

THE FEDERAL TRUST

for education & research

enlightening the debate on good governance

European Newsletter

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Note from the editor

This bi-monthly newsletter monitors and analyses institutional and political developments in the European Union, with a particular interest in any developments relevant to the future of the European Constitutional Treaty. It will regularly feature contributions from expert commentators on current European issues, providing a platform for differing opinions. Views expressed are those of the authors and are not necessarily shared by the Federal Trust. Back issues are available at http://www.fedtrust.co.uk/european_newsletter.

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1. Whither the CFSP after the demise of the Constitution?

How much of a blow to the Common Foreign and Security Policy (CFSP) is the non-ratification of the draft constitutional treaty? The answer depends very much on one's views of the significance of the reforms to the CFSP contained in that treaty, and of the importance of institutions for common foreign-policy making.

Firstly, it is worth remembering that the member states agreed on reforms despite the ill will generated by the contemporaneous crisis over Iraq - a strong indication of the extent to which the member states consider CFSP to be a valuable forum for foreign policy co-operation despite any specific policy disagreements between them. But they still have to choose to cooperate within the CFSP: the member states are pretty free to act outside the CFSP framework, and they have not been willing to design institutions or rules that might unduly threaten their own prerogatives in the foreign and defence policy field. Thus, for example, the constitutional treaty did not really extend qualified majority voting in the CFSP.¹ The CFSP and the European Security and Defence Policy (ESDP) are distinct policy-making areas of the EU, and there is little support among member states for a 'communitarisation' of foreign-policy making.

Secondly, those reforms in the constitutional treaty that could be implemented without treaty ratification, have been. The most important of the treaty's reforms regarding foreign affairs are: the creation of an EU Foreign Minister; the setting up of a European External Action Service (EEAS); international legal personality for the EU; a solidarity clause in the event of a

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...is a think tank that studies the interactions between regional, national, European and global levels of government.

Founded in 1945 on the initiative of Sir William Beveridge, it has long made a powerful contribution to the study of federalism and federal systems.

terrorist attack or natural or man-made disaster; extension of the 'Petersberg tasks' to include joint disarmament operations, military advice and assistance tasks, conflict prevention and post-conflict stabilisation; an agency in the field of defence capabilities, research, acquisition and armaments, to co-ordinate procurement policy and research and development; and enhanced co-operation in defence. All but the first three reforms are being implemented: the solidarity clause was invoked after the Madrid bombings of March 2004; the Petersberg Tasks have been extended de facto in recent ESDP operations; the European Defence Agency has been established; and enhanced co-operation in defence is proceeding with the setting up of battle groups. The implementation of these reforms – all of which have the potential to boost the EU's international actorness – illustrates the distinct preference for making practical changes to CFSP institutional arrangements without necessarily resorting to formal treaty amendments. CFSP has evolved by and large through practical improvements made 'on the ground', usually in reaction to lessons learned from the EU's response to external events (often crises in which the member states have not been united or effective in their reaction).

Three constitutional treaty reforms remain, which, according to most observers, cannot go ahead without a treaty basis: the creation of the Foreign Minister and EEAS, and the granting of legal personality to the EU. Of these, the EEAS is arguably the most significant. International legal personality for the EU is a relatively minor issue, since under complex rules now the Council can sign international agreements in the fields of CFSP and justice and home affairs. European Commission delegations in third countries could have become EU delegations, but would not have replaced national embassies. The reform could certainly have tidied up the way in which the EU is represented in international organisations and conferences – but the EU would not have replaced the member states and the member states would still have to agree common stances if there is to be an 'EU position' to present.

The Foreign Minister was an attempt to reduce problems caused by the division between the Community and CFSP pillars. One person would do the job of High Representative for the CFSP and that of External Relations Commissioner, and therefore be better able to unite the EU's diplomatic, economic and military capabilities in pursuit of more coherent policy. Not only is this quite a demanding job description for one person, but numerous questions about how he (Javier Solana, the current High Representative for the CFSP, having already been picked for the job) would juggle responsibilities to both the Council and the Commission were never answered. The Community and CFSP pillars would not have been fused. Furthermore, this reform would not at a stroke have eliminated the chorus of voices speaking on the EU's behalf on the international stage: the European Commission President, the new permanent President of the European Council, and, of course, the member states would also jockey for the honour. The Foreign Minister could have given CFSP more continuity and visibility, largely because of his chairmanship of the Foreign Affairs Council, but particularly over sensitive matters of 'high politics' he would always play second fiddle to the 'Big Three' (France, Germany, the UK). If these three countries are deeply divided (as over Iraq), there is probably little he can do to bridge the divide; if they are united (as over Iran), then they are likely to be leading together, with the Foreign Minister in support. For the foreseeable future, the current tandem of the High Representative and External Relations Commissioner will simply continue as it is – but it is worth noting that thus far co-operation between the two post-holders has tended to be quite fruitful.

The EEAS was to bring together Commission and Council officials and national diplomats into one diplomatic service, to assist the Foreign Minister. The proposal was vague on the details: how large would it be? who would pay for it? In the short-term, there might have been considerable bureaucratic infighting over the composition and duties of the EEAS – so at least we have been spared that. But this was the most important of the

proposed reforms because institutions such as an EU diplomatic service may be the best way to avoid Iraq-style splits in future crises. The failure to agree on EU policy can reflect failure to agree on what is actually happening and what therefore needs to be done; long-term co-operation may help foster agreement on analyses of situations and therefore on what the EU should do. Furthermore the EEAS at least eventually could have built a real bridge over both the pillar divide (and thus reduced the incidences of Council-Commission turf battles) and the divide between the EU and national levels of foreign-policy making.

Finally, does reforming the EU's institutions and decision-making rules actually make it a more effective and cohesive international actor? After all, the member states must above all have the will to act collectively. They must choose to use CFSP to conduct foreign policy. It must be attractive enough to discourage centrifugal behaviour – a challenge particularly in the light of enlargement (and all the implications that has in terms of the effort and time required to reach decisions among the member states).

Institutions can help in this but we must be realistic about the extent to which they do so. Jean Monnet believed strongly in the power of institutions to induce change, and certainly compared to the situation thirty-five years ago, the transformation of the EU's will and capacity to engage in international relations is remarkable – and the institutions set up and periodically reformed in the field of foreign and defence policy must be seen as crucial (but not sole) catalysts of this transformation. They have allowed for quicker decision-making and implementation (when there is the will to act collectively in the first place), and for more co-ordinated policy-making towards particular areas of the world (the Balkans, for example). Institutions have helped foster a belief that the EU 'adds value' to national foreign policy, that the collectivity carries more weight than individual states, that the member states do share common interests and responsibilities. Serious problems remain, of course – more institutional development has not always translated

into more consistent and coherent policy-making (even where the member states may agree). The draft constitutional treaty was not a panacea but nor will the ratification difficulties bring the CFSP to a screeching halt – in fact we have seen that those reforms that could be implemented already, have been. But along with institutions, we must also take into account that co-operation on foreign policy matters is spurred (or blocked) to a very large extent by the international context: corralling the diverse reactions of the member states to the outside world into a common framework is a long-term process. For the foreseeable future, we will, in other words, see more of the same – the incremental development of more or less effective common policies along with the occasional spectacular failure to act together. The reforms left over from the constitutional treaty – international legal personality, the Foreign Minister, the EEAS – could have made some positive impact on this process in the medium term, but of these the loss of the EEAS is arguably the most significant.

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¹ With one exception: in addition to the conditions under which QMV can be used currently, the treaty added decisions adopted on a proposal from the EU Foreign Minister made at the request of the European Council.

2. No News from Brussels: *Comment on the Commission's White Paper on a European Communication Policy*

With its just recently issued 'White Paper on a European Communication Policy' the Commission has set out a list of specific remedies to develop a forward-looking agenda for an improved communication with its citizens. The invitation for a lively and open discussion with the Commission will certainly be gratefully accepted by the community of EU-experts. However, it is rather uncertain whether the proposed cure will have any bearing on the promised

improvement of communication with 'ordinary citizens'.

Far from being an innovative approach, let alone the breakthrough for enhancing a European public sphere, the Commission's White Paper is disappointing. The pretentiously announced new approach on a European communication policy proves in large parts to be a repetition of well-known arguments, void phrases and slogans from the repertoire of official EU-talk, which in a stereotyped and quasi identical way can be found in almost every document or speech which has lately been issued by the Commission. The predictable standard answers point out the need for a couple of new websites, the exploitation of new technologies, even more consultation with civil society stakeholders, the establishment of new networks, the strengthening of the regional and local dimension, and the improvement of the knowledge of European citizens. These well known recipes have already shipwrecked previous communication strategies. The paper is further committed to the declaration of common norms such as freedom of speech, inclusiveness, diversity and participation – solemn principles, which however nobody has ever questioned and which luckily enough are already widely recognised as part of our democratic legacy. European citizens will certainly be very sensitive towards any possible violation of these norms but it is highly unlikely that a new summary of these universal principles will bind them any closer to the project of European integration.

The ambition: Closing the gap between the EU and its citizens

The White Paper's depiction of the present state of affairs of European integration is rather gloomy: Deep cleavages run across Europe. Citizens and EU-institutions are pondering in silence or miss each other in speaking different languages. There is neither a dialogue between EU-decision-makers and the electorates nor an exchange of views among the different people of Europe. A European public sphere does not exist. Around a dozen times, the White Paper evokes the dramatic notion

of a 'gap': the 'gap between the European Union and its citizens', the 'information gap' and the 'communication gap', finally the 'gap between the information society 'haves and have nots.' The reader is reminded that these gaps should be diminished, bridged and ultimately closed. The point of arrival is the transformation of the EU into a 'common project shared by all levels of government, all types of organisations and people from all walks of life.'

What the Commission forgets to mention at this point is the gap between its own aspirations and the feasible reality. The paper is guided by a consensual ideology with the ambition to transform opponents into partners, conflict into co-operation and the conviction that truly communicative efforts will lead to a deep understanding uniting all Europeans to stand for the common project. This partnership approach can be identified as the European way of doing things together and as such it is the central ingredient of the success story of European integration. What for four decades has bound European elites together shall now be expanded to the level of ordinary citizens. The idea that citizens should become partners empowered for participation and dialogue and well-connected among each other is the guiding normative principle of the White Paper.

The Commission spends also only very few words on defining the nature of the gap which is apparently less based on manifest conflicts and insuperable differences of opinion among the Europeans than on mutual misconceptions if not public apathy.

The proposed measures: the illusion of managing public communication

The EU Commission tries to tackle all its identified tasks with the usual means which an administration of its kind tends to use, but which would be probably rather strange to a professional PR agency. Instead of instant measures or concrete proposals the Commission invests in long term reflection and consultation with the aim to produce even more guidelines and papers.

In general, the White Paper is deeply infiltrated by the ideology of communication management: the belief that citizen dialogue and understanding can be engineered from above and that strategic solution can be found on the basis of common resources and the good will of all participants. For that very reason the main thrust of the Commission lies in the new communication technologies and not in the old – but still dominant – mass media. Through the internet, the Commission tries to keep full control over its communicative inputs which can be selected and designed for particular target groups. A web-based citizens' forum shall for instance be launched to back up the communication initiative with stakeholders input. By and large, such virtual collections of occasional and unrepresentative voices have become the favourite weapon of the Commission to connect and to empower European citizens. From the Commission's point of view, such virtual meeting points are seen as inclusive, participatory, paying tribute to diversity and individual information needs and additionally even resolving the pressing problem of minorities, disabled citizens and other groups that might systematically be excluded from participation in the public sphere.

This largely overestimates the impact of the world-wide web for political communication and its capacities for involving 'ordinary citizens'. The fact that the pensioner in Helsinki, the civil servant in Marseille or the clerk in Athens might not be much more enthusiastic about Europe just because a few new websites are added to the already more than a million documents of the EU-server is simply ignored here. Experiences from past fora as for instance with regard to the future of Europe debate and the drafting of an EU Constitution show that in most cases only relatively small groups of mostly Brussels-based organisations from civil society, involved academics and a handful of EU-junkies get involved. Here we see the major shortcomings of the paper which all too often confounds transparency with the indication of an e-mail address, openness with the organisation of further rounds of social or civil dialogue, and legitimacy with providing questions and answers in all official EU languages.

The impression prevails that the White Paper has been drafted, utterly misconceiving the possible impact and role of the mass media which might support but more likely torpedo all attempts of strategic communication management. The simple and most basic fact that should be acknowledged by a European communication policy is that the enhancement of a European public sphere is relying on mechanisms of intermediation. All good intentions of meeting and entering into direct conversation with European citizens can be only of very limited scope. The prospects of mediatisation are hardly understood. Instead, the Commission proposes a very risky strategy to 'play' with the media which might easily backfire if one considers, for instance, the proposal to flash out a 'Code of Conduct on Communication' for journalists. Such proposals provoke misunderstandings and can be easily read as an attempt to control 'unfair' treatment by some kind of popular media.

In one of its moments of lucidity, the White Paper identifies the national public sphere as the principal locus of political life of European citizens. This reflects the dominant patterns of media consumption with national television and national newspapers as the main source of information for citizens. It is therefore crucial indeed to strengthen the national, regional and local dimension through a greater commitment of domestic actors and institutions. Yet, one should also add here that at least important segments of the national media, namely the quality newspapers are already highly Europeanised and it is difficult to imagine how these newspapers should cover even more European issues: too much boring EU-news might trigger off the reverse effect and get on the nerves of European citizens.

The Europeanisation of national public and media spheres should also not be seen as hampering the possibility of a parallel differentiation of new spaces of communication. Research has rather pointed to the increasing impact of local as well as transnational public spheres which give political orientation to citizens. The conclusion of the White Paper that European issues are seen, if at all, from a national perspective is therefore at least

misleading and certainly not true with regard to a number of important debates that drew the attention of the European publics over the past years.

Can the White Paper after all be expected to bring about any change in the communication between the EU and its citizens? In the short term, the most likely effect is that the EU and the European civil society – or at least parts of it – will join forces to deliberate about the complex issue of implementing a common communication strategy. A reflection about the difficulties of deliberation with the public is a rather paradoxical outcome of a public communication strategy which tries to be as encompassing and inclusive as possible. The excluded third will be, once again, the European citizen. European institutions should learn to coexist with the mass media which still hold the monopoly in the struggle for the scarce resource of public attention. Citizens are relying on the selection and the critical capacities of the mass media to be informed (and why not also to be misinformed ?) about Europe. And perhaps the debates on the constitutional referendums in France and in the Netherlands were not the worst example for this critical, sometimes excessive but at least independent capacity of the mass media.

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3. The Services Directive has passed the European Parliament: Business as usual?

On 16 February 2006, the European Parliament concluded its first reading of the Services Directive, a law to open Europe's services to cross-border competition. The ballot – with 394 votes in favour, 215 against and 33 abstentions – followed a cross-party compromise between the two largest political groupings of the Parliament, the European People's Party and the Socialist Party.

Services generate some 55 per cent of GDP and are responsible for 70 per cent of jobs in Europe. However, economic activity in this area is restricted by many trade barriers, notably complicated procedures for service providers to obtain specific licences and to establish themselves in another country. Policy-makers have long acknowledged this problem and made the Service Directive a key element of the Lisbon Agenda to improve competitiveness and growth in the European Union. According to Commission estimates, the Directive would potentially lead to lower costs and prices throughout the European Union and the creation of 600,000 new jobs. According to the Parliament's rapporteur on the Services Directive, Evelyne Gebhardt (Party of European Socialists), this Directive was the most important item currently facing the European Parliament, 'apart from the Constitution'.

Polish Plumbers

The Commission's legislative proposal for a Services Directive in early 2004 had started one of the most contentious internal market projects of recent years, sparking bitter opposition among trade unions and the Left. Its critics saw the Services Directive as a full-front attack on the European social model. They argued that in an open but not convergent market, service providers would take advantage of different wage levels and regulatory requirements to engage in unfair and unregulated competition, from which employees and consumers would suffer.

The most controversial single issue in the debate on the Directive has been the 'country of origin' principle, under which companies from one country could 'provide services in another country without having to establish themselves in that country and comply with all its rules and regulations. This principle, an application of the principle of 'mutual recognition' for goods in the Single Market, has been depicted by its critics as a Trojan horse for 'social dumping'. The draft law – also termed 'Bolkestein Directive' after the then Commissioner for the internal market Frits Bolkestein – subsequently turned into a powerful

political tool for the opposition to the European Constitutional Treaty in the French referendum of May, 2005. Up to 100,000 people demonstrated against the Directive in Brussels in early 2005 and the image of the 'Polish plumber', a symbol of migrants prepared to work longer hours for less pay than local service providers, shot to fame across Europe. After pressure from the French and German government the Commission retreated in mid-2005 from its original proposal and announced a complete overhaul of the Directive. The modified Commission draft put greater emphasis on workers' rights and further excluded some politically sensitive areas such as public health care and social services. Inevitably, the vote on the revised Directive in February caused heated debate within Parliament and demonstrations outside the legislature.

The compromise

What has emerged from the European Parliament's first reading of the Services Directive is a substantially altered text. Parliament debated over 400 amendments, but the crucial changes derive from an agreement between the two main political parties of the Parliament. Reference to the disputed 'country of origin' principle has been removed. (The Directive now speaks of 'freedom to provide services'.) The Parliament's amendments now stipulate that companies from all member states will be free to provide services in any EU country but must respect the labour and collective bargaining laws and health and safety and environmental standards of the host country. Furthermore, Parliament has excluded a number of significant service sectors from the Directive's remit, such as broadcasting, postal services, gambling and social services as well as temporary work agencies and labour law.

A small step, but an important one

The Services Directive, as amended by the Parliament, would not amount to the sweeping changes to the service industry that the economic liberals hoped for and the left feared. For all the controversy it has provoked, the Services Directive's real potential impact should anyway not

be exaggerated. Many sectors of the European services industry were always intended to remain beyond the Directive's mandate – either because they have been deliberately excluded or because they are covered by existing directives that are not overturned by the new law. For example, financial services and electronic communication already fall under the procedures of the Financial Services Action Plan and the Telecomms Package, respectively. Most importantly, the Posting of Workers Directive ensures that service providers observe towards foreign employees existing local provisions with regard to minimum salary, working hours, holiday and health and safety standards.

Perhaps the significance of the European Parliament's debate is political rather than economic. Parliament has managed to strike a balance between facilitating economic activity (after all, the bill will make it easier, rather than more difficult to provide cross-border services) and protecting the social standards that characterise most European economies. The supposed gulf between market-driven, Anglo-Saxon economic liberalism and the market-correcting Continental model is sometimes presented as an unbridgeable one. The Parliament's first reading of the Services Directive suggests that compromise on these issues may indeed be possible.

While not all of the detailed proposals of the European Parliament's first reading are going to appear in the final version of Service Directive, the legislature's compromise certainly sets the broad agenda for further negotiation. Mr Barroso has already announced that the Commission will produce a modified proposal – based on the Parliament's amendments – in time for the Spring Council of the European leaders on 23-24 March 2006. Bolkestein's successor Charlie McCreevy has a point when he says that the vote is a 'real advance'. If the Service Directive is ratified this year, the European Parliament's decision will have been instrumental in providing new impetus in what looked like a political deadlock.

Katharina Gnath
The Federal Trust

4. The Constitution: Ratification goes ahead

A spectre is haunting Europe - a spectre that is still being ratified. On 8 February, the Flemish Parliament completed the ratification process of the EU Constitution in Belgium. 84 MPs in the regional assembly voted in favour of the document, with 29 MPs against and one abstention. As all other regional and federal bodies had already adopted the Treaty, it has now been fully ratified by Belgium, although formal approval is still needed from the Flemish government.

Belgium is the fourteenth member state to ratify the Constitution. Other countries have indicated that they will follow the example set by the Flemish Parliament. Estonia has also re-started its ratification process: its parliament has already held its first reading on the Constitution and is planning to adopt the Treaty in the near future. Urmas Paet, the Estonian foreign minister, told the parliament: 'With this process of ratification we want to show the other member states that the EU needs the Constitution.' The aim of the government is to encourage other EU members to proceed with ratification.

Finland may also adopt the Constitution soon. Prime Minister Matti Vanhanen has told the Finnish Parliament that ratification could start in the spring. No definite date, however, has been set and the newly re-elected Finnish President Tarja Halonen has been unenthusiastic about a unilateral Finnish initiative to make progress towards national ratification.

Even though some countries are still proceeding with ratification, these moves should best be seen as symbolic, communicative acts. Poland, which also still has to ratify the Constitution, thus takes a rather different approach to the document. On 24 February, *Le Figaro* published an interview with the Polish President Lech Kaczynski. He argued that the Constitution 'has practically no chance of being ratified in Poland, either by referendum or via the parliamentary route'. He also criticised what he saw as the ambitions of the Treaty itself, saying that it brings the EU closer to an undesirable super-state and does not 'conform to the desires of European voters'.

In an interesting speech on 2 February at St Antony's College, Oxford, Prime Minister Tony Blair gave an account of Britain's role in Europe. The main theme of his comments was that the EU now has to concentrate on developing successful policies, so that citizens will see the benefits of integration. The EU, he argued, had too often concentrated on institutional reform for its own sake rather than seeing institutions as a means to implementing clearly beneficial policies.

As a result, the Constitution should in his view not be the EU's top priority at the moment: 'I accept we will need to return to the issues around the European Constitution. A European Union of 25 cannot function properly with today's rules of governance. Having spent 6 months as EU President, I am a good witness to that. But, right now, I say: discuss the way forward by all means, but don't let us get drawn back into making this debate the focus of our activities. If we do so, we will damage the very vision the constitution was supposed to embody.'

For Mr. Blair, the real priorities for the EU should be economic reform, security, energy and defence and foreign policy. The institutional rules must be changed in order to fit these tasks: 'Address this agenda, work on the practical but radical steps to achieve it and the context in which to discuss Europe's rules would be framed. Then do what needs to be done to help to deliver the agreed, political programme. But don't start with the rules. Start with the reasons they are needed.'

Perhaps somewhat surprisingly, French President Jacques Chirac seems to be of the same opinion as Tony Blair. At the end of February, it was leaked from the presidential palace that Mr. Chirac is planning several concrete proposals. These include an EU disaster relief force, increased funding of the Erasmus university exchange programme, a volunteer service for young Europeans and an EU border control force. These proposals aim to create a 'Europe of projects'.

In a speech at the LSE on 28 February, former French President and former president of the European

Convention Valéry Giscard d'Estaing took issue with these approaches to Europe's future. He argued that Europe needs to reform its institutions first, otherwise it will not be able to ensure the positive outcomes that citizens expect from it. Concentrating on policies while ignoring institutional deficiencies is, he argued, an approach doomed to failure.

The former French President made a proposal of his own concerning the future ratification of the Constitution. He believed that another French vote on the Constitutional Treaty would eventually be necessary. But it should take place only on Parts I and II of the Treaty, which concern the institutions of the Union as well as fundamental rights. These provisions would, he thought, be more likely to be approved by the French electorate. Asking voters to give their opinion on the entire over-complicated *acquis* (contained in Part III) was in his opinion a severe mistake, and a mistake that required correction. Part III of the Treaty should, Giscard further argued, be ratified in France by parliamentary route rather than by popular vote. Clearly, for its founding father, the Constitutional Treaty is far from dead.

Markus Wagner
The Federal Trust

[Coverage of the Constitution on Euobserver.com](http://euobserver.com)

[William Horsley, 'No way out of the constitutional maze', BBC online](#)

[Tony Blair's speech in Oxford, 2 February](#)

[Giscard's speech at the LSE, 28 February](#)

5. News from the Federal Trust

New Projects

Working Group on 'Democracy, Legitimacy and Accountability in the EU'

The Federal Trust is currently convening a broadly-based Working Group to examine how to improve the democracy, legitimacy and accountability of the European Union in light of the failure of the EU Constitution. The Group is chaired by Professor Vernon Bogdanor, Brasenose College, Oxford University, who will also act as Rapporteur for the Group. The Group, which includes representatives from politics, academia and the media, will meet five times between March and December 2006 to debate discussion papers prepared by the Federal Trust.

The Working Group will present a final report in early 2007. Our study will consider the present political difficulties of the European Union under a number of interlinked but distinct perspectives, namely democracy, legitimacy and accountability. The focus of our reflection will be on the troubled relationship between individual citizens and the EU. We believe that each of these three concepts is of central importance to this relationship. We hope that our study may lead to some final recommendations that are politically realisable within the current European institutional structure, or something not very different from it. These recommendations, if implemented, will aim to make the European Union more legitimate, democratic and accountable. We believe that such a Union will find its relationship with its citizens an easier and less frustrating one than it has seemed in recent years.

The first *discussion paper* considered by the Group is entitled **The EU and its voters: Connecting to citizens via democracy, legitimacy and accountability'** and is available on the Working Group website: www.fedtrust.co.uk/democracy, where further details about the project are also available.

Working Group on the governance of the euro: Determining a viable economic and political framework for the Eurozone

The Federal Trust has convened a high-level Working Group on the Governance of the Eurozone, considering the key strategic issues that will impact on the governance of the single European currency in the future. Chaired by Sir Stephen Wall, Former European Advisor to Tony Blair, its members are drawn from different backgrounds, including politics, economics, the media, academia, business and financial affairs.

The Group's stated objectives are to review the present rules and institutions surrounding the euro and to discuss ways of reforming them with view to improving the currency's long-term economic and political sustainability. Possible changes concern the Stability and Growth Pact, the European budget or different forms of European economic co-ordination. The findings will be presented in form of a Final Report, which will be launched in June 2006.

The Working Group is designed as a follow-up of a previous Federal Trust Working Group on Flexibility and the European Union which concluded that the Eurozone was the most important and interesting manifestation of flexibility within the EU (for the report see www.fedtrust.co.uk/flexibility).

Further details about the project are available at www.fedtrust.co.uk/eurozone.

The Future of European Foreign Policy - Governance Structures and Institutional Frameworks

The Federal Trust has embarked on a new joint project with the European Research Forum at London Metropolitan University considering the evolution of European foreign policy. This study will examine this question on the basis that the French and Dutch referendum results on the EU Constitution have created a new political background for the consideration of how EU foreign policy might develop and how it might be governed and managed.

The research will focus on three thematic areas of the governance of CFSP: the **European Diplomatic Service**, the **EU Foreign Minister** and the **Rapid Reaction Force**. A Policy Brief will be published on each of these topics. The first two of these papers can be downloaded from the Federal Trust website at www.fedtrust.co.uk/policybriefs and the third paper will be available shortly.

The findings of these briefing papers will form the basis of debate at a series of Roundtable Seminars held in London and Berlin, and will be discussed with key political representatives during witness visits to Brussels and Paris.

Events

The European Parliament and the European political space

30 March 2006, London

The Federal Trust is organising this one-day conference with support from EU-CONSENT and UACES. Confirmed speakers include Nick Clegg MP, Professor Simon Hix, Professor Paul Taggart, Dr Tim Bale and Dr Andreas Maurer.

You can view the full programme at the Federal Trust website, or download it as a pdf-file here: www.fedtrust.co.uk/europeanparliament

Seminar Series with Chatham House

In the first half of 2006 the Federal Trust will run a joint series of evening panel discussions with Chatham House. The first two events considered 'The Austrian Presidency of the EU: Priorities and Prospects' and 'CFSP: Britain's ace of trumps?' Please find below a list of future events. To register for these events please contact Jonathan Church, jonathan.church@fedtrust.co.uk.

Tuesday, 4 April: Lisbon: An agenda going nowhere?

Thursday, 27 April: Justice and Home Affairs: European Civil Rights or European Public Security?

Tuesday, 6 June: Democracy, Identity, Legitimacy: Three sides of the same euro?

Tuesday, 4 July: An energy policy for the EU: Gas, wind or reality?

Publications

Policy Briefs

All Policy Briefs are available for download at www.fedtrust.co.uk/policybriefs

Policy Brief 19: How to lose friends and influence - the UK and the new member states

Dr Julie Smith, Senior Research Fellow

This Policy Brief considers the difficulties facing the UK in brokering a deal on the budget in December 2005 and assesses the impact Blair's actions have had on relations with the new member states.

Policy Brief 20: A European Diplomatic Service?

Jeannette Ladzik

This Policy Brief discusses the proposals for a European diplomatic service contained in the now deadlocked Constitutional Treaty. It concludes that there are no substantial legal or administrative obstacles in the way of setting up this European External Service early, but argues that the current impasse over the ratification of the Constitutional Treaty acts as a barrier to mobilising the necessary political will.

Policy Brief 21: Civil Liberties and Democracy in the EU: Assessing the Data Retention Directive

Markus Wagner

This Policy Brief reviews the EU Directive on mandatory data retention, recently adopted by the European Parliament. It argues that this directive demonstrates that the policy-making process at EU level in the policy area of justice and home affairs is technically and democratically unsatisfactory.

Policy Brief 23: A Foreign Minister for Europe

Jeannette Ladzik

This Policy Brief discusses the features, and the possible future, of the European Foreign Minister envisaged by the Constitutional Treaty. It argues that despite the current impasse caused by the rejection of the Constitutional Treaty the question of a European Foreign Minister will in the future be revisited by member states as part of their efforts to increase the effectiveness and coherence of the Union's foreign policy.

Recent Books

The Federal Trust has over the last eighteen months undertaken a joint study with the One World Trust and Democratic Audit on parliamentary oversight of British foreign policy. The findings of this project have been published as a book entitled *Not in Our Name: Democracy and Foreign Policy in the UK*.

- Prompted by recent British foreign policy, the impact of which is felt more and more in the everyday life of the public – affecting everything from food prices to terrorism.
- Offers recommendations as to how the public can have a say in foreign policy. That people increasingly want to play a part in such decisions was shown by the protests over the Iraq war and the enthusiasm for Live8.

Reflecting the placards carried by protestors against the Iraq war, the title *Not in our Name* refers to how Tony Blair's decision to join the US-led invasion of Iraq has revealed fundamental flaws in our democracy. The authors analyse the situation whereby MPs in Parliament and the public have almost no say in foreign policy as a whole – be it going to war, making treaties, giving aid, promoting development, selling arms, negotiating with the European Union, Nato, the World Trade Organisation, the World Bank, etc.

Not in Our Name looks at the checks and balances between parliament and the cabinet, the importance of parliamentary committees, Britain's relations with Europe, Britain's global dealings and our general interests abroad. The book concludes with a

series of recommendations designed to make policies more accountable and transparent.

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Forthcoming Books

These forthcoming books can be ordered from I.B.Tauris on their website: www.ibtauris.com

The United States of Europe

Guy Verhofstadt

Paperback; ISBN 1-903403-86-3; £8.99

France and the Netherlands have said 'no' to the European Constitutional Treaty. The reasons for this 'no' were varied. In addition to domestic political motives, contradictory fears were in play. Some thought the Treaty brought with it 'too much Europe.' Some thought it did not bring enough Europe. Others, particularly in the Netherlands, were protesting against the supposed cost of Europe. Yet others thought that the European Union's enlargement has gone ahead much too quickly.

What is the next step? Europe is at a crossroads. But the choice is simple. Should we let Europe shrivel to a simple free trade zone, as some wish? Or do we take up again the European challenge and create a genuinely political Europe, a Europe that can play a role in the world? A Europe with the capacity to modernise its own economy and respond to the economic developments coming from China, India and Japan?

The Belgian Prime Minister, Guy Verhofstadt does not mince his words. He wishes to create a 'United States of Europe,' with all member states of the European Union participating if possible, with a group of 'pioneers' if necessary. His book is required reading for anyone who cares about Europe.

Regaining Europe*An Economic Agenda for the 21st Century*

George Irvin

Paperback, ISBN 1-903403-84-7, £16.99

Hardback, ISBN 1-903403-85-5, £45.00

In this important new book, the international economist George Irvin argues that if the euro is to survive, it needs to be run in a more sophisticated and flexible manner. Professor Irvin believes that when the governing structures of the euro were set up in the early 1990s, European governments of the day were unduly influenced by monetarist ideas. In consequence, they set up a 'banker's euro' with excessive emphasis on mechanisms for combating inflation. Other economic goals such as growth and employment were subordinated to this preoccupation with monetary stability.

Professor Irvin explains in layman's terms the mistakes made in setting up the euro and argues that many of the European Union's current political difficulties flow from these errors. He calls for a more balanced approach to the future management of the single currency, in which national governments reclaim European economic policy from the Central European Bank.

Professor Irvin believes that the present political crisis of the European Union needs both a political and economic response. This book is a powerful and accessible account of how a more politically directed Eurozone could lead to both economic and political success for the European Union. It is a roadmap for the Union to escape from the stalemate created by the French and Dutch referendums.

Modernising British Government*Constitutional Challenges and Federal Solutions*

Stanley Henig

Paperback, ISBN 1-903403-80-4, £16.99

Hardback, ISBN 1-903403-81-2, £45.00

For a country without a written constitution, the United Kingdom has witnessed in recent years an amazing rebirth of political debate on its constitutional future along with discussion on broader issues such as participation and the imbalance of political power. Devolution, the European Union, the European Convention on Human Rights, contrasting models of local democracy and controversy about the future role of the House of Lords have created a powerful and sometimes confusing cocktail of British constitutional controversy.

In his timely new book, Professor Stanley Henig tackles Britain's new constitutional agenda in its entirety. He is particularly well placed to do so, being a prominent academic commentator as well as having been both a Member of Parliament and a long-serving local councillor. His insights, analysis and personal experience give to this book a unique combination of intellectual rigour and political sophistication. Decentralised approaches to politics and governance are a prime focus of this book published by the Federal Trust.

'Britain would be better governed if its constitution followed something like the Henig formula.'

Roy Hattersley

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