

[Comment] Can the UK rescue the EU with a bit of 'europragmatism'?

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EUOBSERVER / BRUSSELS - He didn't actually say "Crisis, what crisis?" but he might just as well have done so, the 'he' being the Luxembourg Foreign Minister, Jean Asselborn.

Yet the fact remains that Europe this week is in a sorry mess of budgetary and constitutional failure.

If Europa has not yet been abducted by the bull, she has hung her hat on his horns and is busy feeding him buttercups.

The beast is already down on one knee. Fortunately, Britannica, who takes a proprietorial, if not wholly benevolent, interest in Europa's affairs, is striding to the scene with the clear intent of putting an end to such buttercup and bovine distractions.

In one sense Jean Asselborn is right. The broad river that is European Union continues as before. Reforming state aids; recapitalising Alitalia; a bio-ethanol project; consulting on business red-tape; surveying animal welfare; a better trade deal for Africa; money laundering; storm damage in Slovakia; testing Microsoft's proposals; promoting European research; Italy's persistent budget deficit - these are just some of the eclectic array of subjects on the Commission's agenda that surfaced this week.

Nor is the euro in any jeopardy, despite the wishful thinking in many British newspaper articles and some eccentric - one might almost say operatic - nostalgia from a couple of Italian ministers on behalf of the lira.

Indeed any visitor from Mars would be bound to conclude that of the two currencies, the euro and the dollar, it was the dollar that was in the greater difficulty. One has only to look at the respective parities of the two currencies since the euro's launch to see that.

To suggest therefore a 'new' lira, tied to the dollar would help the Italian deficit seems as bizarre a suggestion as is possible to make this side of the men in white coats.

Denial

But in another sense, and along with other European leaders, Mr Asselborn seems to be in denial about the reality of the current problems. Europe is in crisis: it is the coincidence of the budget problem and the constitutional problem that makes it so.

Europe's day to day functions, or its currency, are under no immediate threat, but deep damage is being done to the credibility of the existing generation of European leaders and institutions, both among its own citizens and among those regions elsewhere in the world that look to the European Union model as a bench mark for democratic co-operation. The greatest trading block in the world is looking distinctly amateur.

The four budget demands

The debate on the budget concerns how much the Union should spend between 2007 and 2013.

An agreement here is already overdue. Nor does it look likely that one will be reached at next week's summit of European leaders on June 16 and 17, despite strenuous efforts, not least by Mr Jean-Claude Juncker, the Luxembourg Prime Minister.

Until 30 June he holds the European reins but his Presidency is not turning out to be a happy one.

The problem is simple enough. There are four demands to satisfy but only money enough to satisfy three.

To remind ourselves, the four are: what contributing member states are prepared to pay; maintenance of the British rebate; maintenance of existing agricultural and regional aid policies; and maintenance of political commitments already made both to new member states and to support the European economy.

Each of these demands has its own powerful supporters. Germany, the Netherlands and Britain, among others, want a restricted budget because they pay most of it; Britain - though only Britain - naturally wants to keep its £3bn rebate just as France (and others) want to keep their agricultural subsidies.

Meanwhile the new member states and the European Parliament intend to hold the Commission to its expenditure commitments.

Negotiating impasse

The problem here is that giving everybody three quarters of what they want is not an option. Furthermore, Britain will give up its rebate only if France gives up its agricultural subsidies.

We are thus in something of an impasse, which is unlikely to be solved by one last negotiating heave.

Next week's summit will also have to address the question of what to do about the process of constitutional ratification, now effectively on hold.

Despite the French and Dutch referendums there are plenty who refuse to believe the Constitution dead. Mr Barroso, president of the Commission, is among these.

The European 'demos' (which against all expectation seems suddenly to have awoken like some long slumbering Sleeping Beauty) thinks otherwise, however, with citizens everywhere rushing to proclaim their constitutional, if not their European, scepticism.

Apparently, 96 per cent of Germans now say they would have rejected the treaty given the choice. The figure of 96, I suspect, needs to be taken with a strong dose of salt, but even so the trend from this and many other polls is unmistakable.

Such circumstantial evidence as to the Constitution's demise is very strong. It is, as Henry Thoreau once said, like finding a trout in the milk.

Blair: looking for his place in history

Against this troubling background Britain (for which these days read Tony Blair) will assume the Presidency of the European Union in three weeks time on 1 July.

Mr Blair is looking for his place in history; moreover he has always fancied himself on the European stage. To cleanse this Augean mess and to set Europe back on track would be personally satisfying, just as it was to the Irish Taoiseach, Mr Ahern, who rescued the Constitutional treaty after Mr Berlusconi's failed IGC in 2003.

He starts with some advantages. Britain's 'euopragmatic' stance means that it is not so bound by convention and is more prepared to cut Gordian knots in pursuit of solutions.

Besides Mr Blair is itching to provide the leadership that thus far has been lacking in a Europe in which other principal candidates, notably Messrs Schroeder and Chirac, are in a weak position domestically.

Mr Blair, as Union President, has thus considerable scope for radical démarches, particularly

as, Constitution or no Constitution, it is now the member states who are running the show.

On the budget, for instance, I suspect that, if no agreement is reached before 1 July, Mr Blair will find some mechanism to front load expenditure without front loading contributions - essentially by a form of borrowing, though it won't be called that.

This is the essence of the British proposal for an International Finance Facility to increase aid flows to the third world. It could be applied to Europe, given some creativity.

On the Constitution, as I argued last week, some permissive bits of the treaty will simply be adopted informally, 'faute de mieux.' There is nothing in the existing treaties to prevent it.

Tony Blair said again this week that it would be a sensible for the European Council to elect a semi-permanent President, as the rejected Constitution suggested. Even more sensible, he might also think, for him to be elected to the post once his domestic duties were over.

What is necessary will be done, but only that. Certainly, Mr Blair can have little appetite for negotiating a new treaty, even one prepared by an elected Convention and put to simultaneous referenda, both of which ideas were proposed this week.

British, and therefore Anglo-Saxon, leadership of Europe is not exactly what most of those who voted 'no' in the French referendum were looking to achieve.

It is a cruel irony that by rejecting the protection offered by the Constitution in the hope of something better, France may have landed herself with the very thing she didn't want. Still, she may yet welcome economic reform when it comes.

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