

Blair to question Schröder over 'two-speed' Europe

By Brian Groom, Political Editor

Tony Blair is to voice Britain's alarm about French moves to strengthen the Euro-11 group of finance ministers at a private dinner in Berlin tonight with Gerhard Schröder, the German chancellor.

His move follows speeches by French and German leaders that strengthen fears within the UK government of a two-speed Europe, leaving Britain in the slow lane.

Britain is still digesting the implications of Tuesday's address to the Bundestag by Jacques Chirac, the French president.

Mr Chirac called for a two-tier Europe in which France and Germany would lead a "pioneer group" of member states pushing ahead with integration.

"It's not entirely clear what President Chirac was talking about," a spokesman for Mr Blair said yesterday. Britain is clearer, however, about French intentions towards the Euro-11.

Paris wants to strengthen the role of the countries belonging to the euro (soon to be 12, when Greece joins),

compared with the European Union's Ecofin, or economic and financial council, representing all 15 members.

France wants to end the agreement that the Ecofin president also chairs the Euro-11, even if not a euro member.

It wants the Euro-11 eventually to have a secretariat, and hold all-day meetings before Ecofin sessions.

The French government sees this as a natural consequence of monetary union. Britain fears it will leave Ecofin an empty shell, reducing UK influence.

The UK Treasury is also worried about proposals by the European Commission and France, which assumes the rotating EU presidency next month, for a group of three to five "wise men" led by Alexandre Lamfalussy, a former top central banker, to review management of the EU financial services market.

Britain fears that it could result in bureaucratic restrictions that would undermine the success of the London and Frankfurt stock markets, which are due to be merged. It will examine the

proposed membership and terms of reference before agreeing, and will seek German support.

The initiative by France and the Commission reflects their concern that supervision and regulation of financial services in Europe cannot cope with radical change in banking and insurance caused by the launch of the euro, cross-border mergers and globalisation.

Mr Blair will talk about politics and values in a globalised world in a speech in Tübingen tomorrow, after which he will hold a dialogue with Hans Kung, the liberal Catholic theologian.

Britain played down controversy over remarks by Helen Liddell, trade and industry minister, in an interview with a German newspaper, Berliner Zeitung.

Ms Liddell was quoted as saying British participation in the euro "could come faster than we all expect it". Downing Street said the timetable for a possible referendum remained unchanged: in the first half of the next parliament, but not straight after an election.

French push on reform ahead of EU expansion

By Peter Norman
in Paris

The French government yesterday underlined that its main goal in the next six months was to reach agreement on the reforms needed for enlargement of the European Union rather than engage in the debate on Europe's future.

Hubert Vedrine, France's foreign minister, said that if Europe could not agree on the institutional reforms being discussed in the inter-governmental conference that is due to conclude at the December EU summit in Nice there was "no point going further".

The debate on the EU's future was fuelled by a speech in Berlin on Tuesday by France's President Jacques Chirac.

Mr Vedrine said that Mr Chirac's speech, coming after one last month by Joschka Fischer, the German foreign minister, meant the EU was engaged in an exciting political and intellectual debate about Europe's future.

"Rarely does such brain-storming occur," he said.

But the right-of-centre President Chirac, who operates in uneasy "cohabitation" with the leftwing government of Prime Minister Lionel Jospin, was not expounding a French government position when he outlined how integration by a "pioneer group" of member states could lead to a European constitution, the foreign minister said.

"It is not a plan. No-one

can say it is the way forward. It might happen. But one cannot be sure," Mr Vedrine said.

Although Mr Jospin's government would give an opinion on Mr Chirac's ideas, it might not be ready until after France's six-month presidency of the EU, which starts on Saturday.

Mr Vedrine said Mr Chirac was trying to reconcile competing visions of Europe's future as a federal state or as a federation of nation states.

He criticised Mr Fischer's European vision for having "a federal spine". Although the German minister said Europe's nation states were important, his ideas meant their existence would be called into question in a few years.