

Britain did not wish for still less expect to take over the presidency of the EU at a moment of considerable tension, if not crisis, for the new EU of 25 member states. When Britain first held the Presidency in 1977, there were just 9 EU member states and Britain was seen as the “sick man” of Europe with a poor economy, arrogant, over-mighty trade unions who sought to dictate the policy of the then Labour government, and an elderly prime minister on the eve of handing power over to the long 18-year hegemonic rule of the Thatcher-led Conservative Party.

Britain held the presidency in 1981, 1986 and 1992 under the Conservatives. It again held the presidency in January-June 1998 when Tony Blair had been Prime Minister for the first few months. Even then there were tensions between the UK’s refusal to seek to prepare to join the Euro at a time when the new currency was seen as the definition of true Europeanness.

A year later, in 1999, the social democratic domination of European governments was complete – Blair, Jospin, Schröder, D’Alema, Persson, Rasmussen, Kok, Gutierrez et al with Romano Prodi in Brussels and Bill Clinton in the White House. Never in European history have so many heads of government come from the Party of European Socialists. Their cumulative failure to come together and fashion a common European Union reformist agenda and apply it with determination is one of the lost chances of social democratic history.

Today 19 of the 25 governments in the EU are headed by European People’s Party (EPP) centre-right or conservative politicians. It is against this background that the freshly re-elected Labour government, headed by Tony Blair with the longest serving experience of any Labour prime minister takes over the presidency of the European Union on 1st July 2005.

Denis MacShane *

Britain’s Presidency of the European Union. Internal Crisis, External Strength, Economic Movement

The Constitutional Crisis

Britain’s Presidency of the EU comes at a crucial time in EU history. The ‘No’ votes in France and the Netherlands reveal a democratic disconnect between the ideals and institutions of the EU and the mass of voters in two important countries. Although the noble name “Constitution” was applied to the new Treaty, it is an international treaty and requires ratification by all signatories. The declaration requiring the European Council to consider what happens if five or more EU member states reject the Treaty was written in to provide for maverick or special interest rejections in small member states. No-one envisaged republican, statist, centralised France and the Atlanticist, liberal, kingdom of the Netherlands – both founding EU members – to deliver a decisive ‘No’ in a referendum.

Unless and until France and the Netherlands agree to hold second referendums the Treaty cannot be ratified. If it is modified the entire ratification process has to begin again. The debate over the Treaty will continue during the UK Presidency. In addition to the declaration made at the June Council meeting each member state will have to decide how to respond to the French-Dutch ‘No’ votes.

Those countries that have not yet ratified will have to decide whether to proceed. The EU will look foolish if there are successive No votes on a Treaty that, in any event, cannot be ratified. Britain has decided, at this stage, not to initiate a long and complex parliamentary process to adopt a law on the Treaty and a referendum. The process is only suspended and can come back to Parliament at some future stage. But until France and the Netherlands ratify the Treaty there is no appetite for a difficult parliamentary and referendum debate.

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Rebate Debate and New Leadership in and from Germany?

The British Presidency will also be overshadowed by the German Bundestagswahl and the question of the EU's budget or financial perspective 2007-2013. On the latter, it is hoped that the Luxembourg presidency can find a compromise. British tax-payers pay nearly three times per capita to the EU budget in comparison with France. If the famous rebate was abolished, each British citizen would pay 12 times what each French citizen pays to the EU budget. This is because of the well-known distortion that has €45 billion – nearly half the total EU budget - paid out in agro-industry subsidies which do not benefit the UK.

From a German, Dutch or Swedish perspective, the UK rebate may no longer be fully justified. Unfortunately, British public and political opinion tends to compare the UK to France. It would be political suicide for a British Prime Minister to ask his citizens to pay so much more than their French equivalents to the unpopular bureaucracy of Brussels. If some countries feel they pay to Britain, all British taxpayers, Labour, Conservative and Liberal-Democratic, believe that for years their taxes have gone to subsidise the French farmers and agro-multinationals as well as over-subsidised farmers in other EU member states. Therefore, if there is no Luxembourg deal on the budget it is hard to see the UK presidency having room to move on this issue.

The German election and the possibility of a change in government in Germany will occupy the first period of the British Presidency – up to end-September. Britain, as the rest of Europe, will be watching to see what kind of language is used by Schröder and Merkel, as well as by the Greens and the FDP.

How will EU themes play into the election? Will the Turkish start date for EU negotiations of 3rd October be a big theme in the Bundestagswahl? The UK has been a leader in supporting Turkey's EU ambitions. It is a strategic goal of British policy to have a stable, Muslim Turkey living under the rule of law and EU values and moving over time to full EU member status. This position is shared by all the political class in the UK, including Eurosceptic Conservatives. It will be painful for London if the German election makes Turkey's EU hopes a major and divisive issue.

Although an EU Presidency has to serve impartially all 25 member states with their regular calendar of elections (Poland, for example, will have parliamentary and presidential elections in September and October) a regime change election in one of the big EU economies, such might happen after the German Bund-

estagswahl will be the dominant political event in the second half of 2005. Britain has good relations with Poland strengthened by Blair's decision in 2004 to allow Polish workers to come and work in the UK labour market.

Angela Merkel, the opposition's chancellor-candidate, has visited London and CDU experts regularly visit Westminster and Whitehall. There is regret in London that Gerhard Schröder's reform programme has met such opposition from German trade unions, opposition parties in the Bundesrat, employer federations and members of the SPD itself. Blair has sought to establish good personal relations with Schröder but there remains puzzlement in London at Berlin's emphasis on the Paris-Berlin axis at a time when the Europe of 25 is no longer interested or willing to be under the aegis of just two EU member states, and two which have such unhappy economic performances recently. There are no illusions in London that a Merkel-led Germany would instantly overcome the institutional blockages to necessary reform. Britain will seek to work positively with any government that emerges from the Bundestagswahl but undoubtedly the presidency will be overshadowed by the German election.

A Modest Presidency but G8 at Same Time

Government preparations for the UK Presidency began in 2003 with the efficient UK government coordination machinery preparing the ground competently. The Prime Minister ordered that the EU presidency should not be ostentatious. Britain simultaneously holds the G8 presidency and will host the usual gathering of EU and other world leaders at the Scottish luxury golf resort of Gleneagles on July 8th. The EU Presidency events will not have the same grandeur.

At the planning stage it was assumed that the UK government would have to fight and win a difficult referendum on the EU constitutional treaty. The presidency would thus have been a good occasion to "show-case" Europe and increase public awareness and information levels of what the EU is, what it does, and how EU membership benefits Britain. The presidency now is the beginning of the "pause for reflection" which Blair has suggested the EU needs as it digests the rejection of the proposed constitution.

The UK presidency is unlikely to see any major developments on the political or philosophical definitions of the EU. Instead it will focus, in a typically British fashion, on limited pragmatic goals. Britain wants to

see the EU develop as a strong foreign policy player – on the basis of intergovernmental cooperation – and this aspect of EU work will also be stressed.

Team Presidency

The UK Presidency is not a stand-alone six months. Instead Britain has supported the 2004-2006 Multi-annual Strategic Programme which is a 3-year programme covering the Irish, Dutch, Luxembourg, UK, Austrian and Finnish presidencies. It is no coincidence that all six member states are the most liberal in economic thinking and the keenest on economic reform and budget discipline. They also happen to be in the top third of EU member states by GDP per capita. These countries have already undertaken important economic reforms, such as reducing state subsidies for industry.

In contrast, Germany, for example, gives four times as much in tax-payers' money to industry and France twice as much as the UK. (Germany, €16.3 bn; France €8.8bn; Italy €7.1bn; UK €4.2 bn in 2003, according to the European Commission.) So the UK will support Commissioner Nellie Kroes in her plea to Germany, France and Italy to reduce state subsidies to 19th and 20th century traditional industries, or help to prop up companies unable to meet world competition and to refocus the €53 bn of EU public spending in this area on research and innovation in the new sectors of 21st century economic activity.

Security, Prosperity, Sustainability

The key theme for the UK Presidency is a Europe that promotes security, prosperity and sustainability. In the British analysis, reducing barriers to trade and free movement with the Union has been the most important reason since 1957 for economic growth, job creation and improved productivity in Europe. But there remain serious barriers to the free movement of workers, goods, capital and services. In the case of services, 70 per cent of EU economic activity is now in the services area but only 20 per cent intra-EU trade is in this sector.

The Prodi Commission produced a directive on services, which was supported by the then EU Commission with its majority of centre-left Commissioners including the French socialist, Pascal Lamy, now head of the World Trade Organisation; the two German Commissioners from the SPD and Green parties; as well as prominent European left politicians like Margot Wall-

strom, Antonio Vittorino and Pedro Solbes. The campaign against the Services Directive launched by communists, Trotskyists and President Chirac in France earlier this year caught the new Barroso Commission by surprise. Given that France is the largest exporter of services in the EU, there seemed a lack of Cartesian logic in denouncing a directive that would only benefit French economic actors.

The UK would like to see a re-launch of a "sellable" services directive in order to counter the strengthening protectionist and populist forces that are now threatening to stop any more opening up of EU economic activity.

Less but better regulation

The UK will emphasise the need for better regulations and cutting red tape. There is a widespread sense in Europe that Brussels produces regulations for the sake of producing regulations. There is a bureaucratic imperative which is self-sustaining. For the UK new legislation should only be introduced if it is accompanied by a credible impact assessment and European competitiveness is not undermined. Work is already under way with the Commission and the Council Secretariat to see if the existing 95,000 pages of EU legislation could be slimmed down.

EU as Global Player Tackling Poverty, Climate Change

While the EU is dominated by the political crisis over the constitution and the economic stagnation given the under-performance of the big 3 Eurozone economies – France, Germany, Italy – the UK wants to use its presidency to invite the EU to lift its horizons to global challenges. A major priority for the Blair government is to reorganise help for poor countries and Africa, in particular, which Tony Blair has called a "scar on the conscience of the world." Already the EU has agreed to ambitious target for increasing aid and to work on international debt relief. Blair has flown to Washington to press President Bush, with some if limited success, to engage the United States in this European-led project.

Another key global issue will be continuing work on the environment. The UK wants to keep EU ambitions on climate change focussed on delivering Kyoto targets. In particular, the UK wants to encourage the EU to work on incorporating aviation emissions into the EU Emissions Trading Scheme.

Making Enlargement Work – Turkey EU Talks to Start 3/10

The UK has always seen the enlargement of the EU as a way of showing how European values of the rule of law, democracy, open market economies and social responsibility are not the privilege of just a limited number of European states but are the right of every European citizen. Therefore, the UK will work with partners to ensure a successful opening of negotiations with Turkey on 3rd October. It is recognised in London that full EU membership for Turkey lies years in the future. But the UK believes that modernisers and reformers in Turkey need every encouragement and a negotiating process will give the EU considerable leverage over Turkey, as it seeks to achieve EU standards across many areas where Turkish laws and administration fall short.

The UK wants to see a calm entry into the EU for Bulgaria and Romania. 10 years after the Dayton Accord on the Balkans as well as the 10th anniversary of the genocidal massacres at Srebrenica, it is time for the EU to take a lead in the Western Balkans (former Yugoslavia). A priority would be to start membership talks with Croatia once the Croatian authorities demonstrate compliance with the International Tribunal in the Hague and arrest the fugitive Ante "General" Gotovina who is accused of serious war crimes.

Another priority is to begin serious talks on finding a final status for Kosovo. Belgrade still likes to pretend that Kosovo can in some way remain under Serb tutelage instead of seeking its own status as a European nation. The United States, which maintains a significant troop presence in Kosovo, wants to move forward on this dossier. The Western Balkans should take the European road to overcome their past civil wars and Milosevic heritage.

The UK will be organising summits with the US and Russia. The Russian approach to Belarus and the former Soviet republics like Ukraine, Georgia and the "stans" is now a cause for concern. While personal relations between Blair and Putin are good, there is concern in the UK about the lack of democratic transparency and verifiable rule of law in Russia. This may surface in the UK Presidency though British diplomats will not want to see any negative developments in EU-Russia relations.

No to Super-State, Yes to Super-Power

Finally, the UK has always wanted to see Europe not as a "super-state" but as a "super-power", to quote Tony Blair from a speech he made in Warsaw in 2000. The EU Presidency will see the London-Paris-Berlin group working hard to stop Iran from becoming a full-scale nuclear arms power with destabilising consequences on the region. The UK has full confidence in the work of Javier Solana and supports his concept of "effective multilateralism" and the development of the EU's defence capabilities. Sudan will remain an EU foreign policy priority under the UK Presidency. There is unlikely to be movement on lifting the EU arms embargo on China unless the Chinese make some serious effort to meet EU concerns on human rights issues.

The UK will want to see the EU working constructively to achieve success in the Doha Development talks ahead of the WTO ministerial meeting in Hong Kong in December. The British Trade Commissioner, Peter Mandelson, will play a crucial role in this. But doubts remain if the deep lying agricultural protectionist politics embedded in EU thinking can be overcome. This projection of the EU as a global player will also be taken up by the UK in developing the EU's counter-terrorism work place and the new Justice and Home Affairs agenda.