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European Newsletter

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This monthly Newsletter monitors and analyses institutional and political developments in the European Union. Regular features will focus on the rotating EU Presidencies, any developments relevant to the future of the European Constitutional Treaty and other news from the European Union's institutions. This Newsletter follows earlier series which have offered UK perspectives on the debate about the EU Constitutional Treaty. It is designed to offer contrasting views on a number of different policies and questions. Back issues are available at www.fedtrust.co.uk/european_newsletter.

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1. Editorial: Presidency, what Presidency?

When the British government started to think in the middle of last year about its forthcoming Presidency of the European Union, it painted to itself an optimistic picture for its running of the Union in the later half of 2005. By 1st July of that year, reasoned the New Labour strategists, the government would have won a further term in office, and a reinvigorated administration would be able to use its Presidency to give a firm and successful lead to the Union. The six productive months of the Presidency would serve as an ideal launching-pad for the referendum on the European Constitution which would be held in the United Kingdom during 2006.

As all the world knows, the first part of these expectations came to pass in the General Election of May, but the reelected Labour government has found its Presidency of the Union much more contentious and frustrating than it had hoped. Long before it took up the Presidency, it had concluded that the hastily-promised referendum on the European Constitutional Treaty was probably unwinnable anyway. In consequence, it was with an audible sigh of relief that the British government was able to use the negative votes on the Constitution in France and the Netherlands as a (perfectly reasonable) opportunity to postpone indefinitely a promised vote always based at least as much on political calculation as on principled commitment.

The Federal Trust for Education and Research

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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.

Even had the French and Dutch referendums had a different result, the aspirations of the British government were probably always exaggerated. There are risks as well as opportunities attaching to Presidencies of the European Union, particularly for big countries, which do not enjoy through the Presidency the sudden accretion of international prestige from which smaller member states of the Union benefit when it is their turn to act as President. Indeed, it can sometimes be to the disadvantage of the country holding the Presidency if a contentious issue arises during its time in office, in which it is itself a major participant. The country holding the Presidency is required by convention and practice to seek compromise even at the cost of its own short-term interests. A British government which increasingly since 1997 has spoken the language of 'red lines' and 'non-negotiable positions' was always likely to feel particularly acutely the contrast between its own robust advocacy of perceived national interest and the need to act as arbiter and umpire from the vantage-point of the Presidency.

Two difficult questions have presented themselves to the British Presidency, in both of which the British government has its own distinctive position to defend, the European budget and the Union's response to the negative referendum votes in France and the Netherlands. It had been clear for many months that the first of these questions would probably fall for discussion and possible resolution to the British Presidency. It was surprising that the British government seemed so unprepared for the concerted attack on its budgetary abatement mounted by all its partners during the last European Council of the Luxembourg Presidency. The bitterness engendered by that meeting will make any progress on the matter much more difficult under the British Presidency. It was presumably the hope of the British government that President Chirac, weakened politically by the result of the French referendum, would not press his well-known view that the British abatement from its contributions to the European budget was no longer justified. In the event,

President Chirac put his case on the British abatement to the June European Council with great vigour and success. A resolution of the issue which can be presented by the British government as a 'success' of its Presidency does not seem in prospect before the end of the year.

The question of the Union's reaction to the death of the Constitutional Treaty is at the same time a more complicated and more illuminating one than the simply financial issues of the European budget. The first months of the British Presidency were conceived by the June European Council as constituting a 'pause for reflection.' They have indeed constituted a pause, but little reflection seems to have taken place. Mr. Blair's well-received speech to the European Parliament might have served as a stirring introduction to a period of genuine debate and controversy on the European Union's institutional and political future. The nearest approach to any such debate envisaged by the British Presidency is the European Council called for later this month to discuss the 'European Social Model'. This is well-trodden ground, in which the significant areas of agreement are sometimes occluded by the less significant areas of disagreement, which for internal political reasons some French and some British politicians enjoy stressing. Given the only marginal responsibility of the European Union for the central questions of social policy, little useful can be expected to emerge from this summit. Above all, it cannot possibly answer the pressing question of what procedural steps, if any, the European Union should now take to continue the debate on institutional reform initiated at the Laeken Council of 2001, continued by the European Convention of 2002 and 2003 and culminating in the Constitutional Treaty of 2004. This debate, which the Union member states said was so important, has now stalled. On the face of it, the British Presidency is the obvious body responsible for co-ordinating the Union's response to this stalemate.

No doubt the administrative aspects of the British Presidency will be well conducted for the rest of the year, and

the British government will be understandably relieved that it was able to open the formal negotiations on Turkish accession earlier this month. But a strong and growing impression surrounds this Presidency that the British government is simply looking to conclude it as efficiently and inconspicuously as possible, with the minimum amount of political difficulty arising from it, particularly in the United Kingdom. This impression is wholly consistent with the important evolution which has taken place in New Labour's attitudes to the European Union over the past six months, during which Mr. Blair effectively ruled out indefinitely a British referendum on the euro and Mr. Straw was the gleeful undertaker at the funeral of the European Constitution. In the thinking of New Labour, Europe always occupied a less central and emotionally compelling role than Mr. Blair and (ironically) his political opponents liked to pretend. The moderately pro-European stance of the New Labour government was always at least partly dictated by the desire to exacerbate divisions on Europe within the main opposition party, the Conservatives. With the final victory of Euroscepticism in the Conservative Party, such divisions no longer provide a point of vulnerability for New Labour to attack. Future historians may well conclude that the British Presidency of 2005 was the moment at which New Labour reality and New Labour rhetoric finally came into harmony. For the rest of Mr. Blair's period in office and that of his likely successor Mr. Brown, Europe is not likely to be an issue of great interest or concern to either of them. The likely course of the rest of the British Presidency will probably reflect this change. It will be for the Austrian Presidency to see whether it can be any more effective in 2006.

Brendan Donnelly
The Federal Trust

2. The EU and Turkey - the start of a new relationship?

Thanks to the old EU practice of stopping the clock, Turkey and the British Presidency just managed to launch the Turkish accession negotiations before the stroke of midnight on Monday October 3rd. The next formal step in Turkey's accession process will be the beginning of screening, due to start on October 20th.

Just three hours before the Turkish Foreign Minister, Mr Abdullah Gül arrived in Luxembourg, it was still unclear whether the talks would actually start. Austria, which wants to see 'privileged partnership' included in the Negotiating Framework for Turkey, hung on until the very last moment, long after all other countries, including Cyprus, had fallen into line. Some observers thought this last-ditch opposition, challenging a Council decision, was effectively a breach of the *acquis communautaire*.

There was general relief that a breach with Turkey, with possibly momentous consequences, was averted but little rejoicing. In Turkey, commentators said wryly that people must decide whether the glass was half full or half empty.

There are some grounds for optimism. Turkey has had a fully functioning customs union with the EU since 1996, a stage along the way in an Association Agreement aimed at full membership which was signed in 1963 and re-affirmed on several occasions. Legally there are no grounds for doubting Turkey's eligibility in principle for accession.

The Customs Union, which is basically a *Zollverein* designed with political integration in mind rather than just a free trade agreement, would mean under other circumstances Turkey have a flying start in negotiating the 35 'Chapters' or headings under which it will adopt the *acquis*. Despite press mutterings about Turkey's economic backwardness, the country is already a regional economic power and likely to move up the OECD league table over the next decade. Several think-tanks

have reported that in economic terms, Turkish EU accession will have 'small but positive' effects for both sides.

But the Negotiating Framework Document over which the British and Austrians argued for so long makes bleak reading for the Turks. Though it does not mention 'privileged partnership' its tone is severe and unwelcoming. The negotiations are described as 'an open-ended process, the outcome of which cannot be guaranteed beforehand.' There are also repeated references to possible backsliding on human rights issues. Strictly speaking these conditions are not unique: they were implicit in all previous negotiations. But none of them appears to have had such a downbeat public framework for negotiations.

The muted tone reflects serious unresolved political obstacles. One of the biggest is Cyprus. The EU has now effectively aligned itself with the Greek Cypriot position and wants full Turkish recognition of the Republic of Cyprus, a shift triggered by Turkey's statement in August when signing the protocol on the 2004 enlargement that it recognised Cyprus only as an EU member and stopped short of full recognition.

Turkey now insists it will recognise the Greek Cypriots only after a full settlement has taken place. At present there is no sign even of negotiations taking place and with the Greek Cypriots holding all the cards, the Turks and Turkish Cypriots are unlikely to find it easy to accept the term they are offered.

Opposition to the principle of Turkish accession inside the EU is probably an even bigger problem. EU citizens are suffering from 'enlargement fatigue' after the absorption of the Ten in 2004 and effects on labour markets in central Europe are aggravating fears about what the accession of Turkey could mean.

Others continue to find the idea of a large Muslim country in the EU unacceptable. Turks, accustomed to think of themselves as predominantly secular, now find that they are viewed by both their friends and enemies in the

EU through a prism of islamcity, Defenders of the Turkish accession in Europe talk of the positive effects of absorbing a Muslim country.

Christian Democrat politicians in France, Germany, and Austria are staunchly opposed to Turkey's candidacy—and they appear to be backed by senior members of the Catholic Church who openly expressed reservations about Turkish accession immediately after the talks began.

Accession negotiations are expected to last for ten to fifteen years, though a breakdown, possibly even as early as under the Austrian presidency in the first half of 2006, cannot be ruled out. Provided Turkey's rapid economic growth continues (GDP expanded by 9 per cent in 2004), most economists forecast that by 2015 the question of EU membership will look very different as the country starts to move upwards in the OECD league tables. But growth could depend on attracting investors from the EU.

An EU rupture with Turkey would probably lead to lasting unfriendliness, acute bilateral problems (including perhaps new disputes between Turkey and Greece), and difficulties for the EU in the Black Sea, an area whose political and economic importance is likely to rise, and a general loss of EU credibility in the rest of the world. So for the moment the priority is just to keep the show on the road.

David Barchard

3. News from the institutions

Broadly stated, the three most important challenges currently faced by the EU concern further enlargement, the budget and the Constitution. There was movement in all three areas over the past weeks.

Turkey's accession talks finally began, almost as scheduled, on 3 October, but only after many hours of tough negotiations in Brussels. These had been prompted by Austrian demands that Turkish accession to the

EU should not be inscribed into the Negotiating Framework Document as a goal explicitly shared by both parties. Instead, the Austrian government wanted the negotiations to be much more clearly open-ended. Finally, however, the EU managed to reach a compromise, with Austria accepting a strengthening of a clause stating that Turkey can only join if the EU has the capacity to absorb this large, agricultural country. This led EU enlargement commissioner Olli Rehn to joke that indeed everyone's 'absorption capacity' had been tested by the end of the emergency summit. The difficult negotiations before talks could even begin point to a long and stony path for Turkey until it can be part of the EU, probably culminating in challenging referendums in France and other countries.

When EU heads of state and government meet informally on 27 October at Hampton Court, they will certainly remember the acrimonious breakdown of discussions on the budget at their last meeting in June. This meeting, to last only one day, is meant to concentrate on the future of the EU's social model. As the UK Presidency puts it officially, EU leaders will consider 'how to maintain and strengthen social justice and competitiveness in the context of globalisation'. The short meeting will also debate Europe's foreign policy and the internal security.

At the meeting, Commission president José Manuel Barroso will present a contribution on the sustainability of the welfare states in the EU. At a press conference on 21 September, he hinted at what his contribution would contain. 'There is no single European model', he argued, adding that 'discussion of the respective merits of the different models is not an end in itself'. Instead, Europe needs to confront the challenges of increased globalisation, high unemployment and an ageing population by modernising its economic and social models. According to Mr. Barroso, the answer to these challenges is more flexibility in Europe.

A similar sentiment was expressed by the prominent Belgian economist

André Sapir in a paper presented to the meeting of finance ministers and central bank governors in Manchester on 9 September. He stressed that the direct role of the EU in labour markets and social policy is, however, quite small. Responses to these challenges thus need to be primarily national.

It seems that the budget debate will not be completely ignored at the informal meeting in October. The Commission has recently reaffirmed its commitment to reach an agreement by the end of the year, and EU Budget Commissioner Dalia Grybauskaitė has said that she has 'no idea how it is possible to avoid [the budget] in discussions about the future of Europe' (*The Guardian*, 23 September). Mr. Barroso has also recently proposed a new 7 bn euro fund, which would help countries fund worker training programmes in order to combat high unemployment. The UK's low-key approach to discussion of the budget has been criticised. Valéry Giscard d'Estaing has commented acerbically that the British presidency had so far contributed 'practically very little' to the EU agenda, while *Le Figaro* quotes one Brussels official as saying, 'The British presidency, you don't see it, you don't feel it. It's very curious' (*The Guardian*, 22 September).

In his press conference on 22 September, Mr. Barroso also argued that it is simply a fact that 'the Constitution is not going to be ratified in the near future'. However, this should not be a reason, he said, to 'succumb to paralysis'. He added that the energy of the EU should not be focused on what he termed 'institutional questions'. Instead, the EU must address the questions that really concern people's lives, such as economic growth and internal security. As part of this focus on the EU's essential agenda, Mr. Barroso announced on 27 September that the Commission would withdraw 68 proposals that it now deemed to have a negative effect on competitiveness. Some proposals were also withdrawn as they were unlikely to pass and were thus clogging up the law-making system. Better regulation is presented by the Commission as one

way of making the EU more palatable to the people.

Some MEPs, however, are not quite willing to give up on the Constitution just yet. Andrew Duff and Johannes Voggenhuber are drawing up a report - possibly in time for the December plenary session - on how to proceed with ratification. Mr. Duff has suggested that there could be an initial treaty next year that would contain only those points in the Constitution that are not disputed. A new convention could then re-examine Part III of the Constitution, that is, the part focused on EU policies. The process would culminate in a referendum in 2009 on the same day as the European Parliament elections. A shadow report is being prepared by Alexander Stubb, a Finnish Centre-Right MEP. In general, it seems that several MEPs feel that the Parliament should now take the initiative in re-starting the constitution-making process. Given that there are so many other debates as yet unsettled in the EU, negotiating a new constitution is not likely to be at the forefront of European leaders' minds over the coming months.

Markus Wagner
The Federal Trust

[Mr. Barroso's press statement, 21 September](#)

[André Sapir's report 'Globalization and the Reform of European Social Models'](#)

[The Guardian, 23 September, 'Blair criticised over 'invisible presidency''](#)

4. The European debate in the UK

This month was party conference season in the UK, events that are opportunities for British party leaders to communicate with the public as much as with their closest supporters. Considering that the EU has suffered a very public crisis since June and that the UK holds the EU presidency, there was remarkably little discussion of the European issue at the party conferences.

Prime Minister Tony Blair's most noteworthy comment on Europe in his

conference speech on 27 September was that the UK is 'a country today that increasingly sets the standard: not for us the malaise of France or the angst of Germany'. Later in the speech, he said that the UK needs to balance a clear commitment to the EU with an agenda of reform from within. Isolation from the EU, he argued, 'is just a crazy policy for Britain in the 21st century'. In his speech a day earlier, Chancellor of the Exchequer Gordon Brown expressed similar sentiments, stating there 'will be no retreat into anti-Europeanism because, unlike the Tories, we see British engagement in an outward-looking, reforming Europe as essential for Britain's future'.

At the Conservative party conference, the EU was raised only by those who criticise it. Thus, Liam Fox - in the running for the Tory leadership - stressed his scepticism on integration in his speech on 5 October. Like Tony Blair, he sees mainland Europe as weakened: 'Europe is becoming economically stagnant [and] that is bad news for Britain because it will damage our prosperity', he argued. 'The EU is locked in the past', he continued. 'We need an agenda for the 21st century.' However, his proposal for a renewed Europe differed from that offered by the Prime Minister, as he suggested a re-nationalisation of powers instead of pledging support for the Union. 'We need to break away from the concept of 'ever closer union'', Dr. Fox said, adding that 'the Conservative Party should never accept that Britain's destiny lies in a United States of Europe'. His EU would be 'decentralised, outward-looking and competitive', with 'fewer regulations and powers brought back to the nation states'. In order to achieve this, he said, the Conservative Party should leave the European People's Party and set up its own 'pro-market, non-integrationist and Atlanticist' group in the European Parliament. These critical statements were not opposed by more europhile rhetoric: Kenneth Clarke, former Chancellor and another contender for the leadership, did not even mention the word 'Europe' in his speech on 4 October. His pro-European views are well-known and, if expressed,

would not have found much support among Conservative delegates. His current strategy is to hope that the party will consider the EU as a non-decisive issue in the choice of leader.

Over the past year, the leadership of the Liberal Democrats has been trying to craft a stance on the EU that is less unconditionally pro-European and closer to Labour's position. At this year's conference, the leadership's attempt to have this tougher stance approved by party members was foiled by the conference delegates. On Monday 19 September, a motion on 'The Future for Europe' was amended to remove demands for a spending cap on the EU budget.

The original passage called for the 'maintenance of the cap of 1 per cent on the budget until radical reforms in the budget have been achieved'. The amendment, proposed by conference delegates, changed this to a call for the 'setting of a budget that enables the EU to meet its key domestic and global objectives, including the building of a dynamic and environmentally sustainable European economy promoting innovation, employment and social cohesion'. The amendment also changed the originally critical text on the Common Agricultural Policy to one calling for a CAP that 'safeguards the rural economy while increasing trade opportunities for developing nations'.

The amendment was clearly carried. According to a report in *The Guardian*, the vote opposed MEPs, councillors and activists against the Westminster establishment, with the main issue being the level of aid to poorer regions such as Wales. The amendment thus received strong support from the Welsh Liberal Democrats. The result was a clear defeat for the party leadership and in particular for Charles Kennedy, who has shown that his policy position does not automatically carry weight with party members. In response to the vote, *The Guardian* quotes Vincent Cable, the party's Treasury spokesman, as saying that 'the only people who will draw comfort from this are Eurosceptics' and accused those who tabled the amendment of 'an ostrich tendency'.

For both Conservatives and Liberal Democrats, then, the EU issue reflects national divisions. In the Liberal Democrats, Europe opposes a leadership striving for the centre ground to a party rank-and-file that maintains its traditional pro-Europeanism but is also attracted to statist responses and left-wing solutions. Within the Conservatives, the EU is a test of whether the Party will choose ideological consistency or political pragmatism. While not the most publicly debated issue at party conferences, Europe as a political issue remains rather illuminating of party political conflicts in the UK.

Markus Wagner
The Federal Trust

[Speeches at the Labour Party conference](#)

[Full text of Dr. Fox's speech](#)

[The Guardian, 20 Sep: Leadership defeated on EU budget vote](#)

[The full text of the motion 'The Future of Europe'](#)

5. News from the Federal Trust

Recent publications

Policy Brief Nr. 15: The Euro and British Politics

By *Brendan Donnelly*

This Policy Brief discusses the role the single currency has played in British politics over the last decade, in particular the approach New Labour has taken to the subject. Available for download at www.fedtrust.co.uk/admin/uploads/PolicyBrief15.pdf or www.fedtrust.co.uk/policybriefs

'Social Europe - myth or reality?'

The report of a panel discussion held by the Federal Trust on 27th September 2005 in London, jointly organised with the European Programme at Chatham House, is now available for download at www.fedtrust.co.uk/admin/uploads/Social_Europe_Report.pdf or www.fedtrust.co.uk/events.

Forthcoming publications

Policy Brief No. 16: Democracy and legitimacy in the European Union

By *Dr Julie Smith, Senior Research Fellow, The Federal Trust*

This Policy Brief assesses the problem of the 'democratic deficit' in the EU. It argues that the emergence of a directly elected European Parliament has not led to resolve this problem and discusses how to improve the Unions' legitimacy.

'Flexibility and the Future of the Union'

This Federal Trust report is the outcome of a Working Group chaired by Sir Stephen Wall, former adviser to Tony Blair and former UK Permanent Representative to the EU. The report considers the question of a 'flexible' European Union from a number of differing perspectives, including conceptual, historical, national and regional approaches. It concludes that the European Union is becoming and will become a more differentiated organisation than its original founders hoped or expected. Depending on the policy area concerned, however, differing models and degrees of differentiation may apply.

Please contact ulrike.rub@fedtrust.co.uk for further information.

Forthcoming events

19 October 2005, 5.30 - 7pm, Brussels:

Flexibility and the Future of the Union.
Launch of the Federal Trust Working Group report.

With presentations by **Sir Stephen Wall, Alex Stubb MEP** and **Wolfgang Münchau**.

This event is organised in co-operation with The Centre. To register please email meet@thecentre.eu.com.

27 October 2005, 9.00-11.15, London:

Flexibility and the Future of the Union.
Launch of the Federal Trust Working Group report.

With a presentation by **Sir Stephen Wall**. Further speakers to be confirmed.

Please contact ulrike.rub@fedtrust.co.uk for further information.

7 November 2005: EU enlargement - where next?

An evening discussion organised in co-operation with Chatham House.

Email mark.spokes@fedtrust.co.uk for further details.

12 December 2005: The Lisbon Agenda

An evening discussion organised in co-operation with Chatham House.

Email mark.spokes@fedtrust.co.uk for further details.

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