

The future of the European Union: Where do we go now?

Hotel Intercontinental, Prague

Monday 13 November 06

The following is a summary of the main ideas on the future of the EU that were presented by panellists at the conference.

The conference was convened by the European Foundation and the Centre for Economics and Politics (CEP, Cz), to draw attention to the most prominent EU sceptical/reformist arguments across Europe.

This document is intended as an aid to speakers, providing information on some of the most current and relevant sceptical positions on the EU.

Welcome Address: *President Vaclav Klaus (Cz)*

Keynote Speech: *Jan Zahradil (Cz)*

Foreign Affairs: *Prof. John Gillingham (US)*
Lord Howell of Guildford (UK)

Democracy & Accountability: *Bill Cash MP (UK)*
Karl-Albrecht Schachtschneider (Ger)
Alain Bournazel (Fr)

Economic Realities: *Ronald Stewart-Brown (UK)*
Wilhelm Hankel (Ger)
Richard Ebeling (US)

President Vaclav Klaus, Czech Republic

President Klaus opened the conference with a typically candid attack on the EU, describing the delegation as a “*welcome gathering of people who dare to be politically incorrect*”.

He was particularly keen to highlight a strong correlation between the increasing lack of freedom/democracy in Member States and closer EU integration. Whereas many expected the EU to deliver a Europe that was freer, less Socialist and with much less government involvement in human affairs, he stated unequivocally that he believes the reverse has occurred. Using the justification of supra-nationalism to prevent war, he argued the EU has tended to see human action as determined almost solely by external actions and so standardised and regulated without considering the consequences. President Klaus ended with the cutting assertion: “*We are on another road to serfdom, but this time the wind is not blowing from the East*”.

Jan Zahradil MEP, Czech Republic

Jan Zahradil argued EU-reformists have “*a window of opportunity starting right now...[because] the paradigm of EU integration has run down*” [*with the collapse of the EU Constitution*]. What is more, he reasoned this opportunity is especially huge because the two main integrationists, France and Germany, have both contributed to this collapse: the French through the rejection of the Constitution in last year’s referendum and the Germans through the constitutional court’s refusal to rule on the compatibility of the EU Constitution until a final decision has been made on the document’s fate. Zahradil argued that neither Sarkozy’s attempts to smuggle the Constitution in through his ‘mini-Treaty’, nor Merkel’s idea of ratification without change, are viable or possible.

Instead he made the case for the EU to shift towards a new paradigm of heterogeneity and flexibility, based on economic dynamism, decentralisation and individualism. He envisaged the EU as a network of closely linked alliances, groups and clusters with varying integration and, crucially, the opportunity for Member States to opt-out and move ‘backwards’. Only with such a system, he argued, could the EU hope to compete on the global level and function efficiently with 27 (or more) Member States. Moreover, this system would be based on the different political wills of Member States and ensure real equality between them, which Qualified Majority Voting (QMV) has wiped out.

In Zahradil’s eyes, moving towards such a system must be evolutionary rather than revolutionary. He stated that this should begin by revising *acquis communautaire*, reversing unwelcome Chapters and abolishing untenable projects such as the Common Agricultural Policy (CAP).

FOREIGN AFFAIRS

Prof. John Gillingham, US

Prof. Gillingham spoke of the urgent need for the EU to be institutionally downsized, arguing that the EU cannot survive in its present form and is fast losing its international credibility by attempting to present a unified front. He stated the EU's attempts at forging a Common Foreign and Security Policy (CFSP) were folly and that international defence issues should remain the realm of NATO, unless the EU wants to increase its defence spending to the levels of the US. In his view, this is all the more pertinent given the rising influence of Putin's '*neo-Muscovite*' Russia over Member States, through the powerful levers of Gazprom and natural gas.

He argued that the EU is also losing its way as a 'soft' power, citing the Commission President, Jose Manuel Barroso, apparently cutting off the Ukraine from the EU – '*Ukraine is not ready, and we are not ready*' – when the Orange Revolution began to reverse. Ukraine is now very much back in Russia's sphere of influence and enlargement 'fatigue' is also threatening relations with Turkey. For Gillingham this is mirrored by diminishing reform within the EU with a "*crisis of liberalisation*" in the new Member States and a general turn back towards protectionism in certain others, exemplified by the French 'national champions'.

His solution is to re-found the EU on a satisfactory inter-governmental model, which enables citizens the chance to lay out a roadmap: "*the people must decide if the EU is worth saving*".

Lord Howell of Guildford, UK

Lord Howell opened with a damning critique of UK foreign policy, as a precursor to discussing the EU. He described UK foreign policy as being entirely '*in limbo*' between acting as an unswerving ally to the US and supporting the CFSP. Yet he sees neither as satisfactory: the US has never needed the UK as a bridge to the EU and the CFSP is riddled with disunity.

He encouraged the conference delegates to recognise there is no common EU position on key international issues; attitudes towards Iraq, Iran, Lebanon and Gazprom have revealed this only too clearly. There are 25 nations, with 25 different perspectives. Moreover, Lord Howell sees the attempt to put foreign policy through the '*CFSP filter*' not only as folly, but also dangerous: "*transatlantic disputes have actually been amplified...by 13-14 EU Member States orchestrated by France...picking a fight with it [the US]*" (e.g. the collapse of the Doha round of trade negotiations). He added that internal wrangling over the CFSP has also detracted attention from producing a strategy to deal with the dwindling 'pax-Americana' and the rise of Russia and China in particular. Prof. Gillingham seconded this point.

Lord Howell concluded by pushing for the CFSP to be disbanded in favour of a looser network of interdependence between nation states to "*network the world for their own beliefs*", citing the 54-nation commonwealth as a possible starting point.

DEMOCRACY AND ACCOUNTABILITY

Bill Cash MP, UK

Bill Cash argued that the EU has “*left the ideals of democracy and accountability by the wayside*”, in favour of a bureaucratic superstructure that is invasive of parliamentary systems and values.

In his view, the rise of Jean-Marie Le Pen, the recent French riots, the increased support for the BNP and the recent demonstrations in Hungary can all be traced to the unemployment, tension and instability bred by the “*woefully undemocratic mechanics of the EU*”. He described how legislation in the EU originates in the unelected Commission, is approved by a ‘*bizarre voting system*’ in the European Parliament and by QMV in the Council (which can override properly elected Member State governments) and goes into national law ‘*by decree*’. Moreover, the EU Constitution (part IV) would create a new primacy over all laws bundled together into a single Constitution, which Member States must enforce.

Mr Cash put forward the case for an association of nation states *freely* cooperating, without any EU governance. Most importantly, he outlined how the process of withdrawing from the EU and moving towards this arrangement could start. Clause 17, which was proposed as an Amendment to the Legislative and Regulatory Reform Bill (May 2006), would, if passed, have disapplied the European Communities Act, 1972, and enabled Westminster to pass national law in contradiction to EU law and instruct judges that it has primacy. In Mr Cash’s words such a mechanism could be used, in the UK at least, to override EU law and re-establish the ‘*freedom of the voter*’.

Karl-Albrecht Schachtschneider (Ger)

Schachtschneider argued that EU integration could not be criticised if the process had been the result of democratic procedure and if the EU was democratic, respected sovereignty and upheld the rule of law. However, it has not and does not.

He put the case that: the European Parliament does not have democratic legitimacy because it is not a true parliament – the weighting of votes is unequal and it cannot initiate or decide laws on its own. Every Member State having a Commissioner appointed by their national government certainly does not make the Commission a democratic association. Ministers in the Council only have legitimacy in their own Member States and the weighting of votes is not in line with Member State populations. He concluded that true democracy in the EU would require a single European state with its own parliament.

But Schachtschneider stated in no uncertain terms he was very much against this ideal: “*a superstate in Europe is a danger internally and externally for everybody*”. He argued that the European Court of Justice (ECJ) in particular, and the EU in general, has been eroding the social principles enshrined in the German constitution and has moved too far towards the ‘four economic freedoms’ detailed in the Treaty of Rome. He claimed that the consequence of not allowing different economic systems to work has been the breakdown of the rule of law. EU ‘citizens’ instead have to be satisfied by pro-EU propaganda, “*propaganda which is always a sign of lawlessness*”. He concluded Germany should leave the EU and establish treaties with other states that are coherent with its own laws.

Alain Bournazel (Fr)

Alain Bournazel's central argument was that *"since the 1970s, the EU project has only been able to develop because it has been beyond democratic scrutiny"*. Where referendums have been held and rejected, the process of integration has continued regardless: the Danish public rejected the Maastricht Treaty in 1992, yet it became law and the Irish public rejected the Nice Treaty in 2001, yet it too became law. Bournazel sees the same happening with the EU Constitution; despite being rejected by the French and Dutch electorates, it is not dead and is being kept alive through undemocratic means.

Bournazel argued Brussels was a *"vast set of laws and regulations, designed and drafted by an unelected bureaucracy"* and urged conference delegates to think of *"how surprised future generations will be by their leaders' willingness to give up real powers to undemocratic government and an institution that is clearly ineffective"*. He described the euro as a 'disaster' and the Lisbon agenda a 'fiasco', concluding that our challenge must be to find a way to return powers to Member States and enable people to regain their democracies.

In his view the EU developed in a post-war world that is obsolete and it is now therefore possible to re-establish independent, accountable and democratic states that are able to work together in peace and friendship. Bournazel also responded to the question of people's distrust in national governments by arguing that it is rooted in the deceptive model of EU governance, which politicians must pay lip-service to.

ECONOMIC REALITIES

Ronald Stewart-Brown (UK)

Stewart-Brown opened with the statement that, despite the rhetoric, *“the EU’s raison d’être has never been the common market”*. He later cited the EU Constitution as the prime example that the EU has become primarily about political union. And far from allying with the principles of a common market, he argued that the EU is in fact overwhelmingly protectionist, leaving certain sectors wholly uncompetitive and helping to keep Africa in poverty. He drew attention to three crucial points to substantiate this: Gunter Verheugen’s recent revelation that EU regulation costs Member States a staggering €600bn p.a.; the fact that even the Conseil d’Analyse Economique has admitted there has been virtually no economic gain since the introduction of the euro; and the recent opinion poll commissioned by Open Europe that revealed 60% of business leaders in the UK want to renegotiate membership of the EU to that of free trade.

His presentation revolved around the argument: *“We need a Europe open to the world to tackle problems like the growing competition between Russia and China, the developing world and climate change...”*. Referring to his earlier arguments, he put the case that this does not appear possible through the EU.

On this basis, he stated that the UK should leave the union on an ‘amicable’ basis and negotiate a free trade agreement similar to that of Switzerland or Norway. This should be possible, because EU Member States would have a strong interest in it; the UK imports more from the EU than it exports (the UK-to-EU trade deficit is £38bn). He conceded this would have a downside, for example customs controls would have to be expanded to include Europe and EU tariffs would harm particular industries such as agriculture and textiles. But Stewart-Brown argued convincingly that the benefits would be greater: the ability to cut excessive business regulation, the freedom to negotiate free trade agreements (FTAs) and no £5.5bn p.a. contribution to the EU. He concluded: *“If the UK maintains its sound domestic policy, it should attract investment regardless of whether or not it is a member of the EU”*.

Wilhelm Hankel (Ger)

Wilhelm Hankel focused on Economic Monetary Union (EMU), describing it as a *“monstrosity of a project”* that, in his view, is doomed to failure because it is trying to impose a uniform monetary policy on 12 heterogeneous states.

He highlighted how Germany and the Netherlands are the only states in the eurozone with significant balance of payments surpluses, and are being used to compensate for the deficits of others. Inflation across the eurozone also hides the fact that inflation in some countries is significantly higher than the average; Spain by more than 20%. Hankel argued that while the European Central Bank (ECB) is supposed to prevent or at least minimise the cycle conflicts that will inevitably develop from these differences, it has instead contributed to it by setting interest rates favourable to the deficit countries. As a result Germany is in the bizarre situation of having an export boom, at the same time as a stagnating economy (economic growth is just 1%).

Hankel spoke of how he has “*never heard of monetary union with such a high proportion of debtors. It is easy to calculate that the deficit of everyone will be too large to be compensated for by Germany and the Netherlands*”. He argued the only solution is the end of the euro as a single currency and suggested that it run in parallel with re-introduced domestic currencies.

Richard Ebeling (US)

Ebeling based his talk on the premise that Socialism does not work and that market forces are needed for a productive economy. In this sense, he argued, the introduction of the euro was a huge step backwards from the idea of competing currencies and economic liberalisation back towards a centrally planned economy. He described how the danger of this is the likelihood that the ECB is either pressurised by national governments into its decision on interest rates, or simply does not have the knowledge to set them at the optimal level. He emphasised how this applied particularly to the euro, given the heterogeneous make-up of the eurozone economies.

In Ebeling’s view “*the euro is a political tool to compete with the US*”. He described the euro as intrinsically unattractive as it restricts the freedom (advocated by Hayek) of individuals to use any currency they choose. Ebeling instead promoted the idea that governments should not have a monopoly on currency and suggested money markets should be de-nationalised to competitive private banking.