

# **Reshaping Europe**

**Visions for the future**

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# Introduction

*Nick Butler*

This pamphlet, and its publisher, the Centre for European Reform, are the fruit of what could legitimately be called Generation E—individuals born since 1950 who take it for granted that when they talk about politics, culture, economics or security, Europe is their natural frame of reference. We do not start with a set of precise objectives, but with the belief that Britain must play a positive role in Europe, and also with a sense of restless discontent.

Discontent that the European Union has not yet come to terms with the fundamental changes of the last decade, notably the revolutions of 1989; and that, despite some positive signs, it remains far too tied to a model of centralised authority and selective protectionism, particularly in agriculture, that was designed in the 1950s and 1960s to unite western Europe against a threat from the east. Discontent, too, that the quality and scope of what passes for public debate on matters European within Britain denies our country and our generation a legitimate voice in the development of the continent.

The horizons of the Centre for European Reform run beyond the territory of the European Union, to the Europe of Oslo and Warsaw, Zurich and Dubrovnik. Politically, they stretch wider than the institutional structures of Brussels and Strasbourg. Our field extends to economic Europe, to the pattern of trade and investment which underpins wealth creation and employment. To the prosperous Europe of Dusseldorf and Milan, but also to the Europe of the unemployed and the dispossessed, in Brixton and Palermo. Our frame of reference takes in the Europe of security, defined a decade ago by impenetrable acronyms—SACEUR and SHAPE, ICBM and CSCE—but now identified by the sharper and more human realities of Mostar and Sarajevo. And it includes cultural Europe in all its forms—whether Cantona and Klinsmann, Oxford and Heidelberg, or ecstasy and heroin.

Pressure from elsewhere in the world is forcing many of these Europes to change. Competition from Asia and America is transforming once complacent attitudes to corporate performance and public regulation. Instability to the east and south, coupled with uncertainty over the depth of America's commitment to the defence of Europe, is setting the new security agenda. These various Europes are moving at different speeds. Cultural Europe, driven by television and technology, is already more unified than economic Europe, while both are more integrated than our political and security structures—which tend to move at the pace of the slowest member, too often Britain.

So many Europes, and so many issues unresolved. The future of the European welfare state, and how to make it compatible with a competitive economy. The geographical position of the security boundaries to the east, which we and others will be expected to defend. The challenge of social division, compounded by unemployment and the limits of social mobility. The role of taxation and transfers within a common market. The issue not just of the single currency, but also of its management and its parity against the monies of our international trading partners. The role of Europe in the world, and behind that the fundamental question of whether we will live in a continent which looks inward to its own welfare, or outward to wider opportunities and responsibilities.

All these issues are unresolved and in Britain almost undebated. But Europe's uncertain future provides opportunities. Far from being forced to accept a Europe in which structures and behaviours are already defined, Britain could shape the Europe in which we and our children will live. Could. The choice is ours, but the consequences of treating the continent with smug disdain have to be made clear.

Europe in all its forms will continue to develop, with or without Britain's advice and contribution. All the evidence of economic and cultural life suggests that development will mean further integration, greater trade and even more interdependence. In terms of security, Europe has already moved along that path over the last 50 years, with Britain a keen advocate of collective defence. There too, the pattern of events—such as France's *rapprochement* with NATO—suggest that ties which already exist will deepen; and that the Atlantic Alliance will spread its security umbrella eastwards.

In all these areas Britain is already engaged, to its considerable benefit. Only in the political arena does splendid isolation remain a serious option. But our vision (a grand word for a simple concept) is that Britain not only could but must be at the heart of each of the debates on Europe's future—politics included. Not as a sullen adolescent guest—too shy to dance, too nervous to leave—but as the heart and soul of the party; a good companion committed by instinct to make a worthwhile event even better.

This is the aspiration upon which the Centre for European Reform has been founded. We acknowledge the supreme achievement of the postwar generation in bringing together Western European nations in the cause of peace; but we are determined to go further and to reshape Europe in response to the needs of a new age. Our ambition is not only to broaden the debate on European issues within Britain, but also to build links across the continent and to join a wider debate on our common future.

Vaclav Havel wrote recently that the origins of the word Europe were linked to concepts of sunset and decline.<sup>1</sup> As he rightly said, it is time to prove that such a link was merely a figment of language, rather than a reflection of reality. We have to show that Europe is more than an idea with a great future behind it, and that the foundations laid over the last four decades are just the beginning. That is our challenge.

<sup>1</sup> Havel, *New York Review of Books*, June 1996

## The Europe we need

*Timothy Garton Ash*

Europe, for me, is not Brussels or Strasbourg, Euro-institutions, laws, officials—let alone, Euro-politicians. Europe, my Europe, is the old marketplace in Krakow, the gilded gloom of the Cafe Landtmann in Vienna, Berlin's Bahnhof Friedrichstrasse on a grey winter evening, mad Naples and suffocating Athens. It is so many remembered scenes, great and small: two hundred thousand people speaking as one on Wenceslas Square in Prague, one man speaking for a hundred million at Czestochowa, but also that small balcony on Rhodes, the eerie main street of Knin after Croat "liberation", or the Republican stall outside the Post Office in Dublin. Above all, it is Werner in Berlin, Laurens in Amsterdam, Helena in Warsaw, and many other individual men and women. My Europe, in short, is a mosaic of extraordinarily diverse and interesting places, memories, peoples and people: some that I like, some that I dislike, but to none of which I am indifferent. Diverse though they are, they are nonetheless all bound up in a single larger history, that of Europe.

Knowing Europe thus, it is impossible to be a Eurosceptic in the way that, say, the *Sun* or Lord Tebbit are Eurosceptic. But it is equally impossible to be happy with the way in which the "Europe" of the EU has developed and is currently proposing to develop. In fact, anyone who cares for the real Europe is bound to be deeply sceptical about what is being done in its name. Even before the end of the Cold War, there was a dangerous gap opening up between the real Europe below and the political-legal-institutional "Europe" being built from above by the over-regulated, bureaucratic implementation of policies negotiated between governments or demanded by lobbyists for special interests of all kinds, with little or no democratic control. Since 1989, however, the problem has grown much worse, as the EU has failed to respond adequately to the largest historical change in Europe since 1945.

Yet we cannot just tear up the EU and begin again. We have to start from



where we are. And any structure of institutionalised co-operation or integration in Europe is bound to be complicated and cumbersome, because Europe itself is so complicated and refractory. Out of the crooked timber of Europe no straight thing was ever made. The EU is the worst possible “Europe”, apart from all the other Europes that have been tried from time to time. Conservatives may recognise a classic piece of conservative political wisdom.

The fundamental arguments for this thing, EU-ropes (a Union in name but something much messier and less easily defined in reality) are three, in ascending order of importance. First, in some respects, some of the time, it helps us to defend or advance our interests better than we could on our own, because the member-states together can project more power than they could individually. Trade negotiations are the obvious example where that has been true. Second, a single market brings major economic advantages, although over-regulation, special interest lobbies, and the so-called “social” levelling-up of employment standards have also brought major handicaps. Third, it is a structure of permanent, institutionalised co-operation, which enables European states constantly to identify and pursue common interests and, usually, to resolve those conflicts of national interest that inevitably remain.

The first two of these arguments feature most often in British debate: “Europe” as world power (since we can no longer be a world power on our own) and “Europe” as common market. But the third seems to me much the most important. This requires a little explanation.

The advocacy of “Europe” is often associated with an optimistic, idealistic, even naive belief in human progress, through the benign automaticity of interdependence to a harmonious future of “ever-closer union”—itself sometimes assumed to be the realisation of some inner nature or even Platonic essence of Europe. There is indeed some such naive optimism about, although a good deal less than there was five years ago. My advocacy, however, starts from a diametrically opposed and deeply pessimistic premiss. I assume that this progress is neither automatic nor irreversible, and that Europe could still revert to its bad old ways of ceaseless and ultimately violent conflict between nations and states. But why say “could”? In the former Yugoslavia, it already has.

Now it is plainly wrong to argue that the European Union has, in itself, “kept the peace in Europe”. Inasmuch as the peace was kept in Western Europe until 1989 this was in the first place because of NATO and the Cold War stand-off between the nuclear-armed blocs. Since the end of the Cold War, we have seen the return of hot war to the eastern half of the continent. The EU has not prevented it; indeed, in the early part of the Yugoslav debacle, it did not even prevent the major West European powers pursuing different national policies towards Yugoslavia.

However, it has certainly helped. Without question, the process known as European integration has been both symbol and catalyst of the reconciliation between former enemies in Western Europe. Without question, the fact that our leaders, ministers and officials keep meeting each other all the time, and discuss at enormous length even quite trivial differences, helps to ensure that differences do not accumulate into major conflicts. Even in the painful case of policy towards former Yugoslavia, the still feeble post-Maastricht arrangements for co-operation in foreign and security policy, and the associated reality of intensive, habitual bilateral contacts, did eventually contribute to a less disunited, if not a more effective western policy. The EU is, and will almost certainly remain, less than a real Union, but it is significantly more than just a United Nations for Europe—and, for that matter, much more than the Organisation for Security and Cooperation in Europe, which is barely even an organisation.

I have heard Dr Alan Sked blithely argue that we don’t need the EU to keep the peace in Europe, since what keeps the peace is the fact that our states are all democracies (Immanuel Kant is thus pressed into the service of the UK Independence Party.) Now there is an important point here. Historically, we have never yet tried a Europe consisting entirely of democratic nation-states. Maybe it would work. But I wouldn’t count on it; and anyway, we are not there yet. A good third of the continent has, at best, very fragile democracies in unstable states. And it is precisely to “Europe”, to the prospect of membership of the EU (and of NATO) that these new states look as one of the crucial ways to stabilise and strengthen their democracies, just as Spain, Portugal and Greece did in the 1970s and 1980s. It may be a paradox that they look to something largely undemocratic (the EU) to strengthen their own democracies, but life is paradoxical. And the alternative in this part of the world, in Central and

Eastern Europe, is the failure of democracy, ethnic conflict and war. In a word: Yugoslavia.

I said that this way of thinking about Europe is unusual in Britain, but it is far from un-British. In fact, it draws on a much older tradition of British thinking about Europe, one that looks at the continent, and our relationship to it, not primarily in terms of European unity, as in the continental idealistic tradition, but in terms of order. In my view, the vital attribute of the EU—more than its (disputed) economic advantages—is that it offers a framework of non-hegemonic order. And because this framework is non-hegemonic, and built, albeit undemocratically, between democracies, it is better, and has a better chance of lasting, than previous attempts to build European orders.

So much for the principles. What does this mean in practice? I have argued elsewhere<sup>1</sup> that what we should be doing is to propose a second project for the EU. This would consist of serious, detailed proposals for rapid eastward enlargement; and for a more closely co-ordinated foreign and security policy, to equip us to deal better with powers and crises mainly to the east and south of the EU—starting with Bosnia, which is very far from solved.

*<sup>1</sup> See my article  
in Prospect,  
June 1996*

Rapid eastward enlargement requires innovative approaches to relations with the candidates for membership. For example, why not think about them participating in the second and third “pillars” of the EU (that is, those which cover foreign policy and judicial affairs) sooner than in the first? It also requires preparatory institutional reform of the present Union—something the current IGC is doing in theory, but hardly in practice—so that an EU of 20, going on 30, member-states will not be completely paralysed. Even if this does not necessarily require an extension of the policy areas covered by qualified majority voting, it necessarily implies a further reduction in the blocking power of any individual state. For instance, co-ordination of foreign and security policy requires a quite different mechanism, which I have described as qualified minority action. That is, a way in which all the member states can authorise a minority of interested and willing states to act in a particular conflict or area, with or without a “Mr EU-rope” on the job.

The devil is, of course, in the detail, and in anything to do with the EU the detail is particularly devilish. However, that is not the main problem. The problem is political, and twofold. First, there is already another major project underway, that of monetary union. Second, in the present climate anything Britain suggests will be looked upon with suspicion, just because it comes from Britain. In particular, proposals for enlargement, combined with scepticism about monetary union, will be seen as a crypto-Thatcherite design to dilute the Union—perfidious Albion trying to sabotage the European enterprise yet again.

If we were enthusiastic supporters of the first project, monetary union, and of the accompanying, so-called “political union”, it would be so much easier, politically, to win support elsewhere in Europe for the second project. But that, in turn, would be easier if the case for monetary union were more compelling. I think the doubts about monetary union (Will enough member states be ready for it economically? Will it split the existing EU rather than unite it?) are so substantial and well-founded that the government’s current position of wait and see, while quietly attempting to meet the criteria, is reasonable. What we cannot reasonably do is to steer a course dead against a project in which many of our continental partners have invested vast capital—political, economic and emotional—and then expect them to listen sympathetically while we explain what Europe should really be doing instead.

Here is our dilemma. I am not sure that there is any good way out of it. But I am sure that the best way to try is indicated in the title of this Centre: for European Reform. Reform—not uncritical support, not withdrawal, but reform. European both in the sense that we need proposals for the reform of EU-rope, and in the sense that the proposals should come from a wider range of Europeans, and not just from British Europeans. For certainly we shall get nowhere on our own.

## Resetting Europe's priorities

*Stephanie Flanders*

Japanese or American visitors to Europe often notice what an introverted place it can be. All that the Europeans really want to talk about, it sometimes seems, is their relationship with each other. The British press is filled with stories on party splits over Europe, while elsewhere the latest forecasts on which countries will qualify for economic and monetary union (EMU), and which will not, grab the headlines. Some of these visitors view this obsession with the "European Project", and EMU especially, as a smokescreen—so that European Union governments can hide from their failure to solve a host of domestic problems.

Most committed pro-Europeans, however, would put it the other way round, arguing that European states cannot sort out their difficulties except through common action. The experience of the post-war decades certainly supports that argument. The Common Market was far from perfect, especially when it came to lowering tariffs against third parties. But at its best it showed the world how multilateral trading agreements could prompt countries to give up the trade barriers they were not brave enough to scrap on their own. This helped the Common Market countries to achieve several decades of unprecedented growth in employment and living standards.

"Europe", of course, was and is far more than a free trade agreement. But whatever one wishes the EU to become, the nub of the argument for having it must be that its members can achieve more together than separately. In the mid-1990s the question all Europeans—federalists, Euro-sceptics and those in between—have to ask is whether that argument remains true. The answer to that question is a heavily qualified yes. There are important things that the EU can still accomplish in the years ahead. But it cannot achieve them without a fundamental rethink.

A well-informed outsider might suggest to the Europeans that they face three, crucial challenges on the eve of the millenium. Top of the list must

be unemployment. When EU-wide unemployment approached 18m in 1992—five times the number out of work in 1973—it was rightly

<sup>1</sup> *“Growth, competitiveness, employment,” European Commission, 1993*

regarded as a crisis. Jacques Delors wrang his hands and published a white paper on Europe’s faltering economic performance<sup>1</sup>, while the Organisation for Economic Cooperation and Development scurried to find solutions in a special jobs report<sup>2</sup>.

<sup>2</sup> *“Jobs Study: facts, analysis, strategies,” 1994, OECD*

To judge from the amount of attention this problem receives in the corridors of Brussels these days, one might imagine that unemployment had dropped sharply. But the OECD predicts that 18.8m EU citizens will be out of work at the end of 1996. Barely 70 per cent of men of working age will have a job, compared with around 85 per cent in the early 1970s. The rise in the number of employed women of working age—from 43 per cent in 1973 to 49 per cent in 1994—does not fully compensate for the loss of male income and security, and about a third of those working women have part-time jobs.

The received wisdom has been to blame unemployment on Europe’s rigid labour markets. The problem is supposed to be “structural” rather than cyclical. That word structural provides a host of alibis for the failure to do more to help the unemployed, and for the preoccupation with other issues such as EMU. Technically, the term means that economic growth alone will not solve the problem. This lets the Bundesbank and its tight-money policies off the hook. And since structures can only change slowly, the term also implies that we should not be surprised if efforts to tackle the problem take an awfully long time to work.

Many Europeans point out that each country’s intricate web of labour market practices and regulations took generations to develop; even in Mrs Thatcher’s Britain, neither these institutions nor the philosophy they represented disappeared overnight. And they say that even if we did decide to dismantle these systems, we might not like the results. American-style deregulation would perhaps increase employment—but at the price of declining wages in the lower half of the income scale, and of rising inequality.

All of these arguments contain a grain of truth. But they should not be

added together into one big truth, namely that all the possible solutions to unemployment are ineffective or unpalatable. For a start, probably only about half European unemployment is “structural”. Thus faster growth might eventually put 8-10 million people back into work. Of course that would take time, and there would be little point in pump-priming the European economy to unsustainable short-term growth rates, only to have to slam on the brakes more sharply than in the past. But it is self-evident that, if the EU economy had grown by nearly 13 per cent since the end of 1991, as the American economy has, rather than by a meagre 7 per cent, unemployment would be lower.

Equally, making labour markets more flexible is not going to make high unemployment a thing of the past. Recent studies by the McKinsey Global Institute<sup>3</sup> and the Centre for Economic Policy Research<sup>4</sup> suggest that, although rigid labour markets can explain a fair chunk of European “structural” unemployment, a large part of the blame—an equal share according to the McKinsey study—is due to a lack of competition in markets for goods and services.

<sup>3</sup> *“Employment Performance”* Nov 1994, McKinsey Global Institute, Washington DC

Even the seemingly straightforward trade-off between levels of unemployment and unskilled wage rates is now being questioned. The OECD admitted in its 1996 Employment Outlook that while continental Europe’s more rigid labour markets could explain why it has not had the same rise in inequality as the United States, they did not necessarily explain the Americans’ ability to create more jobs. One could have concluded as much from the British experience of the past few years. As the Bank of England pointed out in its August 1996 Inflation Report, the unusually large decline in measured unemployment since 1992 is due not to the creation of more jobs, but rather to a rise in the ranks of the “economically inactive”<sup>5</sup>. In other words, the deregulation of the labour market does not seem to have freed people to find work, but simply to have made it easier for them to drop out of the workforce altogether.

<sup>4</sup> *“Unemployment, Choices for Europe,”* April 1995, Centre for Economic Policy Research

<sup>5</sup> *Bank of England Inflation Report,* August 1996

All this suggests, at the very least, that the causes of European unemployment, and the required solutions, are far from simple. We are not faced with a choice between doing nothing or steeling ourselves to bite the bullet of highly deregulated labour markets. There is no single answer, and certainly not one that applies equally to all countries. There are,

rather, several small ones, depending on individual countries' circumstances, most of which would be a good deal better than nothing. For example, reforming the benefits system to improve incentives to work, or targeting training programmes on the long-term unemployed, or curbing the non-wage costs of employment.

Europe's second challenge, related to the first, is the need to adapt the state and the services it provides to the needs of maturing economies. There is some truth in the argument that unemployment cannot be cured by growth alone: although Europe could grow faster than it has done in the early 1990s, it is unlikely to ever regain the growth rates of the postwar years. Europe then enjoyed a young population, an expanding labour force and rising saving rates. Its technological backwardness, compared with the United States, offered huge opportunities for catching up. None of these things is true today.

Most EU members will have to spend the coming decades learning to mature gracefully. Finding work for the jobless is only one part of that challenge. It is not just the unemployed who have suffered a decline in their relative income and quality of life in recent years, but unskilled workers in general. The Europeans have a difficult task ahead, adapting to a rapidly changing global economy within the constraints set by an ageing population, while ensuring that the benefits of growth are spread across the whole population rather than to merely a select few.

This means, for example, that they will have to pay for old age pensions in ways that increase rather than decrease the amount of money available for investment, through funded schemes. It means changing the pattern of work so that people can remain employed for longer stretches of their lives, but also with more flexible hours so that they can cope with a range of family situations; and so that the work available can be spread over the maximum number of people. It means not so much reinventing the state as resuscitating it, freeing it to spend less on nationalised companies, subsidies to industry and benefits to the unemployed, and more on investing in public infrastructure, education and training. And, finally, it will mean resisting the temptation to believe that we can reverse the decline in the relative position of unskilled workers—and of Europe generally—by erecting a new protectionist shield between ourselves and the emerging economies.



The Europeans' third big challenge, adapting to the collapse of communism, tends to be seen more as a sombre duty than as an opportunity. Yet allowing the Central and Eastern European countries to reclaim their place at the heart of Europe could give the EU a welcome injection of energy, as well as an opportunity to show that it does not intend to spend the 21st century turning inward.

Those who were lucky enough to be on the western side of the Iron Curtain do have a responsibility to allow those who were on the other side the chance to experience the benefits of belonging to a union. Of course, enlarging the EU will prove expensive. It will require painful reforms of decision-making procedures, of the structural funds and of the Common Agricultural Policy (CAP). But such short-term sacrifices are much less important than the political and economic dividends that new members would bring to the club. In any case, many of the reforms required will be desirable in themselves.

### **Monetary union, European disunion**

Is there any reason to believe that the EU has helped its members to grapple with these challenges, or will help them to do so in the future? There are two separate questions to answer here. The first is whether the EU's current set of priorities will encourage its members to move further ahead in tackling these problems than they would, or could, by themselves. My own conclusion would be that, with some important exceptions, it will not. However, many Europeans have political and historical reasons—little connected with the above-mentioned challenges—for wanting to bind the European states more closely together. It is thus fair to ask a second question: will a continued preoccupation with the EU and its objectives do its members any real harm?

The EU and its commission, of course, have neither the legal competence, nor the power, to make much impact on the rate of European unemployment. National governments control the levers that need moving. Nevertheless, the intellectual paralysis over ways of tackling unemployment appeared to spread at a convenient time for those who believe that EMU should be at the top of the agenda. If governments thought they could crack unemployment, particularly the "structural" variety, it would be hard for them to argue that a single currency should

be a higher priority. A consensus that member-states cannot do much about joblessness in the short term makes it easier for them to defend the focus on EMU.

It would be hard to dispute that the effort to achieve currency stability, en route to EMU, has cost jobs; witness the public spending cuts in France. Barring heroic efforts by the Bundesbank to compensate for EU-wide budget cuts, attempts to meet the Maastricht treaty's 3 per cent of GDP budget deficit criterion are likely to make matters worse. Supporters of EMU promise that it will all be worthwhile in the end: greater price and currency stability will spur faster investment and growth; boost competition in markets for labour, goods and services; and so, ultimately, create more jobs. But individual countries could and should be striving for the policies that will promote price stability, investment and job creation on their own behalf. Even the most optimistic estimates suggest that the abolition of money-changing costs, through the creation of a single EU currency, would be worth no more than 0.33 per cent of GDP, or \$25 billion a year<sup>6</sup>. More generally, if there is no single solution to unemployment, but rather a panoply of helpful measures, of varying relevance to each country, EU governments will not necessarily move faster in the right direction by working together. Efforts to harmonise EU employment law may make things worse.

<sup>6</sup> *“One Europe, One Money”*; European Commission, Brussels, 1990.

Nor is the EU likely to help individual countries come to grips with the second long-term challenge, to remodel the state and its services. In its present form the EU can have very little impact on public pension policies, on rates of savings and investment or on the allocation of public funds. The need to cut public borrowing by the EMU decision year of 1998 might have helped indirectly, by forcing governments to trim bloated state sectors and to rethink the role of the state. By and large, however, the political difficulties of selling the EMU project to voters seem to have scared governments from attempting long-term reforms at the same time. Most governments have found the bulk of the money they need through “one off” tax increases and benefit cuts, rather than through deeper reforms of the public sector. France and Germany have moved painfully slowly towards the deregulation of service sectors such as public transport and shopping hours, though this could eventually create hundreds of thousands of jobs.

The third challenge, enlargement, risks becoming a casualty of the EU's obsession with EMU. This is the one obvious area where the member-states could achieve much more, economically and politically, by acting together. There is a limit to how much an existing member-state could offer Poland, say, in the way of closer economic ties. Even if a new member began by participating in only some EU policies, membership of the Union would be far more significant to it, economically and politically, than any number of bilateral trading arrangements. Yet there is talk of Poland, Hungary and the Czech Republic not joining the EU until 2002 or even later—more than a dozen years after they threw off communism. EU governments offer a range of technical justifications for the delays. But it is difficult to believe that technical problems such as CAP reform would be so insuperable if the leading EU members were not wholly caught up with the struggle for monetary union.

On balance, then, the EU has not done much to help the nations of Western Europe deal with some of their most urgent problems. With respect to unemployment and enlargement, the Union's central project of EMU has already done damage. But these are sunk costs, as economists like to say, or at least they will be by the time that, as now seems likely, EMU really happens. The more relevant question is, what can the EU deliver after EMU?

Given the above, it would be easy to be pessimistic about the EU's ability to redeem itself. By 2010 Europe could still be coping with the consequences of EMU. The "inner core" could be locked in a policy struggle with a European Central Bank that was struggling to build its anti-inflationary credibility with the markets. Outsiders might still be preoccupied with whether, and when, they would enter. Meanwhile the division between the two groups might be forcing cracks in the single market, or making it harder for the Union to expand eastwards.

This scenario—call it flexible disintegration—is possible. But it is at least plausible to argue that the determination of countries such as Germany and France to achieve EMU at any cost will, in the end, do the EU a power of good. This is not for any of the reasons usually given by supporters of a single currency, such as lower transaction costs or faster growth. Nor would it be due to the political benefits that may accrue to the members of the inner core. The great bonus for the EU as a whole

would be that Europe could no longer be viewed as a monolithic entity, destined to take its members along a single path.

This argument will appal those who are sincerely committed to building a federal Europe. Notions of “variable geometry” are associated with Britain’s Conservative Party, and for that reason understandably distrusted. But building a homogenous United States of Europe is unlikely to solve many of the continent’s most pressing problems. All the member-states stand to gain something from closer co-operation, particularly when it comes to improving the single market and extending the Union eastwards. By and large, however, both the usefulness and the political feasibility of tighter ties between European states will depend on the countries and policy-areas concerned. Europe is heading for a flexible and indeed messy future. But surely one message that the 20th century can pass on to the 21st is that messy, flexible systems stand a better chance of doing us good than tidy, monolithic ones.

## In defence of Brussels

### *Charles Grant*

Britain's Eurosceptics have always opposed "Brussels", but its Europhiles, until recently, could be counted upon to defend the European Union and its institutions. No longer. The tide of Euroscepticism is now lapping around the feet of many essentially pro-European commentators.

Consider three influential pieces of journalism. In November 1995, Will Hutton and Martin Kettle wrote a *Guardian* article that called for EMU to be scrapped, on the ground that it was a deflationary project, and for a weaker European Parliament<sup>1</sup>. In June 1996, in a *Prospect* essay, Timothy Garton Ash claimed that EMU would require fiscal harmonisation and political union, and that it should therefore be abandoned<sup>2</sup>. And in the same month, in a wide-ranging blueprint for the future of the EU, published as a full-page editorial in the *Independent*, Andrew Marr argued against EMU and for weakening the power of Brussels institutions<sup>3</sup>.

<sup>1</sup> "Winds over the West" by Will Hutton & Martin Kettle, *The Guardian*, 2.11.95

<sup>2</sup> "Back into Europe" by Timothy Garton Ash, *Prospect*, June 1996

<sup>3</sup> "Britain and Europe: a proposal", *The Independent*, 3.6.96

These writers are emotionally sympathetic to European integration. They are horrified by nationalism and xenophobia. Yet they have partly accepted two essential tenets of Eurosceptic faith—that EMU is a dangerous project and that EU institutions are irredeemably undemocratic. To be fair to these pundits, they have been singing a similarly cautious tune for several years. But the articles cited have made an impact and helped to undermine the position of those who would defend Brussels and its projects.

My starting point is that of a former Brussels correspondent who observed the European Commission, the European Parliament and the European Court of Justice from close quarters. I believe that, although these institutions are in need of reform, they do not, overall, do a bad job. This

essay is not the place to examine the pros and cons of EMU, but the canard thrown up by Marr and Garton Ash, that a monetary union would necessitate a fiscal union and even political union, needs to be shot down. This point is crucial: if they are right, many people could argue, very reasonably, that whatever the economic costs and benefits of a single currency, Britain should avoid it.

It is true that many continentals believe that a single currency *should* lead to a fiscal union—the Italians and the Beneluxers, because the centralisation of budgetary policy would be another step towards their goal of a federal EU; the French, because they fear that the European Central Bank will impose a monetarist economic policy on the Union unless, as a counter-weight, EU finance ministers create a common fiscal policy; some Germans, because they worry that, if a profligate government such as Italy can borrow as much as it wants, interest rates will rise elsewhere in the EU; and other Germans, notably Bundesbank officials, because—while not openly admitting their hostility to EMU—they hope to undermine the case for a single currency by arguing that it would require a massive increase in transfer payments from rich countries to poor ones, and thus a much larger EU budget, neither of which is feasible.

The answer to the Bundesbankers is that the Maastricht treaty's plan for EMU does not allow a country to join the single currency unless its economy has converged with those of the other participants. Basket cases which are likely to need massive transfer payments—as East Germany did when it entered a monetary union with West Germany in 1990, at the wrong exchange rate—will not be admitted. Thus the Greeks would have to transform their economy radically if they wanted to be considered for EMU. But even if one of the poorer members was allowed into the currency union, there is no evidence that relatively weak economies are put at a disadvantage when they lose the right to devalue. If devaluation created wealth, Britain would be one of the world's richest countries.

Others argue that a single currency would require a budgetary union in order to soften economic shocks. They like to compare the EU with the United States. Suppose that Texas suffers from a drop in the oil price. Texas does not need to devalue a Texan dollar to boost its competitiveness because it benefits from federal programmes and economic assistance. Within the European Union, the argument goes, financial transfers—

mainly in the form of farm spending and the “structural funds”—are too small to provide an effective cushion against severe economic crises (the EU budget is now about 1.2 per cent of EU GDP, or 82 billion ecus a year). Thus if Britain suffered an economic shock but could not devalue, it would have no choice but to adjust through higher unemployment and wage cuts.

The flaw in this argument is to assume that economic shocks apply to geographic areas that coincide with individual countries. In reality, many shocks apply to groups of countries, or to regions within countries. If a sudden crisis hit the wine-producing regions of the Mediterranean, or the German steel industry, devaluing a national currency would not be the answer. In any case, when a national economy gets out of phase with the rest of the EU, irresponsible monetary policy is often to blame: Britain reflatd too quickly in the late 1980s and thus went into recession earlier than its neighbours in the early 1990s. In a monetary union, of course, such an independent monetary policy would no longer be possible.

Furthermore, even if a calamity did befall one particular national economy—suppose that terrorist bombs destroyed the Spanish tourist industry—the government concerned may borrow, swelling its budget deficit until the crisis passes. And if the shock is so huge that national borrowing cannot cope, the beleaguered government can borrow from the EU (as did France in the early 1980s and Greece in the early 1990s). It is worth remembering that the EU budget is macro-economically significant for some poorer members: EU funds provide 2.5 per cent of Ireland’s GDP.

The assertion that a single currency cannot work without central control of national budgets is unsustainable, as far as I am aware, by any convincing economic argument. However, the co-ordination of governments’ fiscal policies, although not essential, may well be desirable. Without it, a great deal of responsibility for guarding against inflation would fall on the European Central Bank, and conflict between that bank and the governments would become more likely. But such co-ordination would not erode the fiscal sovereignty of government. There is nothing in the Maastricht treaty that would prevent political parties from offering electorates meaningful choices of economic policy—on the size of the budget deficit, on the proportion of GDP taken by the state and on targets for government spending (for instance, education or defence).

The treaty does say that a member wishing to join the currency union should have a budget deficit no greater than a “reference value” of 3 per cent of GDP. But that figure is a benchmark rather than a binding limit. The treaty says that if the excess deficit is declining and moving towards the reference value, if it is exceptional and temporary, or if a portion of it is caused by government investment, a deficit of more than 3 per cent may be permissible. The same reference value and mitigating circumstances apply once a country has joined the currency union. Any government which persisted in running a deficit judged “excessive” by its peers would risk, ultimately, financial penalties. It is unfortunate that the Maastricht treaty contains such an arbitrary and, in economic terms, meaningless figure as 3 per cent, but at least the wording allows governments to interpret that figure flexibly.

The treaty would make the kind of high-inflation, big-devaluation policies practised by the Labour Party in 1974-75, and by the French socialists in 1981-83, impossible. However, the Exchange Rate Mechanism (ERM) and the financial markets already stop governments from engaging in economic policies that are radically different from those of their neighbours. The markets are much more powerful than they were in the 1970s and early 1980s: even a country such as Britain—technically, outside the ERM—which pursued a policy of reflation-in-one-country would soon find that a swift collapse of sterling brought the experiment to an end.

The late-19th century Gold Standard, which fixed the exchange rates of some of the world’s leading economies, worked without a fiscal union. The contemporary French-franc zone in West Africa has one central bank but 14 separate and sometimes divergent fiscal policies. Belgium and Luxembourg have enjoyed a currency union since the 1920s, but neither side has ever tried to harmonise budgetary policy. The states of the Canadian federation share a common currency but run very different fiscal policies: those with big budget deficits pay relatively high rates of interest when they borrow on international markets, while more prudent states pay less.

The fact that many continental Europeans *believe*, for one reason or another, that a single currency should or would entail fiscal union, may mean—if sufficient numbers of politicians wish it—that one would lead



to the other. That risk, in itself, may suffice to put many people off monetary union. But it cannot be argued that EMU should be abandoned because it must, inevitably, lead to central control of fiscal policy.

### **The necessary policeman**

The Eurosceptics' best argument is that EU institutions are less accountable than national governments. It is hard to disagree with Marr when, echoing some of their ideas, he writes: "The system of government envisaged and practised is too complicated and too far from the lives of Europeans to be secure....if [decisions] have been taken without the consent and understanding of most Europeans, they are not safe. Full political union is not desirable because, while it might be efficient and forceful, it cannot be democratic." Thus Marr calls for a stronger Council of Ministers, because it represents accountable governments; a weaker European Parliament; and a commission that would retain what he calls its bureaucratic role, but cease to be an executive and the "campaigning arm" of the Union.

In the complex, infuriating yet necessary organism that is the EU, the commission is the pulsating heart which connects the other parts. The way the commission works is far from satisfactory. For instance, many of its procedures are tiresomely long-winded; its organisation is prone to be over-rigid; and ability does not count enough in decisions on who gets promoted<sup>4</sup>. But these are arguments for calling in consultants, not for destroying the commission's power.

*<sup>4</sup> Some of the commission's failings are explained in my book "Delors: Inside the House that Jacques built" (Nicholas Brealey, 1994)*

The commission does have qualities which impress. I remember how, as a Brussels correspondent, I was free to wander the commission's corridors, enter empty offices and "borrow" official documents, without fear of retribution. On one occasion the commission mooted its own "official secrets act", to plug the many leaks, but wisely abandoned the idea. The commission normally publishes the working papers that precede legislative proposals. Most of its officials make themselves readily available to the swarms of lobbyists that buzz around Brussels. Whitehall could learn a lot from the commission about openness.

A Union of 15 or more disparate states, each with its own, conflicting priorities, needs a central institution to promote the general interest. As

the EU enlarges, becoming more diverse, that task becomes harder but even more essential. The commission's principal jobs are to administer EU policies (sometimes, as with the Common Agricultural Policy, jointly with the member-states); to negotiate with third parties on the Union's behalf; to police EU treaties and laws; and to initiate legislation.

Because the commission, alone, has the right to propose laws, it can impose some direction and coherence on the EU's work programme. Governments can and do suggest to the commission that it should legislate on this or that problem. But if each of them could table laws there would be much more legislation, and the risk that some of it would contradict existing statutes. If each country was free to pursue its own pet subjects—the British, animal rights; the French, workers' rights; the Germans, food purity; the Nordics, strict environmental standards—there would be no sense of priorities.

The commission does take into account the views of governments. Thus since 1992 it has proposed few labour market laws, because it understood that governments did not want them. But only the commission has sufficient objectivity to take an overview of the most urgent tasks and—even if powerful member-states object—to draft the necessary legislation. There never would have been a single-market programme if the commission had not insisted, during Jacques Delors's first term of office (1985-89), on making that the legislative priority. In recent years the commission has put the liberalisation of telecoms, air transport and energy markets at the top of the agenda—none of which pleased the French government. I would give the European Parliament the right to supplement the commission's legislative programme with a limited number of its own proposals, but I would not extend that right to governments.

The single market cannot work without strong institutions to police it. Individual companies or governments are often tempted to break the rules, but any person, company or government that feels aggrieved can call on the commission to intervene. The commission may warn the miscreant and, if the problem persists, haul the government responsible before the European Court of Justice. In 1995 it started legal proceedings against member-states on 5,068 occasions.

Consider some random examples from June 1996: the commission warned Belgium and Finland that restrictions on their pension funds investing abroad breached an EU directive on free movement of capital; it declared that a \$160m subsidy from the state of Saxony to Volkswagen was illegal, since it gave the company an unfair advantage; the European Court of Justice ruled that Belgium, Greece and Luxembourg acted illegally in barring EU citizens from holding public sector jobs; and the court decided that Italy was breaching EU law by requiring foreign securities dealers to have a registered office in the country.

If, as has happened in the past, the Spaniards break EU environmental rules by draining wetlands and thus threatening wildlife, or the Italians cheat on milk quotas, or the British give illegal sweeteners to companies being privatised, the only institutions that can enforce the law are the commission and the European court. The commission's critics claim, with some justification, that it is sometimes a little slow to pick a fight with the more powerful member-states. All the more reason for ensuring that it remains a vigorous policeman. In July 1996 Saxony defied the commission over the above-mentioned state aid, saying that it would pay Volkswagen the money. That would not have happened five years ago, when the commission was a stronger and more feared institution.

The commission should be made more accountable, but so, too, should the Council of Ministers, which takes many more decisions than the commission. The individual governments comprising the council are accountable to their electorates, yet the council is a powerful institution in its own right and, as such, is not directly accountable to any representative body (although ministers from the country holding the council presidency report to the European Parliament). The ministers meet in secret, whether they are acting as an executive or as a legislature.

Much of the council's real power lies in "Coreper", the committee of permanent representatives, the most senior national officials in Brussels. Coreper takes many decisions itself, passing them on to the ministers for formal rubber-stamping. Countless "working groups", meetings of national officials, prepare the ground for Coreper and ministerial gatherings. The Council of Ministers' secretariat, consisting of some 2,500 officials, services all these meetings and, together with the presidency, sets the agenda. This vast, bureaucratic empire—which like all

institutions has its own objectives—is much more secretive and unaccountable than the commission. Yet Marr calls for the Council of Ministers to be strengthened at the expense of the commission and the European Parliament.

National parliaments are ill-suited to call either the commission or the Council of Ministers to account, in the same way that county councillors are the wrong people to check the executive in Westminster. National MPs, quite properly, focus on what is going on in their own country. Few of them have the time, inclination or expertise to follow European legislation closely. Nor can national parliaments exert much influence on European law, however carefully they may try to examine newly-published commission proposals. Most EU laws are subject to majority vote. Suppose that the French parliament opposed a commission proposal to liberalise air transport; that it persuaded the French government to vote against the measure; but that France was out-voted in the Council of Ministers. The French parliament then has no further means of influencing the law, although French Euro-MPs may later try to amend it in the European Parliament.

In practice there is more horse-trading and compromise than actual voting in the Council of Ministers. It is in the nature of such bargaining that ministers cannot easily break off to consult national parliaments on the line they should take. Despite the practical difficulties, Danish ministers do make an effort to consult their parliament's EU committee. However, this committee's power stems from the fact that Denmark always has a minority government. The Danish model could not transplant easily to countries where the government had a tight grip on the legislature: a minister consulting an EU committee on which the ruling party had a majority would, in effect, be consulting his own government.

Certainly, the more that national parliaments can scrutinise EU legislation, the better, and they should be given ample time to study commission proposals. Links between national parliaments and the European Parliament—for instance allowing Euro-MPs and MPs to attend each other's committees—are only to be encouraged. Committees of the European Parliament could sometimes meet in the member-states, rather than in Brussels. But for all the European Parliament's faults—its humourless debates, its absentee French and Italian Euro-MPs and the

gesture politics of its resolutions on foreign affairs—no one has come up with a better arrangement for injecting some democracy into the EU. Euro-MPs—or at least the good ones—have the knowledge, understanding and access to information which makes them the right people to hold the commission to account and to amend legislation.

As a counterweight to the Council of Ministers, the parliament already has the power of “co-decision”—meaning that nothing can pass without a positive vote from both council and parliament—on the non-agricultural parts of the budget and on some areas of legislation, including the single market. The parliament can claim, with some justice, that it is sometimes more sensitive to public opinion than the Council of Ministers. In 1995 it held up approval of a customs union with Turkey, until some of the most anti-Kurdish clauses in the Turkish constitution were deleted. The parliament has several times amended legislation on car-exhaust emissions, to impose more exacting standards than the Council of Ministers desired.

The European Commission has a kind of dual accountability, to national governments and to the European Parliament. National governments appoint, and may sack their commissioners. The European Parliament can sack the entire college of commissioners, though it has never used this draconian power. When the commission draws up its annual work programme, it usually takes into account some parliamentary priorities; otherwise it may find Euro-MPs disrupting legislation. Individual commissioners have to answer questions in the parliament. I have seen an agriculture commissioner sweating in Strasbourg when quizzed by Euro-MPs over abuses of EU beef subsidies.

The Maastricht treaty made the commission a little more accountable to the parliament. It changed the commission’s period of office from four years to five, so that it matched the parliament’s five year term. The treaty specifies that, six months after their election, Euro-MPs should vote to accept or reject the nomination of the European Council (as summits are known) for commission president. Jacques Santer, the current president, almost lost his inaugural vote.

Have those who would weaken the commission and the parliament thought seriously about the consequences? The Maastricht treaty’s second

and third “pillars”—covering foreign policy and judicial affairs—offer an alternative to the EU’s usual institutional arrangements. The commission, parliament and Court of Justice are, to a large extent, excluded from these “inter-governmental” networks. Secretive committees of national civil servants and the opaque machinery of the Council of Ministers are in charge. If the “K4 committee” of top interior ministry officials (named after a clause in the Maastricht treaty) abused the rights of an individual in an asylum case, or covered up corruption in Europol, the chances are that no one would find out. Neither MPs nor Euro-MPs have any means of scrutinising or controlling what goes on in the second and third pillars. Given the sensitivity of foreign policy and judicial affairs, it is probably inevitable that inter-governmental bodies will handle them for some time to come. But the second and third pillars are thoroughly undemocratic and—*pace* Marr—should not be considered as models for the rest of the European Union.

### The democratic deficit

We can all agree that EU institutions are insufficiently democratic. But instead of debating what to put in their stead we should focus on how to make them more accessible, transparent and comprehensible, so that citizens and their representatives are better able to call commissioners, ministers and officials to account.

It is worth remembering that the antagonism of some Europeans towards “Brussels” is, to some extent, part of a worldwide movement of antipathy towards established political institutions. The further the geographical

<sup>5</sup> *“Accountability in the European Union”, by Alan Butt Philip (John Stuart Mill Institute, 1996) puts forward some ideas for making the EU more democratic*

distance, the greater the hostility—as disdain for both Washington and Brussels shows. America’s last Congressional elections, in 1994, had a turnout of only 39 per cent. In the same year 57 per cent of EU electors voted in the European elections (though only 36 per cent turned out in Britain). The gap between European electors and the EU cannot be closed entirely—unless the Union disbands and, notwithstanding the evident inefficiencies, returns all its functions to nation-states. However, there are ways of making EU institutions less unaccountable.<sup>5</sup>

The best way to boost the European Commission’s democratic credentials would be to hold direct elections for its president. That prospect would

horrify the governments, however, given that—as happened after the introduction of direct elections to the French presidency in 1962—the commission would gain more authority. It suits the governments to keep the commission rather illegitimate (and, indeed, to blame “Brussels” for the bad things that come out of the EU, while claiming the credit for its successes).

I would propose the following, modest alternative. Let the European Council come up with a short-list of suitable commission presidents. Then, in front of television cameras, let a committee of Euro-MPs grill the candidates on their ideas and plans. Then let the parliament vote between the names on the short-list. This would give the parliament something useful to do, and the commission a little more legitimacy.

There would be no harm in giving the parliament the right to hold hearings on the appointment of individual commissioners, to vote on whether they should take office, and, subsequently, to sack them. For simplicity’s sake, the number of decision-making procedures involving the parliament could be cut from its current level of 22 to a handful—one of them being co-decision, which would cover most legislation.

The governance of Europe needs to be demystified. When the Council of Ministers discusses legislation, television cameras should be allowed in. The public should have access to the minutes, voting records, agendas and background papers of ministerial meetings, of Coreper and of working groups. EU institutions need to do a much better job of explaining to people what they are and how they operate. National governments should ensure that the history and workings of the EU are on school curriculums.

The existing rag-bag of EU treaties, which are incomprehensible to the layman, should be rewritten, in simple language, into a clear, short constitution. This would set out the EU’s aims and objectives—such as democracy, the rule of law, free trade, freedom of expression, environmental protection, racial and sexual equality, social justice, international co-operation and solidarity with developing countries—and thus bring home to EU citizens the many values they share. As Marr sensibly suggests, the European Convention of Human Rights should be incorporated into the EU constitution. A section of the new constitution would highlight the rights of the individual citizen and how he or she

could seek to have those rights enforced. The existing treaties would remain in force, to satisfy pedants, lawyers and litigants, while the rest of us could turn to a document no longer than this pamphlet.

The peoples of Europe need an EU for their economic self-interest, for their security, and as an expression of their common culture. If the council, commission, court and parliament did not exist, institutions similar to them would have to be invented, to manage the expanding European Union. One challenge facing the younger generations of Europeans—and, it is to be hoped, our eminent newspaper pundits—is how to reform these bloodless, unsatisfactory bodies so that they become easier to understand, better run and more accountable.



## Europe's flexible future

*Kirsty Hughes*

The European Union of the 21st century will be far more diverse, socially, politically and economically, than the one we know today. Both the EU's enlargement to the east and economic and monetary union (EMU) will oblige it to adopt more flexible methods of organisation. These projects require the governments to engage in some serious strategic thinking on the Union's goals and purposes. How can the EU balance common institutions and policies with the varied interests and approaches of a membership that could stretch to 27 countries? How can it improve the effectiveness of decision-making procedures, and yet, at the same time, make institutions more democratic and transparent? And how can the Union regain popular support?

Unfortunately, the inter-governmental conference (IGC) that began in March 1996, supposedly to draw up a new constitution for a wider Union, is failing to grapple with many of the most crucial issues. The principal challenges facing the EU may be called "the three Es"—enlargement, EMU and employment. The first two will have a major impact on each other, as well as requiring the Union to become more flexible. The conference has discussed a "flexibility clause" that would allow a group of members to move ahead of the others, in certain areas. However, no one has yet managed to explain how a flexibility clause would work, and the IGC is unlikely to agree on one.

That is not surprising, given that key decisions on EMU and enlargement, highly relevant to the debate on flexibility, are not due to be taken until after the IGC concludes (probably in the second half of 1997). The European Commission's "opinions" on the preparedness of each applicant for membership will not be published until after the end of the IGC. Entry negotiations with Cyprus and Malta will start six months after the conference concludes, while the EU "hopes" that talks with the first East European candidates will start at the same time. The commission will

not present its proposals for the new budgetary package that is due to take effect in 2000 until after the IGC. That package will be linked to reforms of the Common Agricultural Policy (CAP) and of the structural funds, which will have to be implemented before enlargement can begin. The decision on which countries meet the criteria for joining EMU should be made in early 1998.

Meanwhile, the scope for action on unemployment, at EU level, is limited. The Florence summit in June 1996, having emphasised that employment was primarily a national responsibility, refused to approve extra funds to underpin the commission's initiative on trans-European networks. In any case, the priority that most governments are giving to meeting the EMU convergence criteria means that they want both national budgets and the EU budget to be cut. That is restricting demand and reducing the availability of funds for initiatives on employment policy.

Can either EMU or enlargement be truly successful in the long run, without a substantial fall in the number of jobless? (Equally, will public opinion ever become more friendly to the EU unless the problem of unemployment diminishes?) Higher economic growth would not merely create jobs. It would also reduce government budget deficits as a percentage of GDP, thereby making it easier for members to qualify for EMU. Furthermore, faster growth in the East European countries would make it easier for them to join the Union. Thus the EU's progress will depend to some degree—as it always has done—on whether European governments get their economic policies right.

Both politicians and academics tend to make the mistake of dealing with EMU and enlargement separately. Each will affect the other. Both will encourage the development of "multi-speed" structures and probably, in the long run, "variable geometry". Multi-speed means that, whereas all members accept common goals, some undergo transition periods before arriving at them. Variable geometry, by contrast, means that some members opt out of a particular policy area altogether, in perpetuity. The Maastricht treaty's provisions on EMU contain elements of both: most countries have committed themselves to joining a currency union, when they are ready, but some will need long transition periods; Britain and Denmark have reserved the right to opt out. The Maastricht treaty's social protocol, which Britain has not signed, is another example of

variable geometry within the EU treaties; the Schengen agreement, under which seven members have implemented the abolition of passport controls among themselves, is an example outside the treaties.

These various sorts of “differentiated integration” could enable countries with very different ideas of Europe—for instance minimalist Britain and federalist Germany—to stay in the same Union. If handled inexpertly, however, flexibility could institutionalise rather than resolve divergent views on the future of Europe, and perhaps even encourage the EU to splinter. Suppose that EMU went ahead with less than half the member-states. Unless the laggards joined within a few years, the single currency could engender a two-tier EU in which the inner core economies were substantially more integrated than those of the outer core. Whether such tiering could work smoothly will depend not only on the relationship between the ins and the outs, but also on the extent to which the core countries wish to move even further ahead. They could tighten their ties in economic co-operation—especially on budgetary policy—and in institutional arrangements. If the EMU advanced guard embarked upon a political union of their own, they could open up an unbridgeable gap between the inner and outer tiers.

In the long run, enlargement will surely spur the EU to develop a more flexible constitution. It is hard to imagine 27 states all wanting to participate fully in all policies. In the short run that pressure may be limited, if the first wave of new members consists of no more than, say, the Czech Republic, Hungary, Poland and Malta, and if they do not join until, say, 2004. The new recruits are bound to be exempted from some policies, such as aspects of the CAP, for a period of years, as were Spain and Portugal when they joined in 1986. However, if the EU expands to 25 or more member-states over the next ten or 20 years, such a multi-speed approach may not be able to cope with the diversity of interests and attitudes. Some form of variable geometry would probably be required.

If the member-states agreed to match enlargement with an extension of qualified majority voting (QMV), there would probably be less need for variable geometry. QMV already applies to most single market laws and would, if extended to virtually all policy areas, allow a much larger EU to take decisions without resorting to differential integration. It is because of Britain's strong hostility to any extension of QMV that France,

Germany and the Benelux countries have begun to talk of flexibility clauses. They hope that some form of variable geometry would allow them to move ahead on their own, in areas where Britain insisted on keeping unanimous—and thus sparse—decision-making. Spain, Italy and the Nordic countries, fearing that they would be confined to a second tier, are less keen on variable geometry. But even the most enthusiastic governments find it hard to agree on the key question: which policy areas should be obligatory, for all member-states, and which should be optional?

### **The need for strategic thinking**

The European Union has no coherent, thought-out approach to enlargement or to the consequences of having two dozen members. Its Europe Agreements, covering trade and aid, its white paper setting out requirements for compliance with the single market, its political dialogue with aspiring members and its Phare programme of technical assistance all focus on the individual applicant countries. Previous enlargements have proceeded in a technocratic, ad hoc manner, sometimes entailing institutional modifications but never leading to a major reassessment of the overall structure and goals of the EU. Although there are currently 13 applications pending (including that of Turkey), the next wave of enlargement will probably, as in previous cases, consist of no more than a few countries. That would encourage more of the ad hoc approach; politicians seldom think long-term unless they have absolutely no choice.

Evidently, because both EMU and enlargement could follow a number of different paths, with uncertain outcomes, it is hard for the EU to develop a strategic vision. But its governments need reminding that an ad hoc enlargement, staggered over 20 years, carries risks. For one thing, the EU's institutions and processes, designed for six members, and struggling to manage with 15 today, may be unable to stand the strain. For another, a long, drawn-out enlargement process depends on the Central and East European countries making a success of becoming stable and prosperous. However, since both the EU and NATO appear likely to take in, at first, only the most advanced East European states, there may be a danger of their neglecting precisely the countries which face the greatest threat of instability. The EU should be especially worried about the countries of South Eastern Europe, none of which is likely to make the first wave of entrants.

How might EMU and enlargement affect each other? Virtually every scenario for the future of EMU, other than complete success—defined as such if the currency union conforms to the plan of the Maastricht treaty—is likely to have an adverse effect on enlargement. And even if the route to EMU is itself bump-free, the time and effort that political leaders have to spend on that project is hardly going to accelerate the negotiations on enlargement. If the creation of an EMU inner core strains the smooth working of the EU—for instance by creating ill-feeling between ins and outs—it could delay enlargement.

Suppose that, after an orderly delay of EMU for a few years, it happens at the same time as the first round of enlargement, in, say, 2002. That could create enough excitement and sense of movement for some governments to think long and deep about Europe's constitution and objectives. But then suppose that the project of EMU collapses altogether. It is possible that, in order to maintain the Union's forward momentum, governments would redouble their efforts to press ahead with enlargement. But it is more likely that, amid recriminations, threats and navel-gazing, enlargement would be postponed. And that would be bad news for the countries of Central and Eastern Europe. Postponement would also give the EU an excuse to put off awkward decisions on how to reform its policies and institutions.

Most of these scenarios would probably involve an extension of multi-speed approaches or variable geometry. Yet the discussions at the IGC suggest that governments will find it very hard to reach agreement on the nature and scope of more flexible structures. The practical difficulties are immense. Should the flexibility apply to all of the three "pillars"—the economic union, the common foreign and security policy (CFSP) and co-operation on justice and home affairs (in the latter two, "inter-governmental" pillars, decisions require unanimity, while the commission, European Parliament and Court of Justice play a smaller role than they do in the first)—or only to some?

There is not much scope for variable geometry in the first pillar, given that regulations on the single market, trade and the environment could not work if members were allowed to opt out. However, it may suit some countries in Eastern Europe to try to seek British-style opt outs from social policy, while EMU, which is supposed to be about completing the single market, is part of the first pillar.

As for CFSP, there is much talk of some new arrangement that would bypass the British, because of their opposition to majority voting on foreign policy. Yet Britain's diplomatic clout is so substantial, compared with most other EU members, that it might seem ridiculous to bar it from a foreign-policy inner core. Creating a diplomatic *avant garde* without some or all of the EU's four neutral members would be more feasible. There is already variable geometry on defence policy: ten members belong to the Western European Union.

The "third pillar" on justice and interior-ministry co-operation probably offers the greatest scope for differential integration. The Schengen agreement, which could be brought within the EU treaties, is a working example of variable geometry in the home affairs areas. Some East European states could opt out of—or be excluded from—common policies on visas, asylum or "Europol" police co-operation.

Variable geometry will be hard to reconcile with the existing institutional framework. For instance the Maastricht treaty's social protocol, which all EU members but Britain have signed, created some striking inconsistencies. All the commissioners and Euro-MPs, including Britons, can discuss measures tabled under this protocol, but British ministers cannot vote on them. Meanwhile Britain is liable for its normal share of the costs when EU bodies operate under the social protocol. Future equivalents of the social protocol are bound to entail bitter institutional and budgetary arguments.

Perhaps the hardest question will be how much control the wider group should exert on the *avant garde* and its activities. Should there be a treaty clause for each pillar, specifying the precise objectives and actions which an *avant garde* may undertake; or a detailed protocol attached to the treaty (as is the case with the Maastricht treaty social protocol); or a more general clause in the treaty, allowing the advanced countries to decide themselves what they did? Should all members decide, unanimously, on the overall scope of policy in any variable geometry area, while some form of QMV or self-management among the inner core decided detailed policies?

There is a strong case for ensuring that all members should have a say on the broad framework of the inner core's activities; otherwise, relations

between ins and outs may well become poisonous. In September 1992, during the negotiation of the Maastricht treaty's provisions on EMU, the Dutch presidency (backed by Germany) proposed that the first group of countries to adopt the single currency should subsequently have the right to decide which ones could join them. This idea, unsurprisingly, upset those who thought they would not be in the first group. Jacques Delors, then the commission president, led the opposition to this proposal and ensured that it was defeated. It would be unwise to allow any avant garde group to exclude arbitrarily a member wishing to join them, except if the member failed to satisfy objective criteria.

As the EU extends its frontiers eastward, it is highly unlikely that countries such as Britain will agree to across-the-board majority voting. So if the EU wants to retain fairly efficient decision-making procedures, it will have to learn more flexible methods of organisation. Finding a model that allows core groups to operate effectively, without alienating those in outer tiers, will require great art. Well-designed variable geometry should make enlargement easier to manage. The EU should reconsider its current, dribs-and-drabs approach to taking in new members. Embracing a large number of East European countries, relatively quickly, would be good for them, and it might force the existing member-states into some strategic thinking. They should consider opening up their current IGC to a broader discussion of these issues; and if they cannot—and there seems little chance, in the current climate, of such a debate—they should acknowledge the IGC's limitations and start planning for a new one, with a much wider brief, before the year 2000.

## The quest for a European identity

*Philip Dodd*

It is easy to date the emergence of the adjective European: Pope Pius II first used it during the Renaissance. It is much harder to describe who or what a European now is, and what a European identity might be. Yet at present these are pressing questions, particularly as we emerge from the shadows of the revolutions of 1989. Indeed, the current interest in the question of what it means to be European may be a testimony to the collapse of old identities (as well as of the Berlin Wall) and to anxiety over the forging of new ones.

At moments such as this, the ghosts of past identities haunt the present and claim our allegiance. This essay attempts to sketch a usable European identity, but also describes some of the inherited thinking within Europe about the continent. And it will give particular emphasis to a negative tendency that emphasises an introspective, at times defensive identity, based on the assumption that the rest of the world is a threat to Europe's traditional values and way of life. This is manifested less in trade (where the EU is more liberal than it used to be) than in culture, where anxieties about the Decline of the West, the Americanisation of Europe, the emergence of multiculturalism and the place of Islam, among others, have produced, at times, a fortress mentality. That this introversion is more evident in culture than in economics makes it more rather than less powerful, since culture is less about the formal aspects of our lives than our everyday experience of which we are only half-conscious. It is a sign of the times that in the summer of 1996 both John Birt, the BBC's director-general, and Jean-Marie le Pen focused on American cultural imperialism as a threat to European national cultures.

Of course one polemical way of thinking about European identity would be to claim that the only identity Europeans share is one derived from a common indebtedness to the United States. It is axiomatic that post-1945 Western Europe has been economically, militarily and culturally



indebted to America, but even the countries of the Soviet bloc, prior to 1989, had to define themselves against the United States, and since that date have been “embraced” by it. Although an over-simplification, this point about the United States reminds us that European identity has never been forged on some self-contained island, neither in the present nor the past. If, in the words of the former Soviet president Mikhail Gorbachev, Europe is our common home, it is a home more like an airport or a seaport than a shelter.

After all, the briefest glance at history would show that from the time of Columbus, Europe’s sense of itself has been shaped by its engagement with—and sometimes subjection of—large parts of the rest of the world. It is simply impossible, or ought to be, to think of the history and identity of France outside of its relationship to North Africa. Or Spain outside of its relationship to Latin America. Or Britain outside of its relationship to India. And what about other countries, such as Turkey or Russia, which have as often belonged to the history of Asia as to that of Europe? This engagement is not simply something which happened in the past. The imprint of abroad is visible in Europe’s quotidian life, whether in Ruud Gullit, the Dutch manager of Chelsea FC, born of Indonesian parents; or in Ridley Scott, who went from Hartlepool art college to Hollywood, reinvented popular American cinema with films such as *Alien* and *Thelma & Louise* and then saw them exported to Britain; or in Jacques Derrida, the king of post-structuralism, who was born in Algeria and now rules over Parisian intellectual life.

The tragedy is that no one would recognise this mobile, “promiscuous” Europe in the cloud of arguments that has enveloped Brussels and the European Union. The rest of the world can seem to go hang while one side of the argument claims that Europe (that is the Union) has become a synonym for an over-centralised and wasteful supra-state, denying national sovereignty to its members, while the other argues that Brussels can deliver answers to economic and social questions that can no longer be tackled by the nation-state.

Even in the debates that have followed the collapse of the Soviet bloc, the Europeans have been so concerned to wed together a fraught and divided continent that “Europe-in-the-world” has scarcely been visible. It only seems to surface as a negative term, when immigration becomes a political

issue. Or when there are appalling acts such as the ethnic cleansing of Muslims in the former Yugoslavia; the historical equation of Christendom and Europe—which took a settled form in 1492 when the expulsion of Moors from Granada “purified” the continent<sup>1</sup>—can still take a deadly form.

<sup>1</sup> *John Lukacs, Decline and Rise of Europe (1965)*

These days European identity is generally imagined to be a matter of political structures—and ones that are wholly European, owing little to historical links with elsewhere. Thus a recent pamphlet from a British think-tank, “Social Democracy at the Heart of Europe”<sup>2</sup>, considers Europe to be a matter of internal political structures, required to deliver full employment, a welfare state and material prosperity. Not that these issues are not critical. Indeed, they are necessary to any vision (although whether “Europe” can deliver them is another matter). But to use the philosopher’s distinction, they are not sufficient. The starved character of this vision of Europe (and any vision which is only political is inevitably starved) makes it possible to see why Raymond Aron’s comment in 1952—made soon after the birth of the European Coal and Steel Community—still has some force: “The European idea is empty....It was created by intellectuals, and that fact accounts at once for its genuine appeal to the mind and its feeble echo in the heart.”<sup>3</sup>

<sup>2</sup> *Donald Sassoon, Social Democracy at the Heart of Europe (IPRR, 1996)*

<sup>3</sup> *Quoted in Lukacs, op.cit.*

Raymond Aron’s cynicism may in the end be wrongheaded. But his comment does remind us that a European identity, if it is to be inhabited by people who feel it as their own, must be able to provide them with stories which help them to make sense of more than the political part of their lives. After all, for some people “Europe” may be gathered up—to take some random examples—in memories of holidays or certain sports; in music or literature; or in buildings or landscape. And of course people are never only European: whatever the European stories we are told, they must not make us choose between belonging to Europe and our other identities, whether national or more local. Loyalty in Europe has to be multiple rather than singular. Any European identity must be inclusive rather than exclusive and conjure up ideas of civil society at least as much as politics.

So how did the dominant vision of European identity become so introspective and political? As far back as the 17th century, thinkers were

seeing Europe as a political idea and assuming that it had nothing to learn from the rest of the world. As Voltaire put it, Europeans shared “the same principle of public law and politics unknown to other lands”.<sup>4</sup> More recently, the trauma of the loss of empire among the colonial powers (as well as their continuing failure to relate to former colonies other than in paternal terms) has led them into an imaginative retreat from the world. As the Europeans have withdrawn, they have had to teach themselves to be European much as they had taught others, elsewhere, before them. It is noteworthy that “European history” was not taught in European universities until the 1960s, after decolonisation. But among the many influences on the current sense of European identity, the most potent is the shadow of war, which has lain across the continent in the 20th century. Think how many of the resonant names of Europe are bound up with war: from the Somme to Dresden; from Stalingrad to Sarejevo; from Guernica to Auschwitz.

<sup>4</sup> *Quoted in Lukacs, op.cit.*

One might say, crudely, that some of the most important European institutions were invented in the aftermath of the second world war: NATO, the European Union (in its earlier manifestations) and the Warsaw Pact. These bodies represented political projects—whether the taming of Germany; the invention of a supranational entity to control the nationalisms that had fuelled wars; the attempt to invent a Third Force between the superpowers of the United States and the USSR; or the desire to build powerful economic and military blocs.

Thus European identity, post-1945, fragmented along political lines, and Europe became less of a term of reference, at least in the West, than Western Civilisation or the Atlantic alliance. During this period the earlier historical intermingling of east and west—Joseph Conrad and Appollinaire, Bartok and Janacek, all East Europeans, were key figures in modernist European culture—was forgotten. Memories of such cultural promiscuity could hardly be encouraged in the new divided Europe.

Crude ideological battles arrested thinking about European identity and ensured that such imagining as there was looked inwards rather than outwards. Even benign manifestations of the cold war divisions, such as the European Union, are now having trouble making sense of the post-Berlin Wall Europe—one with proliferating states, rampant nationalisms and economic, cultural and political imperatives that are wildly different

from those of 1945. For example, once upon a time the United States was the powerful economic presence haunting Europe; now the source of anxiety is just as likely to be the booming economies of the Pacific rim.

An identity born in the immediate post-war years is no longer desirable or useful as we approach the millenium. The post-war project of European integration has come to an end, and left us two choices: either we struggle to shore up that project; or we try to *re-imagine* it within a Europe less introspective, and more intent on acknowledging its past and present intimacies with the rest of the world—but without its earlier sense of superiority. Given the immense revolutions of 1989 that Europe has experienced, we ought to be doing something more worthwhile than spilling our energy into either defending or attacking modestly amended versions of post-war institutions.

In the current unsettled Europe—in which new regions and countries have appeared, many of them claiming a European identity—it may seem wanton to advocate that our ideas of Europe need to be unsettled rather than settled. But that is precisely the case. For we need to think about European identity in ways that embrace both the complex, perplexed history of Europe, and the ambitions and interests of all those who live here now.

What we need to do now is to imagine Europe anew—and imagine is the right word since, as Benedict Anderson<sup>5</sup> has pointed out, it is simply impossible to know personally more than a few of those with whom you share a national or continental identity. And this imagining is certainly far from easy, given the range of images about Europe already circulating. *Auf Wiedersehn Pet, Rapido, Allo Allo, Holiday '96* and documentary series such as *Cutting Edge* are just a few of the ways that “Europe” is imagined in just one space: British terrestrial television.

<sup>5</sup> *Benedict Anderson, Imagined Communities, 1983*

### The mongrel continent

One way of beginning to imagine a new Europe is to remember that 50 million people, a population not much smaller than Britain's, emigrated from Europe to the United States in the 50 years before the first world war. Thus Europeans have family memories of migration and of ties with the countries concerned. This reminds us that there is nothing settled

about Europe and that it has always been umbilically tied to other continents. In turn, this allows us to offer an alternative vision to Fortress Europe, the place of exclusion that needs to defend itself against a hostile world. This is a vision of Europe as a place of comings and goings, of change and even of excitement. For instance in the late 1940s Luis Buñuel, a great Spanish filmmaker, was making startling movies in Mexico at the same time as the great black saxophonist Lester Young was playing jazz and escaping American racism in Paris.

There is simply no basis for the belief that there were once autonomous national European cultures, and that they have recently been contaminated by alien influences. The idea that there is some common esperanto European culture is equally groundless. Europe, both past and present, is a mongrel place of mixed cultures. Some of the mixing has always happened within Europe. The court of the English king, Charles I, was painted by the Flemish Van Dyck; the great Russian writers of the late nineteenth century spoke French as one of their native tongues; post-war East European poets have been extraordinarily influential on their western counterparts (for instance Miroslav Holub on Ted Hughes); and French surrealism reanimated Czechoslovakian culture after the second world war. And this is not to mention the changing political geography of Europe, which has seen regions and even countries come and go—reminding us, if nothing else does, that Europe is no monument to stability.

The mongrelness of European culture also stems from Europe's intercourse with abroad. Le Corbusier's buildings stand in France and India; Hollywood is unimaginable without the influx of European refugees from Hitler; the European novel, often cited as one of the continent's great achievements, grew, in part, from the interaction of Europeans with other cultures (think of Flaubert or Joseph Conrad); and the south of both Spain and Italy have been shaped architecturally by their relationship with North Africa.

This insistence on the composite character of Europe and European identity is important, for it opposes the yearning for purification that presently stalks Europe, all the way from British Tory xenophobes to Serbian ethnic cleansers. Each in their own way (and evidently the two should not be equated) sees mixing as adulteration rather than

enrichment. But such a mongrel identity does not only have that negative virtue. It also incites us to see Europe's mixing with the rest of the world, and the internal mixing, as its peculiar strength. And not as some deadly disease, for which the only cure would be a period of isolation.

Equally important, the acknowledgment of Europe as a space where cultures have intermingled allows us to welcome change as an opportunity, rather than view it as threat. Once Europe revelled in its acceptance of change and was the spearhead of novelty; now it has grown old and distrusts it. Yet an openness to change will become more valuable, not less, as global entertainment and information technology increasingly undermine national and continental boundaries.

Europe has responded to these developments either defensively, as in France, where the government enforces French language-only or European-only quotas on the media; or by promoting schemes at EU-level (such as EURIMAGES) which have by and large not been successful.<sup>6</sup> Certainly, the status of European culture is a real concern: American films hold three quarters of the European market. But Europe cannot imagine a useful response to such a situation if it thinks in terms of its pure culture being sullied by Hollywood, or demands an EU-wide film and television industry that has to produce purely European programmes, inspired by European imaginations. Given the history of Europe, dreams of virginity can never be anything other than fantasy.

<sup>6</sup> *David Morley and Kevin Robins "Spaces of Identity", 1996*

For, as I have argued, our Europe has been marked by its encounters with its own constituent parts, which have themselves varied through history, and also by encounters with the rest of the world. And these meetings will intensify and multiply in number. This is not the moment to start building walls again, either within Europe or between Europe and elsewhere. We need to think in terms of the birth of a Europe whose parents are many, of mixed origins, and who wish their child to flourish in the world, rather than stay at home with the doors locked. ★