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Unifying Europe (2)

Building a Platform for a Pan-European Party

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A Definition of Federalism

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Note on the author

Alan Ramsay Lamond is a retired senior trade official who worked for many years in Geneva.



Unifying Europe: Building a Platform for a Pan-European Party

Alan Ramsay Lamond

Introduction

The case for creating a new Union-wide pro-European political party, as a means of stimulating the development of a true cross-border political life in the European Union, has been set out by the author in "Unifying Europe (1): The Purpose and the Problem" (European Essay No. 39). The basic task of such a party would be, first, to identify what most pro-Europeans want and expect from the European Union and then to persuade a majority of Europe's citizens to embrace the same goals. This will involve the drawing up of a political programme or platform on the basis of which the party would contest elections to the European Parliament in all member countries of the Union. Such a programme would contain two groups of policy proposals or stances, one aimed at furthering the Union's purpose, as this was defined in "Unifying Europe (1)", and the other at solving its decision-making problem, described in the same paper.

In drawing up policies in the first group, the party would need to be guided by a concern that these should serve the common interests of all, or at least the great majority of, Europe's citizens. As regards the external aspects of the Union's purpose, i.e., those reflected in its foreign, defence and security policies, this criterion should be relatively easy to apply, on the assumption that most of Europe's citizens wish the Union to play an influential and independent role in world affairs. In the case of internal policies, however, particularly those in the economic and social field, matters are more complicated. While all Europe's citizens would no doubt wish to see the Union as a whole grow richer and stronger, conflicts of interest can and do arise within and between member countries. These may occur at the national level between workers and employers, while cross-border conflicts may develop between different groups of workers (local versus Polish plumbers for example) or between different groups of employers (as a consequence of economic nationalism).

The proposed new party will not be able to avoid confronting these problems and the approach it should take to them is considered in the present paper. While recognising that Europe's citizens may have divergent interests as producers, however, the party should place great emphasis on their very extensive common interests as consumers and this reality should be strongly reflected in its policy-making. The party will also have to pay particular heed to the regularly expressed demand of many European citizens (notably in France) that the Union should have a substantial social component. Both of these issues are given specific attention in the present paper.

With regard to the second category of policies, i.e., those relating to the Union's decision-making problem, the task of the party will be to propose institutional changes that would have to go considerably further than those that were included in the moribund European constitution and which would inevitably move the Union to a further, but limited, extent in the direction of federalism. In view of the sensitivity of this issue, however, and of the need to rally the maximum number of pro-Europeans to its cause, the new party should stress that its proposals are for a pragmatic and evolutionary approach to institutional reform which neither envisages nor precludes an eventual move to full federation, an issue which the party should regard as remaining open to further debate as a true European political life develops.

The elaboration of a comprehensive electoral platform for the proposed new pan-European party will clearly involve a lengthy process of deliberation and debate which will require inputs from experts on the wide range of policy matters, many of them of a complex technical nature, which fall within the Union's competence. It is not therefore possible for a detailed draft of such a platform to be presented in this paper. In any case it would be pointless to discuss in it policy issues which may be of major concern today but which may be resolved or superseded by the time the new party gets off the ground. What pro-Europeans can usefully do at the present stage, however, is to examine some of the more important longer-term issues on which the party will have to decide its position when it comes to draw up its electoral programme. The present paper therefore seeks to assist this process by proposing a number of policy ideas and principles which might be applied in selected key areas and which might serve as a basis for discussions on the party's policies in these areas.

1. Policies in Key Areas

Foreign affairs

Whereas defence policy is a readily understandable concept, relating as it does to practical matters such as arms procurement policies, planning and command structures, troop levels and defence expenditures, foreign policy is a much more abstract notion. In fact it is rather meaningless to refer, as the proposed constitution does, to a common foreign policy as distinct from policies on particular international issues. What can be done to define a foreign policy for the Union, however, is to specify some of the principles which ought to guide it and this the constitution does in ample measure. It lists in fact a large number of principles which are likely to be acceptable to pro-Europeans and eurosceptics alike, covering as they do practically every worthy objective of foreign policy one can think of. Significantly, however, no mention is made of the crucial principle, proposed in 'Unifying Europe (1)', that the Union should make its collective voice clearly heard, and its collective influence clearly felt, as an independent pole in world affairs. This principle ought to be enunciated clearly in the launch manifesto of the proposed new party as the basis of its approach to foreign policy. In addition the manifesto will have to set out the party's stance on specific international issues of the day. Since these are constantly evolving and changing there is no point in trying to predict in the present paper what they might be at the time a manifesto is drawn up. Nevertheless there are some major issues in world politics which have defied solution for a considerable time already and are unlikely to be resolved any time soon. If only for the purpose of discussion, therefore, it may be appropriate to say something about how they might be approached by the new party.

One of these issues is the Middle East conflict. Here the Union's leaders have taken a balanced stance which combines a firm upholding of Israel's integrity and condemnation of terrorism against its citizens with support for Palestinian rights and for a two-state solution to the conflict. Yet the Union has been unable to exercise any effective political clout in this area, largely because of its inability to bring even-handed pressure to bear on the two sides involved. While the financial and other assistance the Union gives to the Palestinian people gives it some potential leverage over the Palestinian side, it has no comparable leverage over the Israeli side, which

is something only the United States possesses. However there is nothing, except perhaps the rule of unanimity, which need prevent the Union from making its collective voice heard more clearly and forthrightly on the issue.

If it has not so far done this it is because it has stuck to the position that a settlement of the conflict has to be negotiated by the two parties concerned. It has to be said, however, that the idea of the two sides freely negotiating a solution to the Middle East conflict is a largely disingenuous one. For if a Palestinian government, having fulfilled the legitimate requirement that it renounce terrorism completely, were to enter into such a process, the question would arise of what it would negotiate with. If memory serves correctly it was a British Minister of Defence who once justified his country's acquisition of a nuclear deterrent by saying that he did not want to go naked into the conference room. Yet if formal negotiations with the Israeli Government were opened that is exactly what the Palestinian representatives would be doing. They would be going into the conference room to learn what the Israelis were prepared to offer them and their only options would be to accept it or refuse it. The only bargaining counter – if it can be called one—that the Palestinians would possess is the disinclination of the Israelis to rule over them indefinitely. In these circumstances it would be the duty of the international community to intervene to ensure that the settlement offered to the Palestinians was a fair and durable one. Such intervention would be all the more necessary if an Israeli government were to seek to fix the country's borders unilaterally.

Irrespective of how the situation now evolves, therefore, the Union should be giving thought to what the essential features of a two-state solution should be. Since the problem is unlikely to be resolved by the time the new party is launched, it too will have to decide and make clear its position on the question. Though they will no doubt have to be amended, the proposals put forward by the then Israeli Prime Minister Ehud Barak at the Camp David talks in 2000 might be a useful starting-point for the necessary debate on the issue.

Another problem that is likely to be of continuing concern to the international community for a long time is that of rogue states or, more exactly, of rogue regimes. If the Union is to have a common foreign policy it will need to develop a coherent approach to this problem, as the split over the Iraq war so clearly demonstrated. There cannot be any doubt that effective action against rogue regimes, such as those of Saddam Hussein in Iraq and Pol Pot in Cambodia, may be highly desirable if not always practicable.

Moreover, there is no doubt that collective action authorised by the United Nations is preferable to unilateral action (as in Iraq) for the purpose of sanctioning rogue behaviour by governments. There are, however, two major difficulties which may impede or prevent such action. One is constituted by the fact that there is no internationally agreed list of clearly defined state crimes whose commission would justify international action, in the form of mandatory sanctions or military intervention, against the governments concerned. The other is that any such action, even if it was favoured by a majority of the Security Council, might be vetoed by any one of its five permanent members.

These two difficulties link the problem of rogue regimes with another longer-term foreign policy issue. This is the issue of United Nations reform, particularly as it might affect the Security Council. The composition of the group of Permanent Members of the Council must now be regarded as anachronistic, based as it is on the fact that the five countries enjoying this status were the victors in the Second World War. Today a strong case exists for enlarging the group to include countries like India, Japan, Germany and Brazil. There is no case, however, for extending the veto rights possessed by the existing Permanent Members to any additional members of the group. The last thing the UN requires is any further restriction of its decision-making capacity.

On the contrary what is desirable, if it can be achieved, is a narrowing of the scope for the exercise of the existing veto powers. While complete abolition of veto rights is no doubt an unrealistic prospect, consideration should be given to the idea that, in respect of an internationally agreed list of carefully defined offences, including newer crimes like involvement in terrorism and ethnic cleansing as well as traditional ones like armed aggression and genocide, decisions in the Security Council might be taken by a qualified majority vote without being subject to veto. There is no doubt that such an arrangement would be extremely difficult to negotiate but if agreement on it, and on the definitions of the offences to be covered by it, could be achieved this would increase the potential ability of the United Nations to take action against any regime guilty of any of these offences. The removal of the possibility of a veto under the suggested arrangement would have another important potential effect. The greater the possibility that the Security Council would authorise sanctions or the use of military force against perpetrators of any of the crimes on the agreed list, the more would rogue regimes be deterred from committing them.

A new voting arrangement of this kind ought to be given further consideration by the new party as a possible longer-term policy objective. The party should consider also the proposal that eventually, when the Union has evolved somewhat further in a federal direction and has developed what might truly be called a common foreign policy, it should take over the seats in the Security Council now held by the United Kingdom and France, together with the veto rights of these two countries.

Defence

This area of policy is of particular importance to pro-Europeans because it relates closely to two key aspects of the Union's purpose, namely, strengthening the collective security of its members and bringing to bear their collective weight and influence in world affairs. However, efforts to elaborate a common defence policy for the Union have been affected by three complicating factors. One is the insistence by a number of member countries, as well as by the United States, that the Union's defence policy should be compatible with that established within the NATO framework. The second is the fact that the four neutral member countries which are not members of NATO (Austria, Finland, Ireland and Sweden) have serious reservations about involvement in a common defence policy and have opted out of the arrangements under which Union governments give each other mutual defence guarantees. The third factor is the decision of Denmark to opt out of a common defence policy altogether. Nevertheless the intention of the Union governments to "progressively frame" such a policy, designed to lead eventually, by unanimous decision, to a 'common defence', is enshrined in the proposed constitution.

The new party should support the aim of a common defence but it must at the same time clarify the issues involved. It should start by distinguishing the two senses in which the term 'defence' can be employed. In a narrow sense it means simply territorial defence against military attack from outside. However, the term is often employed in a wider sense to relate to the projection of military power abroad for political or strategic purposes, something which might be called external defence in order to distinguish it from territorial defence. When NATO was established in 1949 its purpose was to provide its members with a joint territorial defence against a perceived military threat from the Warsaw Pact powers. At that time the defence of Western Europe depended crucially on the support and assistance of the United States which was secured through the North Atlantic Treaty. Since the dissolution of

the Warsaw Pact and the break-up of the Soviet Union the threat from the east has disappeared, a reality illustrated strikingly by the fact that several former members of the Pact are now members of NATO, while Russia itself is a member of the Organisation for Security and Cooperation in Europe (OSCE).

NATO nevertheless continues to exist, although there is much ongoing discussion about what its role should be in the very different world circumstances of today. In Europe, the area where NATO was originally designed to operate, the organisation has been playing an important role in the Balkans but otherwise it has had to turn its attention to so-called out-of-area operations. It has in fact undertaken one important operation of this kind in Afghanistan and another which consists of providing training for Iraqi officers. It has to be recognised, however, that these out-of-area operations and, for that matter, the operations undertaken by NATO in the Balkans, do not relate to the original purpose of the organisation, which was mutual territorial defence.

The fact is that NATO's role has now switched from one of territorial defence to one of external defence, which involves operations requiring political agreement among the member governments. It is precisely the difficulty of reaching such agreement that is likely to limit NATO's ability to launch out-of-area operations in the future. The political and strategic objectives of the United States, the dominant power in the organisation, will not always coincide with those of the European Union and there is likely to be strong resistance within the Union to any perceived attempt by the United States to use NATO as a 'tool-box' for its own purposes. The converse is of course also true and that is why the Union must not allow its ability to pursue its own external defence objectives to be a hostage of NATO's decision-making machinery. If it is to be able to bring to bear its collective weight and influence in world affairs in support of its own interests and values it must have the capacity, just as the United States has, to deploy military power abroad independently from NATO where necessary.

Nevertheless the *raison d'être* of NATO as an association for mutual territorial defence and for agreed out-of-area operations still exists, however circumscribed its future role may be. There is, therefore, no reason why the new party should not fully respect the desire of most member governments of the Union to ensure the compatibility of its defence policy with their membership of NATO. The new party should in fact echo the complaint made often by the United States that the European members of NATO are not contributing enough to the organisation's military capability. In the year 2003 the combined defence spending of the then 15 member

countries of the Union was less than half that of the United States and the spending of the ten new members which joined the Union in 2004 has not added much to the total. This does not imply that the Union's defence spending should match that of the United States, with which it is not in any competition for world hegemony, but if the Union is to have an effective common defence, territorial and external, its members will have to increase their defence spending substantially. If NATO did not exist the need to do this would be even greater. Moreover, total spending will have to be increased in a way that ensures that the burden of this spending, which at present is borne disproportionately by a few large countries, is shared more equitably.

Economic and social policy

Since pro-Europeans have different political sensibilities it might be thought that in drawing up proposals in this area it would first have to be decided whether they should be designed to appeal to left-wing or right-wing opinion. In the view of the author, however, this is to a large extent a non-problem. The left/right divide relates essentially to issues of economic and social policy which arise at the national level, such as the role of state enterprise, social protection arrangements and taxation policies. At the Union level there is a very broad consensus that the integrated European economy must be a liberal one, based on the principles of free market capitalism, but also one with a social dimension or component. There are indeed differences among pro-Europeans on matters such as protectionism, economic nationalism, fiscal harmonisation and the nature of the Union's social component, but these are not clear-cut left/right issues. They will nevertheless have to be faced, along with other issues, in the process of reaching agreement on the platform of the new party in the field of economic and social policy.

In this field the principal concern of the party must be the completion of the process of economic integration, which is essential to the successful pursuit of the Union's political purpose. Whereas no common foreign or defence policy for the Union exists, a great deal of common policy-making aimed at the creation of a single European economy has already taken place and been incorporated in a vast amount of Union legislation. The principal elements of this *acquis communautaire* are the customs union and common trade policy, the single market in goods and accompanying competition rules, the free movement of workers (with some temporary exceptions for workers from the new member states which joined the Union after

2003), the Common Agricultural (and Fisheries) Policy (CAP), the system of regional aid and the single European currency (albeit with opt-outs for the United Kingdom, Sweden and Denmark). While all this constitutes a considerable achievement there are some important pieces of unfinished business. One of these is the creation of a fully free market in services, an area of economic activity which now accounts for over two-thirds of the Union's gross domestic product, and another is represented by the fact that the Union's single currency is not yet its sole currency.

The steps towards economic integration that have so far been taken have been based on a broad consensus among the political and business classes of the Union regarding the potential ability of the process to enhance wealth creation within the Union as a whole. At the popular level, however, perceptions of the integration process may be very different. To many citizens the wealth-creating effects of competition within the single market will not be at all obvious, especially if they have lost their jobs as a result of it or if much of the extra wealth created is in the form of profits and dividends. A further problem is posed by the likelihood that the high unemployment and economic stagnation in recent years in France, Germany and Italy has undermined popular confidence in the integration process, even though that process was in no way responsible for these unsatisfactory situations. Evidence that popular support for further economic integration has indeed weakened is provided by the strong resistance that has developed in member countries to the further opening up of the single market in the field of services and by the increasingly loud complaints being voiced in left-wing circles that the Union's economic policies are excessively liberal and insufficiently social. Although this disenchantment with economic integration does not seem to have seriously undermined support for the European project as such, the danger that it might eventually transmute into more widespread euroscepticism is one which the new party will have to heed.

In the first place the party will have to emphasise the distinction between economic problems that are associated directly with the integration process and others that are attributable to inappropriate policies at the national level. It will then have to point out that greater competition in the single market benefits not only successfully competing enterprises and their employees but also all the Union's citizens as consumers of goods and services and that the interests of those who, as workers, suffer what should be only temporary loss of employment as a result of such competition can and should be taken care of by national governments, not only through standard measures of social protection but also through measures for facilitating re-training and re-employment. In taking such action governments may in

effect re-distribute some of the economic gain from enhanced competition in the single market from 'winners' to 'losers' within each member country. However, since member countries are likely to benefit unequally from economic integration, a case exists for action to be taken also at the Union level, on grounds of solidarity, to re-distribute some of the gain from the process between member countries. Proposals that the new party might put forward in this regard are considered separately below.

With regard to the complaints of excessive liberalism the party will have to stress that no viable alternative to the liberal market system any longer exists. In fact, the phenomenon of the 1980s widely referred to as the collapse of communism might be more accurately described as the collapse of socialism, since what it reflected was not an inability of communist parties to remain in power - they still rule in a number of countries and most notably in China - but an inability of centrally-planned socialist economic systems to compete with market capitalism as engines for creating wealth and raising living standards. This notion is not contradicted by the fact that within the European Union there are parties which for historic reasons call themselves 'socialist' since for none of these parties does the term 'socialism' any longer imply an economic system that would differ in any fundamental way from capitalism. What distinguishes these parties from more conservative parties is mainly the degree of emphasis they place on social protection.

A final basic argument that the new party will have to advance in support of economic integration is that, in the business of wealth-creation through economies of scale and more efficient use of resources, market size matters. In other words the larger the area (in terms of population) in which capital, labour, goods and services are able to move freely, the greater will be the potential scope for wealth creation by these means. In this regard it may be observed that the enormous wealth of the US, and the phenomenal rate of economic growth shown by China since it liberalised its economy, must owe something to the size of the labour and product markets in each of these two countries as well as to the dynamics of the free market system.

At this point it has to be recognised that efforts by the new party to put across the above basic messages would be complicated by the intrusion into the debate about economic integration of the issue of globalisation. This term refers essentially to the big expansion in world-wide flows of capital, and of trade in goods and services, that has followed successive internationally negotiated reductions in tariff and non-tariff trade barriers and the closer integration into the world economy of countries, mainly developing ones, which previously had centrally-planned or otherwise

protected economies. The impact of globalisation has been felt in Europe, as elsewhere, notably in the form of greatly increased imports of cheap textiles and other manufactured goods from developing countries in Asia and of the growth in the practice of out-sourcing of some services (such as telephone call centres) to these countries. Another aspect of the phenomenon has been an increase in flows of foreign direct investment from developed countries to developing ones where large supplies of cheap industrial labour are available.

In Europe there have been two kinds of reaction to these developments. One of them can be described as a defensive reaction. It takes the form, on the one hand, of calls from labour organizations for the Union's trade policies to become more protectionist and, on the other hand, of calls from politicians and governments for the Union's economy to become more competitive. The new party would have to point out that, for different reasons, both of these reactions are inappropriate and that globalisation is not only an unstoppable development but also one to be welcomed. In the first place, just as competition in the single market among internal suppliers of goods and services is in the interest of all the Union's citizens as consumers, so is competition from external suppliers. Both kinds of competition, of course, also cause losses of jobs and/or profits in some enterprises and it is true that whereas in the former case these losses are offset by gains in other enterprises within the Union, resulting in a net addition to the aggregate wealth of the member countries (which in principle can be partially re-distributed among them), in the case of external competition the gains accrue to foreign enterprises and any job losses involved are net losses for the Union as a whole. The other side of this coin, however, is that globalisation also creates increasing export opportunities for internationally competitive businesses in the Union. To enable these opportunities to be exploited action is no doubt needed at both the national and the Union levels but it is unhelpful to say, as many politicians and commentators do, that what is required is to make Europe, or the European economy, more competitive. Meeting the challenge of globalisation does not require the European textile industry to become more competitive with the Chinese one in the production of T-shirts. What is needed is a shift of resources out of areas of economic activity where European firms do not have a comparative advantage into newer technologically-advanced or science-based sectors where they do. Competition will then determine the market shares gained by successful exporters. This requires, as is so often said, more research and development and better education, but above all it requires the re-allocation of productive resources to be facilitated. In practice this implies a need for greater flexibility in labour markets and encouragement of innovation and enterprise.

The other kind of reaction there has been to globalisation is a more sophisticated one on the part of eurosceptics who contend that its onward march renders the process of economic integration within the Union unnecessary. One part of the answer to this argument is that there are some parts of the European economy that globalisation doesn't reach. As far as industrial products are concerned, it is no doubt global free trade that offers the Union the greatest opportunities for enhanced wealth creation through economies of scale and specialisation. In the field of services, however, the situation is different. In many parts of this sector the scope for gains through globalised trade is non-existent or limited. While nowadays a growing number of services can be provided at a distance, like those available via the internet or international call centres, there are a great many that are still based on proximity between customer and provider or on mobility of the latter (like the services of Polish plumbers for example). Since liberalisation of cross-border trade in the latter type of services is far from complete, and since they account for a large proportion of the Union's gross domestic product, there is every reason to pursue the integration process in this area.

The other part of the answer to the eurosceptic argument is that economic integration is about more than simply the gains from trade and competition. It is about increasing the Union's collective economic strength and the sense of cohesion and common interest among its citizens. That is why, in addition to the task of setting out its stance on the basic issues discussed above, the new party will face also a need to take clear positions on a number of other contentious issues that have arisen as economic integration has progressed.

Perhaps the most important of these issues is the one raised by the increasing complaints in left-wing circles, notably in France, that the European project lacks a sufficiently strong **social component**. In view of its political, and hence its electoral, importance this issue will have to be given special attention by the new party. There are in fact only three ways in which common European social objectives can be pursued through policies or measures decided at Union, as distinct from national, level. One possibility is for the Union to seek to protect European jobs via its common trade policy. This aim might be pursued actively (by the imposition of new or tighter import restrictions in sensitive economic sectors) or passively (by resistance to further trade liberalisation in these sectors). The scope for import restriction, however, is circumscribed by the commitments the Union has accepted under agreements negotiated in the World Trade Organisation and by the rules of that body. For example anti-dumping measures have to be justified, while so-called emergency

restrictions, like those recently imposed on Chinese textiles, are supposed to be temporary. Moreover, for the reasons adduced in the preceding discussion of globalisation, resistance to further trade liberalisation would be inappropriate. Hence attempts to use the Union's trade policy, actively or passively, as a tool of employment policy would be either of limited efficacy or actually counter-productive and should therefore be firmly opposed by the new party.

A second possibility is for the Union governments to lay down common principles and minimum standards of social protection applicable in all member countries. To a partial extent this has in fact already been done, via the adoption of the European Social Charter in 1961 and then the Community Charter of the Fundamental Social Rights of Workers in 1989. It is not obvious, however, how much further beyond this the Union governments can or should go. While basic principles like the right to strike, to enjoy paid holidays, and to receive equal pay for equal work can be readily endorsed by them, the situation is very different when it comes to specific, quantitative, levels of social protection. The United Kingdom government, it may be noted, insisted on opting out of the Union's working time directive imposing a 48 hour limit on the working week.

In the proposed constitution reference is made to the objective of improving and harmonising living and working conditions and no doubt there would be much popular support for the idea of harmonising such conditions at 'best practice' levels. It is clear, however, that negotiations aimed at prescribing minimum standards of social protection, in which the views and interests of the social partners in each member country would have to be taken into account, would be extremely difficult. Moreover, it is not at all certain that the establishment of such minima would be in the interest of all the supposed beneficiaries. It might not be so, for example, where improvement of living conditions to the required extent imposed intolerable strains on national budgets. Nor would it be advantageous to all employees if obligatory improvements in working conditions resulted in losses of jobs or, as in the case of limitations on working time, in losses of earnings; indeed it is possible that some member countries, particularly poorer ones, might see efforts made at Union level to force up their standards of worker protection as attempts to weaken their competitive position in the European market. If, therefore, it proved possible to negotiate any agreements at all on minimum social standards, which is unlikely, they would be either agreements in which the minima were set so low as to render them pointless, or more ambitious ones which would be subject to so many opt-outs as to render them worthless. Hence the position of the new party should be that specific measures

and levels of social protection, and of social policy generally, should be decided at national level in the light of circumstances and conditions in each member country.

The third possible way in which the European project can be given a social dimension is through what was referred to above as solidarity action, in which transfer payments are used to re-distribute income across borders within the Union. At present such payments are used mainly to assist farmers within the framework of the CAP and backward economic regions via the so-called structural funds. A strong case can be made, however, for re-targeting transfer payments so that they serve more deserving social purposes. This idea is discussed further below in connection with the question of the Union's budget. Despite its problems it is the one that should be favoured by the new party as the principal means of giving the European project a social component.

Another contentious issue is that of so-called **Brussels bureaucracy**. In part the criticism directed against this reflects discontent with top-down decision-making and an impression that the European Commission wields too much power. Another target of the criticism, however, is what is seen as over-regulation. This is a difficult problem to identify since, in order to ensure that competition in the single market is free and fair, clear rules obviously have to be established and enforced. When Wendell Phillips, the oratorical opponent of slavery in America, made his famous remark that the price of liberty was eternal vigilance he might well have added as a corollary that the price of economic liberty was eternal regulation. The problem here is one of line-drawing and the position of the new party on the issue ought to be that regulation should always be as clear and simple as possible and no more than the minimum necessary to achieve its purpose.

Closely related to the problem of regulation is another which is posed by the principle of **subsidiarity**. This was evoked originally as part of the answer to the problem of over-regulation. In the proposed constitution subsidiarity is defined as the principle that the Union, in areas which do not fall within its exclusive competence, should act only if the objective desired cannot be sufficiently achieved by action at the national level. This is an unsatisfactory definition, however, because it is too vague and unhelpful. The real problem underlying the issue of subsidiarity is that of deciding when the achievement of a given regulatory objective requires legislative action, as distinct from mere recommendatory or hortative action, to be taken at Union level. In other words the subsidiarity issue is not simply one of administrative practicality, it is a policy issue that will normally be decided via the Union's decision-

making machinery in which the European Parliament, and possibly also national parliaments, will have an important role to play. Where a Union law or decision has been enacted the division of responsibility for its implementation between national governments and the Commission will usually be quite clear and in most cases the principal responsibility will fall on the former. A major problem that has been encountered in the economic integration process so far has been in fact the reluctance, or outright failure, of some governments to implement Union legislation effectively, notably in the field of competition law. Another is the inclination of some governments to block cross-border mergers and take-overs in order to help indigenous enterprises to become national champions. When they do this, in the name of economic patriotism, they act in complete defiance of the logic of economic integration, the purpose of which is to facilitate the emergence of European, not national, champions. In such cases, where the objective desired is indeed not being sufficiently achieved by action at the national level, the principle of subsidiarity provides no help.

The position of the new party in this area should reflect its role as the party representing the common interests of the Union's citizens which, in the economic field, are principally their interests as consumers. Instead of the principle of subsidiarity, therefore, the party should support a more useful rule, namely, one which states that action at the Union level is in principle appropriate wherever there is a need to promote or protect the interests of European consumers generally. This rule implies that a *prima facie* case for Union action exists in areas such as competition and single market policy, environmental and energy policy, trans-European transport, food quality standards and other areas of consumer protection. In all these areas the party will have to adopt appropriate policies or stances in the light of developments in each field.

As a champion of European consumer interests the new party should support some recent moves by the Union's competition commissioner Ms. Neelie Kroes. She has proposed that in judging whether abuses of the Union's anti-trust legislation have occurred, emphasis should be placed on the interests of consumers rather than on those of competitors. She has also called quite rightly for the European Commission to be given greater powers to rule on mergers between firms in the same country in order to counter the policy of creating national champions. To the same end the new party ought to encourage greater use of the already existing legislation which enables any firm in the Union to exchange its legal status as a national company for a new one as a European company (*Societas Europaea*). The wider the adoption of SE status by major firms, the more would the concept of economic patriotism be

deprived of meaning. Conversion to SE status can also bring gains in administrative efficiency and other cost savings to companies by enabling them to operate anywhere in the Union without having to establish local subsidiaries governed by different national laws and by making it easier for them to change their registered domicile for fiscal or administrative reasons. The European company statute, however, does not establish common rules for all aspects of corporate governance and the new party should push for further legislation to remedy this.

Another issue on which the new party will have to take a clear position is that of the **single currency**. While countries joining the Union from 2004 onwards are obliged to prepare for eventual adoption of the euro, three older member countries - Denmark, Sweden and the United Kingdom - retain the right to stay out of the single currency system and seem likely to continue exercising this right for the foreseeable future. From a purely economic point of view it is arguable that monetary union is not essential to the functioning of the single market. Until it embraces all member countries, however, full economic integration within the Union will not have been achieved. The new party should regard full monetary union as an essential element of economic integration and hence of the European project. It should therefore encourage the opt-out countries to join the system as soon as their economic circumstances permit. Politically, monetary union will act as a form of cement, helping to reinforce the sense of unity and common interest among Europe's citizens. Economically, it will help the Union to develop its full dynamic potential, especially in view of the fact that, as cross-border labour mobility is likely to remain somewhat 'sticky' for linguistic and cultural reasons, it is all the more important that cross-border investment be facilitated as much as possible.

As regards the special problems associated with a 'one-size-fits-all' monetary policy, one of the most important relates to the fact that member governments of the eurozone pursue independent fiscal policies. Already before the single currency was introduced the danger was foreseen that if the government of a large eurozone member country ran persistently high budget deficits, to which increasing interest payments on rising public debt would contribute, this could create inflationary pressures to which the ECB might feel obliged to respond by tightening monetary policy, even if this was not in the best interest of the other member countries. It was also foreseen that in an extreme case a member government's outstanding public debt might reach a level where a risk of default was perceived by the financial markets and that this would threaten the financial stability of the eurozone as a whole. It was with the aim of warding off these dangers that all the Union governments

(and not merely those adopting the single currency) signed up to the Growth and Stability Pact, which prescribed that governmental budget deficits should not exceed 3 per cent of GDP and that outstanding public debt should not exceed 60 per cent of GDP. Nevertheless, when it became clear that the enforcement procedures of the Pact, which included the imposition of heavy fines, would not be applied to large countries like France, Germany and Italy, all of which were in breach of the Pact's rules, these procedures were modified in 2005. Critics argue that these changes fatally weaken the procedures.

In the meantime, however, the possibility of a different approach to the problem of enforcing budgetary discipline has emerged. For some time economic commentators have been remarking on the narrowness of the spreads in market prices of eurozone government bonds, irrespective of wide differences in the levels of outstanding debt owed by the governments concerned. The reasoning in the markets has been that little or no risk attaches to any of these bonds since any government which came close to defaulting on them would be bailed out, if not by the ECB (which is prohibited from doing so), then by other eurozone governments. The Bank, however, has now taken a step which, even if it does not completely invalidate that reasoning, may nevertheless cause wider differences to emerge in the rates at which eurozone governments can borrow in the financial markets. What the Bank has done is to state (in November 2005) that it will refuse to accept as collateral for loans any government bonds which do not enjoy a rating of at least A minus (A-) by one or more of the main international credit-rating agencies. Obviously the ECB could, if it so decided, go further in this direction, either by toughening its minimum rating requirements or by imposing deeper discounts on bonds offered to it as collateral that are issued by governments guilty of serious budgetary indiscipline. It would thereby dispose of a policy tool that would enable it to respond to such indiscipline in a way infinitely more sensible than the imposition of fines under the rules of the Growth and Stability Pact. Such action by the ECB might of course have political repercussions and for that reason the Bank may be reluctant to resort to it. The proposed new party, however, should clearly endorse the right of the Bank, as the independent guardian of financial stability in the eurozone, to employ this tool.

In fulfilling its principal task of setting 'one-size-fits-all' short-term interest rates for the eurozone as a whole, the ECB faces further special difficulties. In a eurozone whose constituent economies have not yet fully converged, and where national rates of inflation are subject to different influences and may vary substantially, the Bank cannot focus simply on the average rate of inflation in the zone as a whole. In

judging the outlook for overall price stability the ECB has to assess developments in the member countries individually and in doing this it has to consider in particular the extent to which any inflationary or deflationary pressures in the larger countries might be transmitted across the zone's internal borders. Because of the uncertainties involved in these assessments the Bank needs to be able to exercise a large amount of discretion in setting policy. This suggests that the Bank's current inflation target – an average rate of below, but close to, 2 per cent – may be too restrictive and that a wider range of tolerance is called for.

Given also that the ECB attaches great importance to quantitative monetary developments it is clear that, even if it confines itself to its primary task of maintaining price stability and ignores suggestions that it should concern itself also with economic growth and employment, the Bank's decision-making has to be based on a great deal of economic analysis and on the exercise of a great deal of judgement. For that reason its decisions are also likely to be controversial and it is natural and desirable that they should be subject to debate. To enable that debate to be a constructive one, however, more needs to be known about how the Bank makes its decisions. The new party, therefore, ought to support the suggestion that the ECB, like the central banks of the USA and the UK, should publish the minutes of its rate-setting deliberations, something which it has so far refused to do. This would facilitate public discussion and, if necessary, criticism of the Bank's policies without in any way compromising its independence.

To conclude the discussion of economic and social policy something must be said about the Union's **budget** and the related issues of the CAP and the system of regional aid, which together account for nearly four fifths of total expenditure. The wrangles that marked the negotiations over the Union budget for the period 2007-2013 showed the need for fundamental reform not only of the way the Union raises the money it requires but also of the way it spends it. Apart from meeting administrative costs, spending from the Union's budget should have only two purposes. One is to finance activities which are in the common interest of all member countries and which need to be centrally planned and executed. This category of spending includes, for example, research and development expenditure designed to enhance so-called 'competitiveness' of the Union's economy, as well as the Union's foreign aid outlays. One day it might include certain kinds of defence expenditure. The other category of justifiable Union spending is that of solidarity spending, whose purpose is to assist economically weak or poorer member countries to catch up with the others and which would normally be earmarked for specific infrastructural or social projects.

The payments to the new East European member countries provided for in the budget for 2007-2013 clearly fall into the category of solidarity spending. On the other hand payments made to rich member countries under the Union's regional aid system obviously do not. The same must be said of subsidies paid to farmers under the CAP, since the main beneficiary of these payments has always been and will continue to be, France. The original justification for CAP spending, which in principle has been capped, but in practice also fixed, until 2013 was essentially that it fell into the first of the above categories. There is no doubt that the CAP arrangements, which originally guaranteed prices for unlimited quantities of farm output and resulted in the creation of the notorious beef and butter mountains and milk and wine lakes, required central planning and execution. On the other hand a system that indiscriminately subsidizes rich and poor farmers in rich as well as poor countries can hardly be said to be in the common interest of the Union member countries. The reforms introduced in 2003 have eliminated some of the worst anomalies of the CAP arrangements, since payments are now linked to farm size and not to production. Nevertheless the basic anomaly, the fact that the main beneficiaries of CAP subsidies are large-scale farmers and farming enterprises that don't need them, still remains.

In face of widespread criticism of the CAP, its defenders stress two ways in which it purportedly serves the common interest of the Union member countries. One argument is that the system helps to protect the environment because recipients of farm payments have to respect certain environmental rules. However, the enforcement of such rules (as distinct from their elaboration) is entirely the responsibility of national governments. The other argument is that the CAP plays an important role in enhancing European food security. In answer to this it must be said that the consolidation of small farms and further moves towards large-scale (capitalist) farming would do far more to enhance food security than any amount of payments under the CAP.

In view of the above-described anomalies the new party should seriously consider two radical proposals for budgetary reform. One is that both the CAP and the system of regional aid should be replaced, as suggested earlier, by a revised system of transfer payments based on the principle of solidarity. These re-targeted payments should be directed exclusively towards providing longer-term assistance to poorer member countries, or short-term help to countries which are temporary losers in the process of economic integration. In the former case they might of course be used for supporting the incomes of poor farmers as well as for other purposes such as infrastructural improvements; in the latter case the payments might help to finance the re-training of displaced workers.

Negotiations over direct national contributions to the Union's budget, in which governments naturally take into account their positions as net contributors or net recipients under the present system of transfer payments, are usually very difficult. For that reason the second proposal is that the Union should be directly provided with its own resources, out of which it would finance the spending authorized by governments. This would require the levying of a European tax, which would have to be very carefully designed. One possibility is that it might take the form of a standard add-on to existing national rates of value-added tax. This would be a simple solution but not one which would easily win popular acceptance. To gain this, any Union-wide tax would need to be, if not a progressive tax in the strict sense, at least one which fell mainly on those best able to bear it. An alternative therefore might be a special European sales tax on selected high-value goods and/or services. The amount of revenue to be raised by this and/or any other kind of European tax would greatly depend on the size of the solidarity payments decided upon and agreement on this and on the tax would obviously be difficult to achieve. If reached, however, it would help prevent future wrangles over national budgetary contributions and at the same time, by enhancing the re-distributive character of the revised system of transfer payments, it could add a truly social dimension to the European project.

2. Institutional Evolution

When the new party has decided on the positions it will take in the policy areas just discussed, it may find that its views are shared to varying extents by some of the national parties represented in the European Parliament. What will distinguish the new party from all national parties, however, will be its advocacy of change in the way the Union works. As argued in 'Unifying Europe (1)', the Union will not be able to fulfil its purpose unless its decision-making arrangements undergo a further limited evolution, beyond what is provided for in the proposed constitution, in a federalist direction. The claim that governments would never agree to any such development is one that pro-Europeans should ignore. Democratic governments have to respond to democratic pressure and the proposed new party could play a crucial role in generating and applying such pressure. However, in its electoral and pre-electoral campaigning the party would have to make clear what its proposals were in this regard so that, if and when it obtained a majority position in the Parliament, on its own or in alliance with representatives of other parties, it would have a clear mandate to press for their implementation.

The first stage of the necessary institutional evolution has to be a change in the composition and character of the European Parliament, so that instead of being a conglomeration of representatives of some 168 national parties (in 2006), elected on the basis of the stances of these parties on national issues and interests, it becomes a body reflecting more accurately, and therefore more democratically, popular opinion across the Union on European issues and interests. A drive by the new party to gain representation in the Parliament would constitute, at least initially, the principal means of bringing about this change but if a rival Europe-wide party were to emerge the process would obviously acquire greater impetus.

It should be noted, however, that the further democratisation of the Parliament requires not only the emergence of one or more truly Europe-wide parties but also that elections to the Parliament be conducted on a common basis of proportional representation. It will also require that the number of parliamentary seats allocated to each member country be more closely proportional to populations than is the case at present. The proposed constitution in fact makes provision for such a change. If the arrangements prescribed therein were applied to the Parliament as it was constituted in 2006 (732 seats shared by 25 countries) then the six largest member countries - and especially Germany - would all obtain more seats while each of the other member countries would be allocated fewer seats. Both of these reforms should feature in the new party's programme.

Once the envisaged change in the make-up of the European Parliament has taken place to a sufficient extent there are a number of ways in which the Union's institutional evolution might proceed. All of them, however, would have to involve a strengthening of the Parliament's powers of co-decision, justified by its metamorphosis into a body reflecting more accurately the collective will of the Union's citizens. Co-decision is a term employed in the constitution and it should be interpreted as referring to two kinds of power the Parliament ought to possess. One is a right to make formal proposals of its own for legislation or for non-legislative action. The other is a right to participate in decision-making on any such proposals, whatever their origin. As matters stand at present the Parliament has no formal powers of the first kind at all, although it can adopt non-binding resolutions. A minimum necessary step in enhancing its powers of co-decision, therefore, is to grant it the same general right of initiative as that possessed by the Commission instead of the derisory power, provided for in the constitution, merely to request proposals from the Commission.

The Parliament does in fact possess certain powers of the second kind but these relate only to its right to enact legislation jointly with the Council of Ministers. Much more important is the need to strengthen the Parliament's role in policy-making in areas where legislation is not involved. In these areas, which include the entire fields of foreign and defence policy as well as much of the area of economic policy, the constitution provides merely for the Parliament to be regularly consulted and informed about basic policy choices considered, and ultimately decided, by the Council of Ministers. The entry into force of the constitution, therefore, would have the effect of ensuring that the Union's non-legislative decision-making processes remained essentially intergovernmental in character. Ironically, exactly the same effect would be procured by the implementation of a protocol to the constitution which calls for greater involvement of national parliaments in the activities of the Union. Although the proclaimed purpose of the protocol is to make the Union more democratic, its essential effect would be to create an additional channel through which national interests and concerns could influence the Union's decision-making.

While the idea that the Parliament should play a greater role in the Union's non-legislative decision-making processes enjoys much support among pro-Europeans, the question of how exactly these processes should be changed to make this possible has yet to be answered. The first proposal the new party should consider relates to decision-making in policy areas where qualified majority voting is already employed in the Council of Ministers. The revised procedure for such voting which governments agreed upon for inclusion in the constitution requires that a qualified majority should comprise at least 15 member states (as long as there are no more than 27 member states) accounting for at least 65 per cent of the Union's total population. This means that two separate ballots would in effect be rolled into one. In one ballot the ministers would be voting as equals with one vote each. In the other they would be voting with vastly differing block votes corresponding to the sizes of their countries' populations. As was pointed out in 'Unifying Europe (1)', the use of population size as a weighting factor has nothing to do with the views, known or otherwise, of the populations concerned on European issues. It is clear, then, that a more democratic alternative to this procedure for qualified majority voting would be one in which the second of the two ballots took place in the Parliament. The democratic superiority of this procedure (which effectively would give the Parliament a power of veto) lies not only in the fact that the Parliament represents the populations of the member countries directly (and would represent their views on European issues more accurately if it were constituted in the way proposed above) but also in the fact that it would examine and debate the issues concerned before voting on them.

There are, however, two reasons that governments might have for resisting this proposal. One might be simply a desire to preserve the strictly intergovernmental character of the voting process, so that voting outcomes continue to be determined solely by intergovernmental manoeuvring and bargaining. The other possible objection to the proposal would be a more democratically legitimate one. In a fully federal system the constituent states have equal representation, and equal voting power, in the upper house of the legislature, whatever the sizes of their populations or economies. The Council of Ministers, however, is not the upper house of a federation and the interests of the member states have not yet converged to the extent necessary to make equality of voting weights acceptable in any important areas of decision-making. In particular the largest member states, which differ sharply in size from all the others, might justifiably have some concern about the possibility that, under simple majority voting in the Council of Ministers, they might be outvoted by a majority consisting entirely of small states. For that reason, in the proposed new voting system requiring a double majority of governments and Parliament it may be necessary to provide for some form of weighting of the governmental votes. An acceptable weighting formula for a 27 member Council might not have to be an elaborate one. It will be readily seen that under a simple arrangement which gave 7 votes to each of the six largest countries, 2 votes to each of the eighteen small to medium-sized countries and 1 vote each to the three very small countries (Cyprus, Luxemburg and Malta), the 'big six' could never be collectively outvoted, even by a combined vote of all the other twenty-one member countries. Conversely, since a weighted majority would still have to represent a majority of governments, the 'big six' would never be able to impose their collective will on the other states. Obviously, however, a more elaborate system, incorporating perhaps a higher majority threshold as well as different voting weights, might have to be designed before governments would be prepared to share their power with the Parliament in the way suggested.

If the role of a more democratically constituted Parliament was enhanced in the ways proposed above, some consequential changes would become necessary in the ways the Union's institutions function and interact. In the first place the Parliament would have to change the way it organised itself and conducted its business. Most importantly, it would need to be endowed with two high offices in place of the single office of President as at present. One would be a politically neutral office of Speaker, the holder of which would have the task of presiding even-handedly over the Parliament's debates and managing its business. The other would be a substantive political office, the holder of which would personify the Parliament's enhanced role by articulating authoritatively its majority views and positions to the public and to

heads of government. While the holder of the office would be elected by the Parliament as a whole, he or she would in effect be a majority leader and ought to have the same right as the President of the European Commission to participate in meetings of the European Council. Endowed with a suitable title, the person concerned might in fact be an appropriate one to preside over the Council.

The person elected to this parliamentary high office would also have to appoint sectoral policy spokesmen who would participate in meetings of the Council of Ministers. Their task would be to present and explain the majority views and proposals of the Parliament to the Ministers and to report back to the Parliament on the positions of the latter. In doing this they would be playing the same role as that envisaged for representatives of the Parliament in the 'Conciliation Committee' provided for under the ordinary legislative procedure laid down in the constitution.

To enable the Parliament to play its strengthened role some change would also be needed in its relationship with the European Commission. As already mentioned, the Commission is part government and part civil service but if, as envisaged, it is obliged to share its role as chief driver of the European project with the Parliament then it will have to become somewhat less of the former and more of the latter. For example, while retaining its own powers of initiative, the Commission would be obliged to serve the Parliament, as well as member governments, by providing information, technical advice and analyses on request. In practice the Commission would continue to manage the European project but its role in directing it would become subordinate to that of the Parliament.

Implementation of the reforms so far proposed would do much more than simply make the Union's decision-making in the mainly economic areas already covered by qualified majority voting more formally democratic. The starting up of a true political life in the Union, together with the enhancement of the Parliament's powers, can be expected to change the nature of the decisions taken in these areas by causing them to be influenced to a much greater extent by popular opinion. At the same time the greater democratic legitimacy of the decisions taken might enable them to be accepted more easily even by those opposed to them. There would still remain, however, the problem of decision-making in the policy areas covered by the unanimity rule. As long as this continues to apply in the fields of foreign, defence, security and budgetary policy it is unlikely that the Union will be able to fully achieve its political purpose. The problem will be a particularly difficult one to overcome, since any relaxation of the rule in these areas would represent a bigger step in the

direction of federalism than would implementation of the proposal relating to qualified majority voting, which would simply give the Parliament a stronger role in decision-making in areas where governments have already agreed to share sovereignty.

Nevertheless, despite the strong opposition to the idea likely to be encountered from some governments, the new party should advocate that the proposed new system of qualified majority voting, involving the Parliament as well as governments, should be applied also in any decision-making which is crucial for the achievement of the Union's purpose but which is in an area covered at present by the unanimity requirement. The possibility of overcoming governmental resistance to this idea would of course depend on whether the new system had already been adopted in the less sensitive policy areas and had proved to be capable of working successfully in these areas. It would further depend on whether enough Union-wide popular support for the proposal could be won to outweigh objections from opponents that it would involve too great a surrender of national sovereignty. This is one reason why the term evolution has been employed in this paper to describe the path that needs to be followed in the Union's institutional development.

In the context of a European political life which it would itself help to generate, the new party should urge that the Union's decision-making arrangements be reformed along the lines suggested above. Political realities are likely to be such, however, as to oblige the party, in the short term at least, to be prepared to support less ambitious institutional reforms, so long as these would enhance the ability of the Union to fulfil its purpose. With regard to the strengthening of the Parliament's powers of co-decision, the minimum objective of the party should be the establishment of formal arrangements for the Parliament's majority view to be presented and argued in the European Council and Council of Ministers. The majority voice of a Parliament democratically constituted in the manner proposed would have to be heeded by governments and could influence intergovernmental voting outcomes. Where unanimity was required that voice might carry enough weight to clinch consensus on proposals the Parliament supported or to prevent it on others it opposed.

As regards the problem of decision-making in areas where the unanimity rule continued to apply, the party would also have to consider what its attitude should be to two proposed arrangements by which the constraining effect of the rule could be modified without completely abolishing it. Each of these arrangements has found some support in pro-European quarters and both are based on the provision included in the constitution which allows for 'enhanced cooperation' among member countries,

comprising at least one-third of the member states, which wish to proceed with integration in certain areas faster than the Union as a whole. One proposal is for a so-called 'two-speed Europe', in which a core group of like-minded member countries would proceed further and faster with political and economic integration than the rest of the Union. However, a core group of states with the ambition to play a leading role within the Union in this way would need to consist of a substantial number of countries, with substantial collective weight, among which intergovernmental unanimity on sensitive issues would always be easily achieved. There is no reason to believe that any stable group of such countries could currently be constituted and every reason to believe that an attempt to create one would engender much tension and friction within the Union.

The other proposal is a much more sensible one for adoption of the principle of so-called 'variable geometry'. Application of this principle would enable a Union decision at present requiring total unanimity to be adopted by a substantial majority of member governments, on condition that any dissenting government would be allowed to opt out of any action, commitment or expense that acceptance of the decision entailed. The principle has already been applied, it will be noted, in connection with the introduction of the single currency. In contrast to the creation of a two-speed Europe, application of variable geometry would not destroy the Union's integrity and any decision from which some countries opted out would still have the status of a Union decision. For governments, moreover, variable geometry is likely to be a more acceptable alternative to complete unanimity than a two-speed Europe and, in the short run at least, its application may be the only politically feasible way in which the unanimity rule can be circumvented. In that case, therefore, the new party should be prepared to accept the principle. Hopefully, however, as Europe's economic and political integration progresses and the sense of solidarity among its citizens grows, it may eventually become possible for qualified majority voting in its proposed more democratic form to be applied unconditionally in all areas of Union decision-making.

Conclusion

If a true Europe-wide political life were started up, variants of or alternatives to the above proposals for the Union's institutional development would no doubt emerge and have to be considered. That is another reason why that development needs to proceed by evolution and not by constitution. The key to progress will be the creation of the new party. If, after it has been successfully launched, the party can achieve a substantial presence in the European Parliament then a range of new political and institutional options will naturally emerge. It is on the working out of this process, rather than on the probably doomed aspiration for a European constitution, that pro-Europeans in the United Kingdom and throughout the rest of the European Union should now concentrate their efforts and interest.

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