

THE NICE SUMMIT



So that's all agreed, then

NICE

The European Union's summit in Nice gave a foretaste of the power struggles to come, as the EU prepares to admit 12 new members

WHEN the 15 leaders of the European Union staggered out of their conference room in Nice in the early hours of December 11th, they were keen to proclaim victory. President Jacques Chirac of France, the summit's host, boasted that Nice would go down in history as a great success. The Union now talks optimistically of admitting the first new members, most of whom would be from Eastern Europe, by 2004.

Mr Chirac's euphoria was understandable, for transcripts of parts of the leaders' discussions, obtained by *The Economist*, show how close the meeting came to breaking down (see next page). At one point Gerhard Schröder, Germany's chancellor, complained that the endless haggling over countries' voting power within the European Union "makes me sick". In an earlier session on the night of December 10th, Mr Chirac had considered giving up. Complaining that "every solution presents horrendous problems", he suggested that "perhaps we can delay a decision for a month or two, and come back with greater calm."

In the event, the 15 leaders returned to the conference room at two in the morning, on the fifth day of negotiations, and hammered out a deal. But the details of the agreement were complex and technical, leaving room

for debate about what the practical implications of the Treaty of Nice will actually be.

Four broad conclusions seem justified. First, the agreement will see a shift in power within the EU towards the big countries (Germany, France, Britain, Italy, Spain and Poland, if and when it joins). Second, within this "directorship" of big countries, Germany has gained power, becoming "first among equals". Third, although political integration within Europe has once again advanced, with member countries giving up their rights to veto EU decisions in 29 new areas, the pace of integration has slowed, at least for the moment. Lastly, although the Treaty of Nice will make enlargement of the EU a little easier, it is far from a done deal.

Weighty matters

The really bitter arguments in Nice were not about the principle of enlargement, but about the struggle for power and influence in a newly expanded European Union. An EU with more members will necessarily mean that each individual country will have less sway. This matters because so many of the EU's decisions are now made by majority voting, which cannot be thwarted by national vetoes. Even before Nice, more than 80% of EU decisions were made this way.

As a result, the question of how a majority is constituted assumes crucial importance. The main forum for making EU law is the Council of Ministers, which brings together ministers from national governments. Under the old system, small countries had more votes in the council, in proportion to their populations, than larger ones; that privilege, though still preserved, has now been somewhat watered down (see table). All the big countries' voting weights have increased at the expense of small countries.

This change proved so hard for the small countries to swallow that it brought them to the brink of walking out. The revolt was led by Belgium and Portugal, usually regarded as model Europeans. Antonio Guterres, the Portuguese prime minister, is said to have complained at one point of "an institutional coup d'état". The last hold-outs were the Belgians, who resented getting fewer votes than their Dutch neighbours.

In the end, the small countries clawed back some power. But they felt strongly that they had been badly treated. In Greece, *Ta Nea*, a pro-government socialist newspaper, complained that the big countries "did everything they could to create a directorate, which will control all decisions, leaving the little countries at the margins."

Sad to say, the agreement that was eventually reached is almost as hard to understand as it was to achieve. Forming a majority will require clearing several hurdles. In the enlarged EU, with different countries having different numbers of votes, 74.6% of those votes will be needed to form a "qualified majority". This means that a coalition of three big countries plus one small one will be enough to block a qualified majority. Another form of blocking minority is one that requires a check that any decision has the backing of countries representing 62% of the total population of the enlarged EU.

It is safe to say that few of the "citizens of Europe" will understand this system. mean-

What they decided

- **Majority voting:** Extended to decisions in more areas, including trade in services. Some matters, notably tax and social-security policy, remain subject to national vetoes.
- **Rebalancing votes:** Big countries get more votes within the Council of Ministers, although smaller countries still get more votes relative to population. The gap between them increases. National vote totals have been set for aspiring members.
- **The European Commission:** Big countries give up second commissioner from 2005. After 2007, the size of the commission may be capped at 20.
- **Flexibility:** Groups of eight countries or more may pursue greater integration in certain areas.
- **Charter of Rights:** Proclaimed, but with no legal force yet.

At two in the morning

The talks in Nice carried on into a final session that began at 1.40am on December 11th. The Economist has obtained a rough transcript of part of the negotiations, in which the European leaders haggle, with the help of simultaneous translators, over their countries' relative voting weights

Chirac (France) presents proposal.

Verhofstadt (Belgium): No. Too high threshold [to achieve a majority]. Discrimination against gets worse with every draft. Easier for three bigs to block.

Simitis (Greece): Are you really giving 22 MEPS to Belgium and 20 to us?

Guterres (Portugal): An improvement. We have two less MEPS than B. Want a lower threshold. If acceptable to all, I accept.

Lipponen (Finland): Fair proposal on vote reweighting. But Lithuania does not have a fair deal. Belgium, there has to be a difference on the basis of population. We are different from Sweden in population, and so treated differently... Threshold v high, but if everyone can accept so can I.

Schröder (Germany): When I hear these kind of complaints it makes me sick. This has nothing to do with the organisation of Europe. I have enormous doubts about the 74%. Let's settle and go home.

Schüssel (Austria): Don't like 74%. But if others agree I can.

Blair (Britain): I can agree. The threshold is high because of the way the original has been scaled down. Strongly support commission president by QMV... If elections by QMV of each commissioner, I have

problem.

Chirac: It is the list that is done by QMV, not the individuals.

Juncker (Luxembourg): Recognise that you have taken up our idea on QMV for commission president. Couldn't we lower the threshold? But if all can accept, then I can...

Chirac: Fine to look at this.

Kok (Netherlands): Six biggest doing well. One more vote from Netherlands to Austria would help reduce the discrimination.

Prodi (commission president): Agree with Juncker on threshold.

Ahern (Ireland): I'll buy it if you do.

Amato (Italy): There's a bit more QMV, which is good for us. Turning the member-state safety-net round is not great, but I understand. I note that some candidates are badly served. Romania gets the same as Netherlands. Malta less than Luxembourg and Lithuania less than Ireland. Fine for us around the table.

Chirac: A nuance; legitimate that old member states, who have contributed so much, have more votes than those who are new and will bring problems.

Simitis: We have 300,000 more people than Belgium and two fewer MEPS.

Chirac: Belgium has a huge problem. We

have to recognise that. Portugal has shown solidarity. Exception that confirms the rule.

Simitis: But you put me in same state as Belgium. Goes against all logic.

Rasmussen (Denmark): Can buy it if all can. Bigs have made key contribution... But I am sorry for one country—Lithuania, which has the same population as Ireland. Total votes goes from 337 to 342; why not 2 more for Lithuania? But can accept if all can.

Aznar (Spain): Less reweighting. Member states' safety-net reversed. Threshold is a significant progress.

Verhofstadt: My point isn't the number of MEPS, but the votes. Not using same principles for all.

Chirac: Are you vetoing?

Verhofstadt: Can't accept.

Persson (Sweden): We can accept proposal. Same position as Finland and Denmark on Lithuania.

Chirac: Commission and 14 can accept treaty. If no gap in your MEPS, will you buy it?

Simitis: Yes.

Chirac: So just Belgium.

Rasmussen: What about Lithuania?

Chirac: Newcomers will get less than those there already. We've done all we can. For MEPS, Greece 22, Belgium 22, Czech 20, Hungary 20, Portugal 22.

Editor's note: The agreement ultimately arrived at, two hours later, did give Greece and Portugal two fewer Euro-MPS than Belgium. But Lithuania got parity with Ireland in the Council of Ministers.

ing that at least one of the aims of the Nice summit—to bring Europe "closer to the people" by making European decision-making clearer—has not been achieved.

There is one word to explain why such a complex system has been settled on: France. Among the 15 countries round the table in Nice, France was easily the most determined to resist a much easier system, pushed by the European Commission, known as the "simple double majority". Under this system, any EU decision would need to have the support of a majority of states (each state having one vote) and a second majority of countries making up over 50% of the EU's population.

France rejected this idea because it would have weakened its traditionally leading role in the EU. France would have become just one vote around the table in the first round of voting, and would have had to accept a clear ad-

vantage for Germany in the second round, based on Germany's larger population.

Recognising such sensitivities, Germany did not push for the "simple double majority", or for a reweighting that would have given it more votes than any other country. Even so, the Nice treaty represents a power

shift towards Germany. That blocking minorities will be based on population gives Germany a clear edge, allowing it to block legislation by joining with any other two countries. And Germany also gains proportionately more seats in the European Parli-

ament, which shares the power to make European laws. More significantly, after the EU's expansion, the Germans will be at the geographical hub of the Union, rather than at its eastern edge.

This shift in the centre of gravity of the EU has caused some barely disguised ill-feeling between France and Germany. When it became clear that France was intent on preventing Germany being given more votes in the Council of Ministers, the *Frankfurter Allgemeine Zeitung* asked bitterly: "Have 50 years of hand-shaking over the graves of Verdun not been able to banish the old suspicions after all?" And when



it became clear that Germany's larger population would ultimately give it a greater voice in European affairs, *Le Figaro* had a front-page headline proclaiming that France had "given way to Germany". The French find it hard to accept that, although they have nuclear weapons and a seat on the UN Security Council, Germany's population and economic weight will give it more power within the European Union.

Although German government aides have tried to assure everyone that the Franco-German relationship is as strong as ever, new and serious tensions seem to have emerged at Nice, not least on the personal level. Mr Schröder was said to be furious at Mr Chirac's attempts to re-open an earlier agreement on the EU budget in order to get higher compensation for BSE-affected farmers. He was also angered by his suggestion that some of the candidate countries, such as Poland and Lithuania, should get fewer votes than existing members with roughly the same populations (Spain and Ireland).

For the past few years, both France and Germany have been admitting that their relationship, although still "necessary" for the "building of Europe", is no longer "sufficient". Asked whether it is even necessary any longer, given the new voting set-up, Michael Steiner, Mr Schröder's diplomatic adviser, insisted passionately that it was.

But France, particularly under its present squabbling two-headed leadership, must begin to feel that it is in danger of being left out in the cold. Germany will go on trying to appear modest and friendly towards France, but it is fully aware that, with enlargement, the Franco-German chemistry will alter, along with the change in Germany's role and status in Europe. In this wider picture, the number of votes that Germany has in the Council of Ministers is really neither here nor there. And Germany knows that.

Germany will also have an opportunity to push its vision of the future of Europe as the sponsor of a new intergovernmental conference (IGC). It was agreed in Nice that this would conclude with a new treaty in 2004. Despite the fact that many leaders left Nice vowing never again to put themselves through such a chaotic and gruelling process, they are now committed to yet another set of treaty negotiations.

The Germans have made it clear that they want this new round to concentrate on clarifying the constitutional architecture of the Union. Both integrationists and Eurosceptics, for diametrically different reasons, are keen on this idea. Those who wish the EU to evolve into something much closer to a "United States of Europe" take heart from the fact that Joschka Fischer, Germany's foreign minister, advanced a strikingly federalist vision of Europe in a speech earlier this year. But the Eurosceptics hope that Germany may incline their way. They note that Germany's federal government is under

pressure from its 16 regional governments—the *Länder*—to resist encroachment from Brussels on regional rights. And so they hope that a new IGC may curb the advance of centralisation.

Mini-majorities

Whether the integrationist or decentralising view of the EU prevails over the next three years will be a critical question. It seems clear, however, that the Germans felt that Nice was not integrationist enough. They have decried the relatively limited progress made on increasing the number of subjects decided by majority voting. Before the Nice summit, some 70 treaty articles—representing about 20% of EU decisions—were still subject to national vetoes. Twenty-nine of these articles will now be subject to majority voting, but the most far-reaching were kept off the table.

In the transcripts of the meetings obtained by *The Economist*, Romano Prodi, the commission president, complained that on majority voting there was "more quantity than quality". After the meeting, Mr Prodi admitted to "a certain dismay" that more

had not been achieved.

The British, traditionally the bad boys of European summits, achieved their main goals of preventing a move to majority voting on taxation and social-security issues, and of preventing a new charter of European rights from having legal force (see Bagehot). The Spanish succeeded in preserving national vetoes over the provision of EU subsidies to poorer countries, until 2007. This is an important concession to Spain, since the outline of the next EU budget is set in 2006 and will shape it for six years. As a result Spain will try to hang on to its subsidies, even when an expanded EU has let in the much poorer countries of Eastern Europe.

There was, however, a genuine move to more majority voting in some important areas. The EU's position in trade negotiations on services will now be decided by majority vote, although France has preserved its veto on issues relating to culture and education. Some immigration and asylum issues are no longer subject to national vetoes. And the head of the European Commission will also now be appointed by majority vote.

The relatively limited advance towards majority voting may give encouragement to smaller groups of countries that want to push ahead with greater integration. This idea—"enhanced co-operation" in EU jargon—was also dealt with in the Nice negotiations. From now on, any group of eight or more countries will be able to pursue closer integration in certain policy areas. It is clearly possible, for example, that the 11 present members of the euro, the single European currency, may now choose to proceed with closer co-ordination of their financial and tax policies.

Getting defensive

The British, however, insisted that defence should not become an area in which "enhanced co-operation" applied. This reflected the increased sensitivity of that topic after remarks made earlier this month by William Cohen, the American defence secretary, suggesting that the United States was uneasy about closer European co-operation on defence. When the discussion turned to defence in Nice, some ambitious French proposals for endowing the Union with a broad measure of autonomy from NATO were watered down under strong British pressure.

Beating a tactical retreat, Mr Chirac acknowledged that NATO would still be the foundation of Western Europe's collective defence efforts; and he denied that "independence" from NATO had ever been one of France's objectives for Europe. But in a carefully chosen phrase, he still insisted that the Union would acquire the military means—in terms of both equipment and command posts—"to defend its interests" and handle crises. Taken literally, this could mean that the Union will aspire to act mili-

Weightier than thou

	Council of Ministers voting allocation		Population m
	current	new*	
European Union members			
Germany	10	29	82.0
Britain	10	29	59.2
France	10	29	59.0
Italy	10	29	57.6
Spain	8	27	39.4
Netherlands	5	13	15.8
Greece	5	12	10.5
Belgium	5	12	10.2
Portugal	5	12	10.0
Sweden	4	10	8.9
Austria	4	10	8.1
Denmark	3	7	5.3
Finland	3	7	5.2
Ireland	3	7	3.7
Luxembourg	2	4	0.4
Total	87	237	375.3
Candidates†			
Poland	8	27	38.7
Romania	6	14	22.5
Czech Republic	5	12	10.3
Hungary	5	12	10.1
Bulgaria	4	10	8.2
Slovakia	3	7	5.4
Lithuania	3	7	3.7
Latvia	3	4	2.4
Slovenia	3	4	2.0
Estonia	3	4	1.4
Cyprus	2	4	0.8
Malta	2	3	0.4
Total	134	345	481.2

*Provisional. †Allocation if country were an EU member
Sources: Reuters; Council of the European Union.

Raining on Chirac's parade

NICE AND PARIS

“ALL our partners”, declared Lionel Jospin, “congratulated France on the quality of its presidency.” Ah yes, prime minister, but what they say to your face is not what they say behind your back. Whatever the statistics designed to show France's devotion to the European “project” (some 35 formal meetings in Brussels or Luxembourg of EU ministers during its six-month role as the Union's president, another 25 “informal” ones, 60-odd meetings with the European Parliament, etc, etc), the record is thin and the criticism severe. As one Belgian official put it at the Nice summit: “Do they take us for idiots?”

Not exactly, but France has clearly concentrated throughout its presidency on the concerns of the big countries rather than the small and, in particular, on its own national position. How else could it explain the obsession with maintaining voting parity with Germany or the blunt charge by President Jacques Chirac, at an “informal” summit in Biarritz in October, that unless the smaller countries were willing to compromise, the Nice meeting would fail and the EU's enlargement would not happen? By contrast, France has gone its own way, refusing, for example, to compromise over its illegal ban on the import of British beef, and being slow to liberalise its energy market.

Partly, of course, it is a matter of personal style. France's minister for European affairs, Pierre Moscovici, is a touch too

clever for his own good, hence accusations of arrogance from all sides (he describes one such attack, in the German press, as “somewhat anti-Semitic”). The same goes, some would say, for Hubert Védrine, France's equally clever foreign minister.

As for Mr Chirac, when his natural charm fails to work, he tries bullying instead. At the Nice summit there was no place for Romano Prodi, president of the European Commission, in the “confessionals” that Messrs Chirac and Jospin held with each head of government; yet there was one for Pierre de Boissieu, deputy secretary-general of the Council of Ministers and France's former ambassador to the EU. Virtually every delegation at Nice criti-



cised Mr Chirac's managerial style, with the exception of the British. But this was doubtless because Britain won more or less what it wanted at the summit.

There is an explanation, however, that goes beyond style. Though they were supposed to be representing France with a single voice, the fact is that Mr Chirac, a Gaullist conservative, and Mr Jospin, a Socialist, are locked in an uneasy “cohabitation”, as the French call it, until their expected confrontation in the presidential election of 2002. The result is that neither man could afford to cede ground over France's interests lest the other take advantage of a “sell-out” at the polls.

The problem, however, was more Mr Chirac's than Mr Jospin's. One reason was that the president was the man in charge at Nice, but the second reason was that whereas Mr Jospin was untouched by the rumour mill, mounting scandals over the financing of France's political parties seemed to draw closer to Mr Chirac almost by the day, prompting even some on the right to call for an explanation of his role as mayor of Paris from 1977 to 1995.

All of which helps explain Mr Jospin's good humour in Nice. When Mr Chirac said he dreamed of a day when Europe's children would all learn three languages, Mr Jospin (who already speaks good English) neatly broke into fluent Italian. When a journalist mentioned Montesquieu, the prime minister answered with a brief tutorial on democratic accountability, and then disarmingly added: “But I don't think I understood the question.” Smiles all round, but was Mr Chirac's a little forced?

tarily in emergencies which do not involve any threat to its members' territorial integrity (that would still be NATO's business), but which may nonetheless be quite serious.

At least until recently, this sort of terminology—crisis management, the promotion of stability and western interests and values—was being used by NATO strategists to describe the role which the alliance itself might take on in future, now that old-fashioned challenges to its members' physical survival seem so few and far between. Since the Kosovo war, American enthusiasm for using NATO as an “out-of-area” policeman has waned, in part because of the sheer incompetence demonstrated by European forces during the fighting. In the medium term, the Union may improbably step into that role; but it remains without the military muscle, the skills or the clout for the job.

At NATO headquarters, the messages sent from Nice—once the more strident French-inspired language had been toned down—were hailed as a helpful starting-point for talks on how the EU and the alli-

ance would work together. The terms of a deal between NATO and the Union seem clear in outline, with NATO doing the planning and lending its European friends military equipment that is not needed elsewhere. But many details still need to be worked out.

NATO supporters can also take comfort from the fact that the alliance's new members—Poland, Hungary and the Czech Republic—staunchly support the transatlantic link; history has made them sceptical of Western Europe's willingness to defend them without material help and moral pressure from the United States. The EU will be markedly less likely to undermine NATO if and when the new NATO members also join the Union.

That in turn raises the fundamental question about Nice: has it achieved its stated aim of making EU enlargement more likely? The fact that so much energy was spent haggling over the voting weights of countries such as Lithuania and Poland certainly made the prospect of Eastern Euro-

pean countries joining the EU seem much more concrete. The outcome of the Nice meeting was greeted approvingly by politicians and commentators in Eastern Europe.

But premature rejoicing would be a mistake. The Nice summit did not even touch the thorny issue of how the EU is to reform its agricultural policies to let in the poorer countries to the east. The Union provides a range of subsidies to farmers, but if these were to be extended to much poorer and more agrarian countries, such as Poland, EU farm policies would become unsustainably expensive. Another issue that will have to be decided soon is how (or whether) to control the movement of labour from the poorer new members in the east to the richer old ones in the west.

If the angst generated at Nice by relatively arcane issues is a guide, the final negotiations may be nightmarish. But those issues will have to be faced—or the EU will for ever remain a club of rich countries, closed to the unfortunate victims of communism.