official policy on "Europe" is that they are against joining the euro, at least for the time being, and opposed to any

61 *The Times*, 1 October 2000.

further surrender of powers to EU. But at the same time, to preserve party unity and supposedly to avoid scaring the voters, they are keen not to be seen to be opposed to Britain's membership of the EU in general.

Conservative policy on Nice, as outlined by Francis Maude in the speech he made at Humboldt University in Berlin a month after that given by Joschka Fischer, is that Britain should resist any further moves towards the concerted political integration of the EU, and should work instead for a policy of "greater flexibility", allowing different groups of nations to "co-operate" in areas of common agreement, as 11 have already done in forming the eurozone and a similar group in signing up to Schengen.⁶²

The first problem here is that this interpretation of "flexibility" is not one shared by our continental partners. As Joschka Fischer made clear when questioned on this in the European Parliament, the whole point of the current proposals for a central EU "pioneer group" is that its members should all move forward together on everything. If any country cannot go along with that, then it must remain on the fringes.

Another problem is that, whatever Mr Blair may sign up to at Nice, there is very little at the moment the Conservative Party can do to stop him. And there is no clear Tory policy as yet on what might be done to reverse any new commitments made at Nice, once these had been ratified by Parliament.

Mr Hague's third problem, of course, is very similar to that facing Mr Blair. The continental countries have made clear that, unless Britain signs up to the euro, it cannot be part of the inner club which from now on will dominate the EU's future development. The Tory Party wants to remain at the heart of the EU. Yet it is infinitely less keen on signing up to that crucial admission ticket than Mr Blair himself.

In fact the Tories' real problem is that, just like Mr Blair, they have been caught out by the speed at which the integration process is now moving. Their idea of a perfect European Union seems to be one defined by the single market and no more. But the train is clattering on. To the rest of the European Union, the single market was never an end in itself. It was just another staging post on the road to integration, followed by the single currency and then all the others: foreign policy, defence, judicial integration and the rest.

What Mr Hague and his colleagues still appear at the moment to be asking for is the chance to freeze the development of the EU at its single market stage and go no further. In this respect one might paraphrase for them another old song: "stop the world, I want to stay in". What they seem to be asking for is not just something which is no longer on offer. As any proper understanding of the nature of "the Project" might have told them, it is something which was never on offer in the first place.

62 "Nations and Networks: Towards The New Europe", speech by Rt Hon Francis Maude MP, Humboldt University, 8 June 2000, Conservative Central Office.

THE UNDEFINED NATURE OF "SECOND-TIER STATUS"

It is not the province of this pamphlet to suggest how British policy on "Europe" might now develop. Its purpose has been to provide an informed account of just how decisively the parameters of Britain's membership of the EU have changed, so that it is suddenly no longer possible just to muddle along in the haze of wishful thinking which has characterised so much of Britain's European policy over the past four decades.

The main reason why we have been stuck in that bubble of illusion is that we have seemed to find it so extraordinarily difficult to understand what our continental neighbours were trying to tell us as to their real purpose was in setting up this project. In this sense we have been caught out by our insularity as true "Little Englanders". And in that respect the "pro-Europeans" in Britain may have been much more guilty than some Eurosceptics.

But today we are confronted as never before with the reality of what we have been involved in these past 30 years. We have arrived at a moment of truth. And the one thing that is certain about the developments which have taken place in the European Union in the run-up to Nice is that they are going to have to force the politicians of both our major parties into a radical reappraisal of just what the relationship between Britain and the rest of the EU should now be.

According to Lord Jenkins, in the speech quoted earlier, there are only two "coherent attitudes" to Britain's relationship with the EU. But since he made that speech in March 1999, it seems that one of those alternatives, that Britain should throw itself wholeheartedly into the EU in all it does, has now been closed off.

The only other alternative which made sense, he suggested, was that Britain should "move towards an orderly and, if possible, reasonably amicable withdrawal". Certainly many people in Britain today would support this. In October 1999, Mori found that, for the first time since 1983, a majority of voters, 51%, would favour Britain leaving the EU, and subsequent polls have confirmed that view.

So inured, however, are the leaderships of our major parties to the idea that leaving the EU is unthinkable, regardless of what a majority of voters might think, that the most likely immediate possibility is that they will continue to look for precisely the kind of fudged, middle-way option about which Lord Jenkins was so scornful.

If Britain is to remain as part of that "wider Union" outlined by Jacques Delors, we obviously do not know precisely what such a status might involve because no one has yet given it any thought. All the intellectual energy of Mr Delors and his allies has been concentrated on thinking about the nature of the new "Federation", which would rule the roost at the heart of the Union.

No doubt the "fringe" members of the new EU such as Britain would continue to enjoy access to the single market, so long as they complied with the mountain of directives and regulations which are the required rules of membership. But of course that in itself does not necessitate membership of the

EU, as Norway, Switzerland and Mexico among other non-EU countries have demonstrated.

More questionable would be whether we could continue as part of the CAP, since one of the triggers for the idea of an inner core has been the impracticability of admitting the new eastern European members to all the supposed benefits of the CAP. Unless there is to be a three-tier membership, Britain could hardly remain in the CAP if other fringe members were excluded.

There would, of course, be huge pressure on Britain to remain in the Common Fisheries Policy, since Britain's fishing waters contain up to 80% of western Europe's fish; yet more than 80% in value of the fish caught in those waters are allocated under the quota system to other EU states.

Other highly questionable areas would include the Common Foreign Policy and the new Common Defence Policy, since so many of the decisions shaping these would inevitably be taken by the new Federation, with its own policy-making institutions and procedures. And since a large part of the purpose of these was to further political integration, it might seem odd for Britain to remain bound by their rules and requirements when she has been excluded from that process of further political integration.

Most questionable of all, perhaps, would be Britain's relationship with the Federation's economic policy, since another key element in forming the inner core is that it should make it much easier to integrate its members' economies according to the aims of Economic and Monetary Union. Yet it is little appreciated that, despite not having signed up to stage three of EMU, the single currency, Britain is nevertheless fully signed up to stages one and two, which already place very considerable constraints on her freedom to run her own fiscal and budgetary policies. Again, since a Federation based on the eurozone would be centrally concerned with integrating its own economic and monetary policies, it might seem strange for Britain to remain part of a system over which, by definition, it would have even less influence than if it had joined the euro.

The truth is that, although it may at least in theory be possible to see how the proposed new Federation might work, it is extraordinarily hard to see how in practice Mr Delors's proposed "wider Union" could possibly work at all. The fact is that no one has yet given any thought to it, because all the concerns of those who support the idea of a Federation are focussed elsewhere.

One might observe how odd it is that all the thinking on issues so hugely important to Britain's future has so far been coming from France and Germany, and that no one in Britain itself seems to have given much thought as to how this country's interests might best be served under the kind of arrangement now being so actively discussed on the continent. But one might also observe that possibly one of the central intentions of the "core-group" initiative is precisely that our continental partners no longer wish to be troubled by having to think about Britain's concerns.

It may even just be that, to solve their own problems as much as ours, they hope the British will take Lord Jenkins's advice, and "move towards an orderly and, if

possible, reasonably amicable withdrawal” from the whole project. But if this is to be the end of the story, then of course it will not be taking place as a result of any initiative by the British themselves. It will only happen because, after 30 years of tolerating Britain’s fractious, semi-detached participation in a project to which she came late and always remained an outsider, her partners could put up with it no longer.

The prospect which has come into view through the events of the year 2000 is not that Britain may decide as an act of her own will to leave the European Union. It is that the European Union may have set itself on a course which makes it impossible for Britain to remain within it. It will be “Europe” which leaves Britain, rather than the other way round.

What a curious reflection it would be on the state of dependence to which those 30 years have reduced Britain’s political class if the impetus for such an outcome should have had to come from our continental partners rather than from any decision of the British people themselves.

STOP PRESS

Two developments as this paper was going to press added further twists to the unfolding drama.

The first was a remarkable speech to the European Parliament in Strasbourg on 3 October by President Prodi in which he pleaded for MEPs' support in ensuring that the Commission was not sidelined by the Franco-German drive to set up a vanguard group with its own rival institutions. He warned that unless these issues were resolved, this "would expose the Union to final crisis". For the EU to continue to be run "intergovernmentally" by nation states acting through the Council of Ministers would be a recipe for disintegration. For the EU to survive, the only hope was for the Commission to play an even more central role, as in effect the Government of Europe. It should play a dominant part in formulating economic policy. It should play a leading role in integrating national judicial systems. And the "High Representative", as spokesman for the Common Foreign Policy, should not remain a creature of the Council of Ministers but should be integrated within the Commission.

In general, Prodi's comments echoed the paper produced earlier by his colleague Michel Barnier (cf. page 46). Like Barnier, he said the EU had only three options. To stay with the *status quo* or to extend the "intergovernmental" approach would both be disastrous. The only way forward was to strengthen "the Community institutions". To informed observers, Prodi's speech looked like a desperate last minute bid to enlist the backing of MEPs in the approaching battle between the Commission and the "avant-garde". But interestingly, when he appeared, the Strasbourg chamber was only a quarter full, although on previous occasions Prodi had commanded a full house.

That same morning, 3 October, it was reported that, the previous evening in Brussels, the 62 delegates to the convention drafting the European Charter of Fundamental Rights had unanimously agreed a final version to go before the Nice Council. *The Times* reported that this was greeted by the solemn playing of “the European anthem”. Particularly significant was that, after one or two relatively minor changes to the draft, the UK Government had withdrawn its previous objections to including the Charter in the treaty. This was a first major concession by the UK on the various key proposals to which it had previously been hostile. The U-turn reflected Mr Blair’s growing alarm at the extent which Britain was facing isolation, both at Nice and beyond.

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I owe a similar debt to the unstinting help of my long-standing colleague Dr Richard North, whose insights into the workings of “the Project” have recently been aided by his time in Brussels and Strasbourg as research director for the Europe of Democracies and Diversities group in the European Parliament.

I must also thank Nigel Farage MEP, not least for inviting me to Strasbourg to witness the ‘coronation ceremony’ for President Prodi; Daniel Hannan MEP; Jens-Peter Bonde MEP; Ambrose Evans-Pritchard of the *Daily Telegraph*; Marc Glendening of the Democracy Movement; Britain in Europe, for the quotation from Frits Bolkestein; Nicholas Booker, for help with research on earlier stages of the story when he was working for Global Britain; and finally Tessa Keswick, for first suggesting in February 2000 that I should write a pamphlet on Nice for the CPS.

Little did we then guess how dramatically the story was to change.

