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26 due 2005

Series: EUROPEAN POLICY

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Part: 1

Date	From	То	Subject	Class	Secret
11/05/2005	MS/FCO	FCS	UNESCO Convention on Cultural Diversity	U	
13/05/2005	FA(KD)	PM	Dutch Referendum	С	
13/05/2005	FA(KD)	PM	The Referendum on the Constitutional Treaty: What if the French Vot	С	
23/05/2005	FA(KD)	PM	Meeting with the Chancellor and the Foreign Secretary on the French	С	
23/05/2005	FA(KD)	PM	What if the French vote yes and the Dutch vote no?	R	
25/05/2005	FA(KD)	Ch.Staff	Email - French and Dutch referenda	U	
30/05/2005	FA(AP)	fco	(T) French Referendum: Prime Minister's Discussions with Chirac an	С	
31/05/2005	France/PM	PM	EU constitution	U	
31/05/2005	France/PM	PM	EU Constitution	U	
01/06/2005	FA(KD)	PM	Constitutional Treaty: Arrangements for Dutch result and German rea	R	
01/06/2005	FA(KD)	FCO	(T) EU Constitutional Treaty: PM-Barroso Telephone call	С	
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01/06/2005	SCU	PM	Europe Winning the Debate	С	
02/06/2005	FA(KD)	PM	European constitutional issues and phone call from Jack Straw	С	
02/06/2005	FA(AP)	fco	(H) PM's discussion with Balkenende	U	
02/06/2005	FA(AP)	fco	(H) PM's conversation with Persson	U	
02/06/2005	FA(AP)	fco	(H) PM's discussion with PM Belka	U	
02/06/2005			Article for Observer by Peter Mandelson - aftermath of French and D	U	
02/06/2005		PM	From Roger Liddle: Where we go post-referenda	U	
03/06/2005	FA(KD)	PM	The French and Dutch Referenda: Foreign Secretary's Statement to t	С	
04/06/2005	fco	D/C	Email EU Constitutional Treaty	U	
04/06/2005	FCS	PM	European Union Constitutional Treaty - Mondays Statement	U	
07/06/2005	FA(KD)	PM	Europe Round - UP	С	
10/06/2005	Telegram/IN	Telegram/IN	No6365/05 EU Constitution Even Luxembourg wobbles	R	
15/06/2005		Ch.Staff	Peter Mandelson's Lecture to the Fabian Society: 13 June	U	
17/06/2005			Draft Declaration by the Heads Of State or Government of the Memb	U	
23/06/2005	MS/FCO	FCS	White Paper: Update on Prospects for the EU in 2005	U	
24/06/2005	SCU	PM	The Europe Debate - Next Steps	С	
24/06/2005	SCU	PM	Antony Nelson and Europe Organisation	С	
26/06/2005	PM		PM Note - Note on Europe	U	

TB 18/04 26 June 2005

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### NOTE ON EUROPE

We have set the debate away well. But now, we have to deliver a follow-up and a good Presidency – more difficult tasks:

### 1. The debate

I need a programme for engaging in different countries. This will mean: (a) media interviews

- (b) a few speeches
- (c) mobilizing business ie we can consult with the unions but we need really to engage business especially in France, Germany and Italy.

It will also need to have a clear direction, ie apart from talking about the new direction, what will signal it's closer to being achieved?

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- (d) On JHA we need to get some simple practical measures, in particular on re-admissions agreements, drug and people trafficking and organised crime. It's all too fancy at the moment not nitty-gritty enough. CC to be tasked.
- (e) On Regulation, we need: (i) a new process to eliminate regulation in Europe and (ii) some specific things for the Commission to withdraw.
- (f) On Africa and Climate Change, good bold steps forward, which KD sets out well. We can make good progress here. Possibly something on MEPP also.

The key will be to engage the Commission. The danger is that for malign reasons, we are blocked or every initiative sunk before it's launched. But if it is done with the Commission, it can have a European chapeau.

I also need to give the Cabinet a clear steer on making this argument from a pro-Europe standpoint; and in engaging at every level with EP, EC and individual country contacts.

### CONFIDENTIAL

From: Steven Morris
Date: 24 June 2005

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PRIME MINISTER

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### THE EUROPE DEBATE - NEXT STEPS

You asked for some thoughts on how we build on your Europe speech this week in terms of media follow-up and events.

The debate is on. The right issues are on the table. I attach a round-up of the European press, along with an FCO note of reactions country by country. The momentum in the media is with you, all over Europe. It has been a bad week for Chirac, Schroeder and - in the end - Juncker.

The big question is follow up. We have raised expectations and generated an enormous appetite for more (the European press loves political debate, especially about the EU). We need to map out a sequence of events and milestones to keep moving forward over the weeks and months ahead. We need to maximise the use of your time, and find ways for others to support you. A big weakness is the lack of other senior figures prepared to speak the right language in Europe to win people over, rather than playing to the British press and alienating Europeans.

The obvious questions in people's minds are what happens next, how will this debate play out; how will it be organised; how broad is it; how long does it last and what outcome do we get, when?

### Early follow-up

Immediately ahead, you have your press conference on Monday, and the European Commission visit on Friday. You are likely to be asked where this goes next – so you might want to set out some pointers or milestones.

The obvious one is the idea of an <u>informal summit</u> which Kim has mentioned. A possible variation on this theme would be to handle it like previous Progressive Governance events – ie. the Heads gathering on day one, with a wider conference the next day. We could widen the cast to include key European Parliament figures, the Commission, other politicians, academics, thinkers, business people, civil society etc. Speakers could include eg. Wim Kok and André Sapir on how to implement their reports, Goran Persson on a modern social model, etc.

If you want to do something like this, you could announce it next week.

Other immediate follow-up includes a <u>4000-word article</u> based on your EP speech for Economist magazine equivalents, eg. Focus (Germany); Le Nouvel Observateur (France), News (Austria), Elsevier (Holland). David Bradshaw is on the case. I suggest we place this next week – most of the weekly magazines come out around the end of the week, and this will satisfy demand for a while.

There is also Jack Straw's speech in the EP on 6 July, and the trips by JP and Douglas Alexander to Eastern Europe next week. We should get some decent stories about rebuilding these alliances – the door seems to be open.

### How the debate develops

You need to give some thought to where you want the debate to go from here. We are lucky that the Presidency allows us to steer things. But we are walking a tightrope, and we need to decide some basic questions:

- What are the parameters of the debate? Is this about the right policies for Europe's future - or also about <u>institutions</u>? This is tricky. An unholy alliance wants to get back into an institutional debate: federalists obsessed with "building Europe" through a salvaged Constitution, and eurosceptics, for whom "reforming Europe" means repatriating powers.

In this vein, Jack Straw is very keen on the Dutch idea of a "subsidiarity conference". Of course we support subsidiarity. But it quickly slides into "bringing powers back from Brussels" which is not government policy, but Conservative policy. Where do you draw the line?

So debate about respective responsibilities of EU and MSs could be a way of bridging the gap between people and EU, but is a minefield. Will we get into this territory (and risk Groundhog Day, re-running the Convention)? Or will we push for a policy focus, and try to keep institutions out of bounds?

- How wide is the debate? We need to get some idea of the scale of this debate. Do we want public events, along the lines of the Big Conversation or the Irish National Forum on Europe? (cf John Monks note) If so, who will organise and resource them? What role for the European Commission? What role for the European Parliament? Who else gets to participate?
- When do we move from diagnosis and problems, to answers and actions?

  You were right to set out questions this week without providing all the answers. But we will in time want to ensure the right conclusions are drawn.

### **Mechanics**

We will need to put serious effort into outreach on Europe. Resources which were preparing for a referendum campaign can be diverted to this work. We will work up more detailed ideas in the next week.

### Other ideas include:

- Using your pre-and post- European Council meetings with the European Parliament. These are opportunities for a wider programme in Brussels or Strasbourg building on your charm offensive with EU influencers, hosting an event for young Europeans, etc.
- Continuing to create slots for the EU press: slots for French and German commentators, a joint British-French interview (eg. the Times and Le Monde); an article for Le Monde Diplomatique; an interview with papers of the Left (Libération, La Stampa, El Pais) on the modernising process (*la gauche Blairiste*); another 6-way interview, next time with small countries

(eg. a Dane, a Greek, an Austrian, a Portuguese, a Slovak and an Estonian). These always travel as they get picked up the rest of the media.

Or using / creating other events and pegs:

- A purely social No.10 dinner for 25 heads (perhaps with spouses) would generate a lot of warmth with small countries' leaders, perhaps less with Schroeder and Chirac.
- A trilateral "social summit" with government, unions, business.
- Your original idea of a political declaration at the end of our Presidency.

**STEVEN MORRIS** 

### **EUROPEAN PRESS REVIEW: FRIDAY 24th JUNE 2005**

### EP speech

Headlines

Blair makes plea for new Europe (Welt) .. demands comprehensive modernisation of EU (Handelsblatt) .. Blair's modern vision – Europe sceptical (Tagesspiegel) .. Blair scores points in Brussels – PM calls for new political agenda for Europe – positive reaction (Financial Times Deutschland) .. Blair sees Europe's social model at an end – future holder of EU presidency wants to make EU fit for globalisation (Frankfurer Rundschau) .. wins over MEPs (Liberation) .. Blair defends his vision (Figaro) .. Blair re-conquers Brussels (Repubblica) .. Blair proposes third way for Europe (Diario de Noticias) .. Blair warns Europe change or die (Publico).. Blair hits back (Algemeen Dagblad, Netherlands) .. Blair calls for change of course in the EU (NRC Handelsbad) .. Blair declares his love for Europe (Volkskrant, Netherlands) .. Blair: modernisation of EU is necessary (Financieele Dagblad, Netherlands) .. Blair cleans up European image (Tijd, Netherlands)

Reaction

Speech meets with warm reax but some MEPs sceptical (Welt, Tagesspiegel, Financial Times Deutschland, Frankfurter Rundschau) .. Borrell: the speech marked "a new departure point for the EU" (Pais) Blair launches charm offensive with some success (Figaro) .. wins long ovation from MEPs who have realised inaction is no soln to Europe's problems (Liberation) .. unashamed as enters lion's den .. speech received surprisingly sympathetically with mild applause (Volkskrant) .. speech receives polite applause as apposed to standing ovation for Juncker (De Morgen, Denmark) .. Blair surprises EP with strongly pro-European speech (Algemeen Dagblad) .. Blair gifted spkr .. received enormous amount of applause (Financieele Dagblad) .. half of Europe already with Blair (Corriere)

Borrell says is new departure point for EU & that hopes Blair words will result in action (Financieele Dagblad) ... Moscovici: this was Blair's programme for Europe not speech by Pres. of European Council (France-2 TV 1100/23) ... Socialist Idr Schultz says his party are behind Blair .. says need to continue debate & that CAP must be reformed but that Blair must do best to reach compromise & that he needs to reunite our countries not divide them (Volkskrant)

UK

Blair says wants to modernise European social model & calls on ldrs to listen to their populations & reorientate the budget around Europe's needs .. says "we will not settle Europe's problems by halting enlargement process but rather by modernising our economies" (Monde i/v) ... UK Ambassador to Italy Ivor Roberts says being closer to citizens is the priority .. EU ldrs must show commitment to being closer to peoples' concerns & let Brussels decns focus on econ challenges at global level .. says UK Presidency will provide orientation which Europe needs (Messaggero i/v)

France

Europe Min Colonna: France will judge UK's EU presidency on ability to find 'it solns' .. v. impt for Blair to say he is following policy aimed at creating unity & seeking consensus (AFP 1800/23) ... Villepin: Monde: Blair right to deplore fact EU budget does not tackle unemployment & to call for more spending on research & innovation .. but he's on less certain ground when he contrasts 'modern Europe' w/ that of 'past' represented by agriculture .. Blair too influenced by old Franco-British disputes .. increase in EU spending on research shid be funded by partially renationalizing agricultural subsidies ... Figaro: 'passionate European' came to play Union's peacemaker w/out ever giving way on his vision of Europe ... Tribune: Failed to convince on commitment to pol union .. his vision gives priority to econ. vision, politics just a means, whereas for many countries it is an end ... La Press de la Manche: When it comes to the crunch, UK does not want a text, it wants free trade zone, secured by Washington, & not pol. indep Europe ... Echos: Skilful ... L'Humanite: Blairist rhetoric in which he presents himself as champion of 'Europe of reforms' & 'zealous modernizer' appears all too familiar ... Liberation: While rejecting European debate which wild mix insults & personality issues, Blair old not resist pleasure of dig at Chirac, who was rattled by referendum, but also more widely at European pol class incapable of rising to challenge of globalisation & mass unemployment ... Le Telegramme de Brest. Now clear that Chirac kept his countrymen under illusions for too long, Blair is giving them dose of realism ... La Republique des Pyrenees: Blair playing the arsonist & firefighter at same time

Germany

**Schröder** acknowledges Blair's clear statement in favour of political union but adds that what will be crucial is extent to which UK presidency acts accordingly .. makes clr does not agree with Blair's demand for farm subsidies to be converted into research funding & rejects criticism that the CAP budget is

outmoded as says it also funds development of rural areas .. renews accusation that summit failed above all bose of UK stance (Tagesspiegel, Frankfurter Allgemeine Zeitung, Financial Times Deutschland, Handelsblatt) ... m'while Merkel dampens hopes that she cld be close ally in CAP reform .. makes clr that she by no means sppts Blair's demand for reduction in subsidies for farmers .. says cuts cld only be considered to rural development funds (HB, Welt) .. Merkel states is no alternative to political union & says Gmny & France must function as motor for further development of the EU but that this function must not be used to offend others (FAZ i/v) ... Stoiber criticises Blair for linking rebate with agricultural budget .. says amounts to comparing apples with pears (HB) ... Internal German govt paper criticises UK .. says in last 15 mths UK has been involved in talks on future financing w/out raising fundamental objections & that someone who pulls demand for new spending structure out of hat on last day of talks does not want an agreement .. doc says UK proposals "were not well thought-out" & is critical of fact that Blair wants to make Africa focus of EU presidency but opposes integrating European development fund into EU budget – bcse London wild then have to pay higher contribution (HB, FTD)

FAZ: Brilliant performance .. smooth in form & choice of words, but tough & cutting in substance .. Blair right to argue EU needs to do more to face up to challenge of globalization & agric policy needs to be reformed ... Welt: Impressive performance .. speech aggressive but friendly .. vague as it had to be but not polemical .. Blair's vision has reality on its side ... Frankf Rundschau: Speech contained little of substance .. lacking terribly in detail .. instead of presenting his objectives for EU presidency, Blair talked about historic & intercontinental challenges ... Spiegel: UK spreading myth that wasteful CAP spending is main obstacle to reduction of British rebate .. proposal to cut farming subsidies not v. well thought

Italy

Berlusconi takes Blair's side .. describes Chirac as someone who says 1 thing & does opposite - as confirmed by attitude twrds Africa when he says there shld be more aid but doesn't supply it (Corriere) ..Frattini - "Italy will help Tony his ideas for the future are right..(Corriere) Fini says was impt speech which raises real issues (Manifesto) .. hwvr Italian Centre-left divided over Blair with Rutelli, Amato, Polito address him as "true reformist" while Bertinotti & Salvi consider him Centre-right .. Fassino, Letta & Veltroni, moderately in favour while Prodi, D'Alema & Cofferati moderately agst (Corriere)

**Poland** 

For Min Daniel Rotfeld likes call for renewal of European institutions & political Idrship (PAP) .. says he appreciates vision in speech bose "Europe tdy needs fresh approach & adaptation to needs of new world" .. but says this vision cld have been presented at summit, which wld have improved prospects for budget (Polish media) ... during visit to Gmny Kwasniewski urges Gmny & Poland to give new stimuli to EU & to jointly show it way out of crisis .. says need to investigate why European institutions have moved so far away from citizens .. hwyr response must not be for countries to isolate themselves again (Polish media) ... Rzeczpospolita: Remains to be seen if Blair can convince France & other EU states abt his vision of modern Europe capable of competing w/ China or India ... Rzeczpospolita: EU found itself in sidings not bose of UK veto of budget but bose grand aspirations of EU ldrs accompanied by reluctance to introduce change .. Blair 1 of very few politicians - if not only European one - who does not hide head in sand .. he calls a spade a spade

Denmark

Oppn parties commanding overall majority in Danish parlt back Blair's call for budgetary reform & cuts to agricultural spending .. speech generally well received by MPs esp. oppn Social Dem ldr Helle Thorning-Schmidt (Politiken) ... Berlingske Tidende: merely debating EU future not enough .. EU must engage in concrete action ... Kristeligt Dagblad: Blair got off to good start

CAP

Cmmnr Fischler says that in past he had proposed reducing spending but had been stopped by Schroder & Blair & notes that Queen Elizabeth is 1 of main beneficiaries of CAP (Corriere, Repubblica)

Misc. comment

Die Presse(Austria): Important to get economics of Europe right .. most Europeans citizens less concerned abt EU's ability to act on intl scene than abt unemployment & social security .. UK & Sweden shown these problems can be tackled through greater emphasis on mkts & less state intervention ... Pais: description of himself as 'passionate European' dubious .. UK watched constitutional 'no' votes in France & Holland w/ evident relief .. they allowed London to cancel its own referendum .. Blair deserves to be heard when suggests ready to negotiate oversized British cheque rebate if linked to CAP reform ... but British themselves sceptical their PM can lead continent into new era of growth & modernization ... Volkskrant (Netherlands): atmosphere more subdued than it was for Juncker .. seems right time for UK to take lead esp as German-France model for Europe currently discredited .. but London must mend relnship with East European countries ... Expressen (Sweden): Mr. Europe makes comeback when EU

most needs saviour .. during middle of EU's deepest crisis Blair launches new vision for Europe - it is bold & visionary as befits Europe's most brilliant politician ... *Dagens Nyheter*. too early to count him out yet .. speech was defensive but forceful pleading for Europe to think anew .. hwvr Blair's msg probably more controversial among those who voted no than those who voted to accept the constitution ... *Svenska Dagbladet*: ystdy showed that Blair is still the big ldr in Europe .. speech was excellent

Slovak Pravda: Blair raised right gu's .. pro-reform states like Slovakia w/ small agricultural sector shld have no problem supporting Blair ... Mlada Fronta Dnes: Blair expressed economic challenge clearly ... Something rotten in the common state, so worth the effort to battle for something better & more realistic .. EU has no choice but to change ... Hospodarske Noviny: Blair attempting the impossible .. will have his work cut out to convince partners that UK's proposals are good for them too, hence reconciliatory 'passionate European' tone & lack of detail .. Great countries often able to arrive at compromises if headed by strong politicians, but none in Berlin or Paris just now .. Lidove Noviny: Bad day for Blair's critics .. his crusade to reform EU dinosaur got off to good start, but if he fails in his European role, which can't be ruled out bace of French oppn, his pol reputation will end up in tatters ... Lidove Noviny: Will be difficult for Blair to win other ldrs' sppt .. London govt relies on sppt from new members on econ. proposals, but cannot count on 'coalition of willing' from E Europe unless he puts back on table plan to liberalize services market ... Romania Libera: Blair pointed out contradiction of being in favour of EU enlargement & agst economic openness, but little hope that this observation will be heard in Paris Lithuania BNS Lithuania's foreign minister says that Lithuania needs a European Union that actively works but not just talks. "I think both Lithuanian citizens and our partners in Europe are waiting for it," Lithuania's Foreign Minister Antanas Valionis said in comment of the EU presidency agenda presented by the British prime minister in Brussels on Thursday. "Tony Blair presented an impressive EU agenda. It is important that Great Britain uses its upcoming EU presidency to reach an agreement of all European countries on implementation of this agenda. After all, all - large and small, new and old -- countries are full-fledged members of the EU, all of us are responsible architects and participants of the European project,

### **GERMAN PRESS SUMMARY: FRIDAY 24 JUNE**

### **SUMMARY**

BLAIR 'COMEBACK GENIUS'... VISION HAS SUCCESS AND REALITY ON SIDE (WELT)
BLAIR HAS MANY GOOD IDEAS ON HIS SIDE (FRANKFURTER ALLGEMEINE ZEITUNG)
NOW HE HAS TO DELIVER (FINANCIAL TIMES DEUTSCHLAND)
AFTER NEW LABOUR ARE WE GOING TO SEE NEW EUROPE? (TAGESSPIEGEL)
BLAIR RIGHT MAN IN THE DRIVING SEAT (HANDELSBLATT)
PERHAPS BLAIR WILL BECOME A GREAT EUROPEAN LEADERSHIP FIGURE (BERLINER ZEITUNG)
MERKEL DAMPENS HOPES COULD BE CLOSE ALLY ON CAP REFORM (FRANKFURTER ZEITUNG)

SPEECH HEADLINES

Blair makes plea for a new Europe (Welt), B demands a comprehensive modernisation of the EU (Handelsblatt), B's modern vision – Europe is sceptical (Tagesspiegel), B scores points in Brussels – PM calls for new political agenda for Europe – positive reaction (Financial Times Deutschland), B sees Europe's social model at an end – future holder of EU presidency wants to make EU fit for globalisation (Frankfurter Rundschau).

**SPEECH** 

Most dailies remark that on the whole Blair's speech met with warm reaction from MEPs, but some were sceptical (Welt, Tagesspiegel, Financial Times Deutschland, FR).

B affirmed that he was a passionate pro-European and refuted the suggestion that the EU can only be either a free trade zone or a political and social union; "I believe in Europe as a political project," says B, "I would never accept a Europe which is only a free trade zone"; political and economic Europe do not live in separate areas, declares B; B calls for a fundamental modernisation of the EU in order to equip it for the challenges of globalisation; B

intends to use British presidency to reach agreement on future financing and start a reform of CAP spending (all dailies).

SCHRODER REACTION

Schröder acknowledges Blair's clear statement in favour of a political union, adds that what will be crucial is the extent to which the British presidency acts accordingly; S makes it clear that he does not agree with B's demand for farm subsidies to be converted into research funding, and rejects criticism that the CAP budget is outmoded – Brussels does not just support agricultural production, but also funds development of rural areas, says S: "this has managed to introduce the ecological idea into farming"; S renews his accusation that the budget summit failed above all because of the British stance (Tagesspiegel, Frankfurter Allgemeine Zeitung, Financial Times Deutschland, Handelsblatt).

MERKEL INTVW

Merkel dampens British hopes that she could be a close ally in CAP reform, making clear that she by no means supports Blair's demand for reduction in subsidies for farmers; cuts could only be considered to rural development funds, says M (Handelsblatt, Welt).

**STOIBER** 

Stoiber criticises Blair for linking the issue of the British rebate with the EU agricultural budget, claims this "amounts to comparing apples with pears" (Handelsblatt).

**MEMO** 

Internal German gov paper criticises Britain: The working paper states that, "in the last 15 months the British have been involved in talks on future financing without raising fundamental objections. In such a situation, whoever pulls a demand for a new spending structure out of the hat on the last day of talks does not want an agreement"; the British proposals, the paper continues, "were not well thought-out", Britain "specifically calls into question those policy areas from which it itself profits the least"; the paper also criticises the fact that Blair wants to make Africa the focus of his EU presidency, but opposes integrating the European development fund into the EU budget – because London would then have to pay a higher contribution, the paper says (Handelsblatt + Financial Times Deutschland).

COMMENT

**Tageszietung**: The EU can be glad that B is taking over the leadership. If it were the turn of losers Schröder or Chirac, there'd be a disaster – core Europe, full throttle into the dead-end... With Blair, a debate about the future of Europe is possible (Johnson).

Welt: Blair's appearance was an impressive rhetorical tour de force. B the comeback genius confirmed once again that he is one of the most fascinating political personalities around... Evidently he has found a new mission... It is impossible to say how strong the resistance will be. The tiring "Anglo-Saxon" bashing could also be a sign of last panic before the transformation. Basically it is already clear which direction Europe must be steered in. B's vision has success and reality on its side (Köppel).

Tagesspiegel: Blair has a mission... After "New Labour", are we now going to see "New Europe"? That would be fatal, for Europe's nature is not economic, but political. One might object by saying that a booming economy, low unemployment and new prosperity in Britain bear B's view out. But it is not the task of the EU to excessively harmonise the different economic and welfare systems in the member states. The EU states will continue to have to compete for the best ideas in the fight against unemployment. This will not change if Brussels spends more money on research and education, as Blair demands. Above all, B's speech did not answer the question of how he imagines Europe beyond a comprehensive modernisation. That he wants to change CAP spending is a rather meagre start... B demands that Europe listen to what the people want. But what is that supposed to mean? Should those people call the tunes who want to drive EU members apart again?... Whether B likes it or not, especially in the current crisis the question arises of what Europe wants to be – merely a market or a political union. The EU members should be mature enough to hold this fundamental debate openly in the next few years. Even if it leads to a break-up (Meier).

Zeit: The EU has experienced many budget crises, constitutional and referenda crises too... Nevertheless, the double "no" to constitution and budget was a warning sign which had nothing to do with money and votes, but about the future of Europe in a world which will not wait for Blair, Chirac and Schröder. Unfortunately the usual suspects, starting with Juncker, have not grasped the essence of this crisis. In J's view, the blame lies with Blair, "who stands for nothing but a large market", whereas the good Europeans "want a politically integrated Europe"... That is classic old-school thinking, and the wrong contrast into the bargain. For a pan-European market requires precisely the deepening (i.e. freedom of movement of labour) which Berlin and Paris tried to thwart with their attack against the services directive. If a little dramatic, the correct question is the one posed by Monti: "Does Europe want to end up a suburb of Shanghai?". Straw put it a little more diplomatically: "Do you want a Europe equipped for the future, or one stuck in the past?"... It is not the "Anglo-Saxon model" which poses a threat to us. In truth it is the "Asian model". It starts right at our front door, in "New Europe", where growth is three times as high as in "Old Europe", whereas in India and China it is four or five times as fast... That is the challenge, not the constitutional or budget crisis. It is, in essence, not an EU crisis. The problems lie on a national level, where, since the war, all countries - with the exception of Britain - have settled into a comfortable social contract which once granted them an excess of security, but can now only provide an illusion of it because the conditions of production have changed so brutally. Marx would have understood this. Lafontaine and Chirac do not... In short, the battle for "deepened" Europe must be won at home and the first step must be the end of the illusion that we can only build a strong, dynamic Europe by erecting barriers against change. Whoever regards Europe as a bastion against globalisation will be run over by it like France once was behind its Maginot line (Joffe, p.).

Frankfurter Allgemeine Zeitung: B delivered the justification for his conduct at the EU summit: rhetorically brilliant, soft in form and choice of words, but tough and cutting in substance... B has many good arguments on his side. The fact that they are not heard properly and that no consequences are drawn from them is not just because of the obstinacy of the "old" Europeans or personal animosities. It is also a result of the fact that in past years the impression has taken root that B, who calls himself a passionate European, has never brought all of his prestige to bear in Britain in order to convince his people of his convictions and that he chickened out when his own career was at risk. The referendum on the euro is the most well-known example. Personal motives on B's part cannot be ruled out this time either. The European crisis could be a welcome opportunity to extend his own period on office. What is especially held against B is the fact that he added a budget crisis to the EU's constitutional crisis. Here, the suspicion cannot be dismissed that he intended to make an already staggering EU lose its balance completely with a powerful shove...B is now confronting Schröder and Chirac with a British agenda and is trying to enlist allies. The "pause for thought" which the EU has prescribed itself should be used to debate the differing ideas of Europe and then draw consequences from differences (G Nonnenmacher).

Handelsblatt: B is currently the EU whipping boy. Splendid isolation could be the motto of his presidency. But things could change. The crisis has released energies which Europe's leaders have been lacking for some time. Finally the senselessness of Europe's CAP is being discussed... In this time of change, B is the right man in the driving seat. The EU must now regain the trust of the people through economic reforms which lead to more growth... Once the dust has settled from the budget battle, B will doubtless find allies. Prerequisite is however that he convinces the EU of his honest intentions. The lip service he has paid so far is not enough. Europe needs Britain: not as a deterrent example of a policy of obstruction, but as a blueprint for a successful growth strategy (Scheerer).

Financial Times Deutschland With his empathetic speech, B placated to some extent many of those who blame him for the failed summit... With his deliberate affront at the summit, B staked a claim to a leading role in Europe. His speech yesterday underpinned that. Now he has to deliver. So far he has give us a nice slogan, nothing more... In the next 6 months he has a chance to fill out the framework he has sketched out. That will not be easy.:

Berliner Zeitung: Perhaps Blair will become a great European leadership figure. This time he did not just speak of the necessity of reforms, but expressly talked of a social EU. Was that a new B, or the old one with a new tactic?... Now he has to prove that he is serious about his claim to leadership and demands for reform... So far that British gov has not given any indication of what it wants to do differently. CAP has long since been in a process of reform never enough, but more than in comparable industrial countries (Berger).

Suddeutsche Zeitung: Blair is not protagonist of a neo-liberal state and the Europeans do not have to choose between free trade zone and social Europe... The chances of B succeeding do not look good. Chirac will do all he can to embarrass him. Schröder will not support his former friend either. B will have to seek new allies. Above all he will have to prove that he not only thinks British, but also European.

**MERKEL** 

Merkel who promises fundamental change in Germany to make it fit for the future, rules out a grand coalition with SPD; asked about Europe, there is no alternative to political union; M states that Germany and France must function as a motor of the further development of the EU, but this function must not be used to offend others; M speaks out in favour of the services directive, but admits it needs improvements (main story).

### FRENCH PRESS REVIEW: FRIDAY 24 JUNE

SUMMARY:

**BLAIR WINS OVER EU MEPS (LIBE) BLAIR DEFENDS HIS VISION (LE FIGARO) BLAIR INTERVIEW (LE MONDE)** 

LE MONDE EDITORIAL: "TONY BLAIR IS RIGHT"

VILLEPIN: WE SHOULD JUDGE BLAIR ON HIS ACTIONS, NOT HIS WORDS (FRANCE INTER)

BLAIR WINS OVER MEPS In unveiling his 'New Deal' for Europe, Tony Blair could not resist, the implicit presentation as 'old fashioned', Chirac and those European political leaders who have not met the challenges of mass unemployment and globalisation. The paper goes on to point out that the PM dismissed caricatures of the British social model -- that had after all raised over 1 million children out of poverty and renewed public services. The paper concludes that the PM received a long ovation for his speech from Euro Deputés who have realised that inaction is not a solution to Europe's ills (Liberation)

PM DEFENDS HIS VISION Le Figaro declares that the PM launched a veritable charm offensive yesterday in the European Parliament yesterday with some success. The paper quotes extensively from the speech, particularly the points where he assures MEP's that he is a passionate European, and his reasons for wanting to change an EU that has not delivered.

LE MONDE INTVW

Le Monde leads with its interview with the PM, saying that "Blair wants to modernise the European social model". The paper goes on to quote the PM calling for leaders to listen to the preoccupations of their populations - and reorientate the budget around Europe's needs. Answers on the need to reform CAP also feature prominently. As does the PM's statement that "we will not settle Europe's problems by halting the enlargement process; but rather by modernising our economies".

VILLEPIN

France Inter: Villepin: "I reioiced at hearing these words coming from Blair's mouth and am happy that he will be taking on the Presidency...But I think we should judge him on his actions ... [on CAP] We made efforts in 2002 and 2003 and accepted a compromise which all 25 members signed, even the Brits... We should honour our word and stick to our engagements... I am to meet with the French farmers with D.Bussereau (Minister of Agriculture) to prepare them for the future...But European construction was made around this policy... We shouldn't, therefore, be surprised at it taking up a large part of the budget... We

need to move forwards in all the areas we can with all those who want to and can: innovation, research, security, defence. I think that Europe must be pragmatic... In matters of security, the initiative came from France, Germany, England, Spain and Italy....In industry, industrial innovation and research, I have proposed that we create one or more technological centres in France to work together with other Europeans...This new stage in Europe must be able to show to the Europeans that the Union is at their service...I also proposed to create a European civil service. Then the young from different states in Europe can work together on humanitarian projects, health projects."

### "TONY BLAIR IS RIGHT"

Le Monde Editorial – Headed 'Tony Blair is Right'. Le Monde also features an editorial on the PM – saying that he is right to criticise the fact that the European budget does not address the problem of 20 million unemployed across the union; he is right to say that the EU's economy is not on the road to becoming the world's most competitive; and he is right to want the Union to face up to the challenges of the 21st century. The editorial also goes on to call for a 'renationalisation' of agricultural subsidy, because in an enlarged EU it is not right that France gets 21% of the CAP.

### **BROADCASTS**

RTL: Duhamel: Blair made 2 attacks against France: 1) it's France who benefits from the CAP and who is defending it the most 2) the French are defending their social model alone (A.Merkel will move quickly away from their social model). Blair's attacks are unique, talented, eloquent and hypocritical. In reality, the CAP has evolved - it was 60% of the budget, is now 43% and will be 30% in 2013. Also, agriculture is now a powerful and useful industry - another way it has evolved. Blair's argument about social models is not totally absurd. The French model has become a national religion when it's far from perfect. While the French lose more and more confidence in their economy, the Brits get more optimistic. Not everything in the UK works well: public services in France are better than in the UK, there's better protection for the unemployed in France than in the UK, there are more inequalities in the UK. But we still have something to learn from them where employment, growth, optimism and standard of living are on the up.

France Inter: <u>Blair is counting upon seducing the new members in the Union</u> and those still hoping to join. He sees in the new members natural allies who will allow him to impose himself as the future leader of Europe. This is why he reiterated his support of a new enlargement of the Union not just to Romania and Bulgaria, but also to Croatia and Turkey, and defended a free market which he knows the new member states find attractive.

### JUNCKER

RTL: Juncker: "The British did nothing to avoid a crisis, even though there were many possibilities on the table that they could have said 'yes' to. We offered them a change of future financing from 2009, on the basis of a study taken by the Commission...They refused that. And they refused that they, like other members, should have to co-finance the costs of cohesion in other member states because they are opposed to the CAP. The Brits wanted the crisis, or, at any rate, they did nothing to avoid it....Blair said yesterday that he didn't want Europe to just turn into a free market, but that he wanted it to evolve politically. There's talking and then there's reality. I would like the reality to follow his words. ...His statements weren't concrete. His speech was based on bold principles which said what the UK doesn't want to do, and what would suit them better. I would like to be able to say that the UK doesn't just want a free market zone for the Union but they have to prove it."

### **SWEDISH PRESS REVIEW: FRIDAY 24 JUNE**

### SUMMARY

CAN BLAIR HAVE VISION AS EU PRESIDENT RATHER THAN PM OF UK (TV4)

### SPEECH WIDELY WELCOMED (SWEDISH TV)

### MR EUROPE MAKES A COMEBACK WHEN THE UNION MOST NEEDS A SAVIOUR (EXSPRESSEN)

YESTERDAY SHOWED BLAIR IS STILL A BIG LEADER IN EUROPE (SVENSKA DAGBLADET)

### **BROADCASTS**

Blair tells EP that Europe must realise that countries like India and China are catching up....but it was Cohn-Bendit that formulated the question that was on everyone's lips. Can Blair have this vision as EU President rather than as PM of the UK. (TV4)

Blair gives the EP a clear idea of what he wants by telling them that we can only move forward if the EU is prepared to change in order to become more competitive and gain the trust of its citizens.....and to counter criticism that he does not wish a social Europe Blair asked what social model leaves 20 million unemployed......Blair also warned that opposing enlargement would be tantamount to nationalist tendencies.....the speech was widely welcomed by all political groups and Finnish MEP Stubbs called it one of the best speeches in the EP ever......the main critics came from new member states who still feel betrayed that Blair one week ago stopped a deal that would have given them a much needed cash boost for reform. (Swedish TV - Rapport)

In a weeks time the UK takes over an EU crisis, but Blair raised the view by talking of the great achievements of the past 50 years and about seeing the EU as a possibility not an obstacle.......Blair said that the Constitutional debate was only an excuse for the citizens to voice concern about Europe and that we now need political leadership......and Blair will need leadership......Swedish Liberal MEP Cecilia Malmstrom welcomed the speech as very good, and just what was needed". .......Blair showed that he is probably the most skilful political rhetorist alive.....his speech was genius and suddenly the debate now focuses on what Blair wants, the need for budget reform. (Swedish TV - Aktuellt)

**PRESS** 

**Kiss for Tony**. Mr. Europe has just made a comeback when the Union most needs a saviour. During the middle of the EU's deepest crisis, UK's Tony Blair launches a new vision for Europe. It is bold and visionary as befits Europe's most brilliant politician. - **Expressen leader** 

In the last few weeks, Blair has played the role of the crook but it is too early to count him out yet. The speech in the EP was a defensive speech but was a forceful pleading for Europe to think anew. Of course we need a socil Europe, but it needs to be a social Europe that works. Blair's message is probably more controversial among those who voted no than those who voted to accept the CT. *Leader - Dagens Nyheter* 

Yesterdays showed that Tony Blair is still a big leader in Europe. His speech to the EP was excellent. - Leader Svenska Dagbladet



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### Memorandum to the Prime Minister

From: Anthony Nelson / Steve Morris

Issue: Building Consensus for a new Europe

Recommendation: That you appoint a Special Envoy for Europe and approve the other

proposals below.

**Timing:** To announce these initiatives at the start of the UK Presidency.

### **Background**

Recent events create an opportunity to build consensus for a new Europe – both in the UK and around the EU. Disquiet over the direction of the EU and disconnect with its institutions were clear messages to emerge from the French and Dutch referendums. The response should be to reconnect people with an EU that articulates and delivers their social and economic aspirations and to make the case for a global Europe that rises to new competitive challenges. Reconnection is best achieved through dialogue and listening to people. The EU Presidency provides an opportunity for the UK to lead this dialogue and to take a series of initiatives that will engage people, not least the business community. These initiatives should include:

### Appointment of a Prime Minister's Special Envoy for Europe (SEE)

- Reporting to the PM, the SEE would consult with opinion formers, particularly business leaders, collating their views on the policy priorities for Europe, and explaining the PM's vision. The SEE would provide a channel of communication with a range of key figures whose support and advice the PM needs but whom he cannot meet individually or frequently. This would include both the UK and EU business community.
- Important that SEE has senior relationships with business, the ear of the PM, familiarity with Westminster and Whitehall and the authority to command access and credibility.
- SEE need not have Ministerial rank and could be an unpaid appointment. We will
  need to consider what kind of time commitment the SEE would need to make (this
  could be anything up to a full time role, at least during the Presidency) and whether
  HMG could provide any operational facilities and resources..

### **Britain in Europe**

- Britain in Europe (Campaign) Ltd will stand down at the end of July.
- A core (5 person) communications / political unit, ex-BiE, will merge into the European Movement from August. This will manage media, and maintain existing networks. There is agreement to fund this at least in the iterim.

- Meanwhile a working group led by Anthony Nelson and including Roland Rudd is working up a plan for a new pro-Europe organisation for the longer term. Sponsors (mainly David Sainsbury) may consider switching support to such a new organisation later this year.
- The BE Advisory Board will continue to meet, providing a forum for senior pro-European spokesmen from across Parties, business, trade unions, academe etc.
- The Young European Movement is stepping up its work, with internet activity, links with other youth organisations such as NUS, British Youth Council, YMCA etc. and a membership drive around universities freshers fairs in the Autumn.

### Think tanks etc

- We need to reinvigorate the think tank world on the EU front. We are talking to Charles Grant about the CER's role. He is planning three new streams of work: the raison d'etre of the EU going back to first principles; the democratic deficit / how to reconnect; the importance of the social model alongside the economic.
- We will also talk to Chatham House, Wilton Park, RIIA about events to promote new ideas and policies for reforming the EU.

### The Trade Unions & other organisations

- John Monks has written to you proposing an initiative to reconnect Europe to its people based on the big conversation concept. Trade unions will continue to emphasise the social dimension and striking a balance between people's rights and free markets.
- Upcoming European TUC Council in Florence and TUC Congress in September likely to debate demographic challenge, choice and opportunity agenda, pace of further enlargement and handling of corporate restructuring.
- In the period ahead, HMG and especially FCO will need to put serious effort into outreach on Europe both in the UK and around the EU. Resources which were preparing for a referendum can be diverted to this work.

As a package announced at the start of the UK Presidency, these initiatives will be seen collectively as an upgrade and a boost for the pro European campaign (rather than an implosion of Britain in Europe.) As such, they will complement the efforts of the Presidency to find common ground through consultation and reinvigorate public enthusiasm for a new Europe.

house

23 June 2005

Foreign & Commonwealth Office

The Rt Hon Jack Straw Secretary of State Foreign and Commonwealth Office London SW1A 0AA

London SW1A 2AH

CCNS 2 Minister for Europe AP Scaller only

WHITE PAPER: UPDATE ON PROSPECTS FOR THE EU IN 2005

Following my letter of 9 June, I am writing to ask colleagues for their urgent clearance of the attached draft White Paper on our Presidency that you will publish on 30 June with an oral statement to the House. This now includes text on our overarching Presidency goals and the EU Constitutional Treaty.

I would like to thank those colleagues who responded to my previous letter. Their suggestions have been incorporated into this draft. As I explained in that letter, the constraints imposed by the White Paper's printing deadlines mean that any comments on this draft must reach me tomorrow. Departments have been warned in advance and will receive copies of this letter at the same time as Ministers. We may still need to make some small editorial or presentational changes in parallel, while this process is underway.

Please could replies to this letter be sent to me and to Alison Kerr (alison.kerr@fco.gsi.gov.uk; tel: 0207 008 2362) by 2.30pm tomorrow?

I am copying this letter to members of EP Committee, to Jack McConnell, Rhodri Morgan and to Sir Andrew Turnbull, Kim Darroch and Sir John Grant.

DOUGLAS ALEXANDER



# Prospects for the EU in 2005 Supplement The UK Presidency of the European Union

Presented to Parliament by the Secretary of State for Foreign and Commonwealth Affairs by Command of Her Majesty June 2005

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FOREWORD BY THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS, THE RIGHT HONOURABLE JACK STRAW MP

June 2005

[to follow]

JACK STRAW

SECRETARY OF STATE

FOR FOREIGN AND COMMONWEALTH AFFAIRS

### PART ONE: INSTITUTIONAL ISSUES AND ENLARGEMENT

- 1. This White Paper supplements, in the usual way, the White Paper *Prospects* for the European Union in 2005 (Cm 6450) published and presented to Parliament on 3 February 2005. In many cases full explanations of the background to particular dossiers are to be found in that White Paper.
- 2. But this White Paper is also special, because it covers the six-month period of the UK's Presidency of the European Union. It sets out the likely business for the EU over that period, and explains how the UK, as Presidency, aims to take it forward.

### The UK Presidency of the European Union

- 3. The United Kingdom assumes the Presidency of the Council on 1 July 2005. The UK has worked closely with other Presidencies, particularly those of Luxembourg and Austria, and with the European Commission, to ensure continuity. As President of the Council, the Government is conscious of the need to work in partnership with the European Parliament, the Commission and the other Member States.
- 4. The role of the Presidency is to take forward the European Union's agenda in an efficient and effective way. The main tasks are:
- To organise, set the agendas for, and chair Council meetings, from Ministerial level down to Working Groups;
- To take forward negotiations inherited from the Luxembourg Presidency and to hand them over, where necessary, to the Austrian Presidency;
- To represent the Council to outside bodies and to negotiate with them for example, negotiating with the European Parliament on legislation, or representing the Council in meetings with third countries, from Summit level down.
- 5. The calendar of major meetings during the UK Presidency is annexed to this White Paper. There should be two European Councils (meetings of European leaders), on 27-28 October and 15-16 December; 25 formal Council meetings in Brussels or (in October) Luxembourg; and a dozen Informal Council meetings in the UK. There will be five Summit meetings with third countries India, China, Russia, Ukraine, and Canada plus a hundred or so other meetings with third countries. And there will be about 4000 working group (expert-level) meetings, almost all in Brussels.
- 6. Information on every aspect of the Presidency can be found on the official Presidency website at <a href="https://www.eu2005.gov.uk">www.eu2005.gov.uk</a>.

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7. The main <u>policy priorities</u> for the UK Presidency reflect the issues identified in the cross-Presidency Multiannual Strategic Programme for 2004-06, published in December 2003, and the Luxembourg-UK work programme published in December 2004. They are as follows.

### Europe's role in the world

- <u>Doha Development Agenda</u> The WTO Ministerial meeting in Hong Kong in December will aim to take forward the current round of trade talks, known as the Doha Development Agenda. The Government will work with the Commission, EU partners, and the European Parliament so that the EU achieves the best possible result at that meeting. (See paragraph 98)
- <u>Development and Africa</u> The Presidency will represent the EU at the UN Millennium Summit in September, and help the EU provide the leadership and the quantity and quality of aid needed to tackle global poverty and achieve the Millennium Development Goals. The EU will also develop a strategy towards Africa in the light of the Millennium Summit's outcome (See paragraphs 68-76.)
- <u>Climate Change</u> The Government wants to make progress on Climate Change through the EU and G8 Presidencies, with the aim of reinvigorating the international negotiations on climate change. (See paragraphs 50-56.)
- <u>Sugar reform</u> Changes to the EU's sugar regime, on the basis of the Commission's proposals for radical reform of the sector, will an important element of the ongoing reform of the Common Agricultural Policy. The UK Presidency will aim to bring these discussions to a conclusion on a reforming basis, in a way which helps African, Caribbean and Pacific (ACP) countries adjust successfully, and putting the EU in a better position to contribute to an ambitious outcome in the world trade talks. (See paragraphs 45-46.)
- Russia and Ukraine The EU will continue to build its partnership with Russia. The UK Presidency will take this forward in a way that is based on common European values and reflective of the EU's interests in the common neighbourhood. Events in *Ukraine* last year marked a watershed for democracy there. The UK Presidency will continue to develop the EU's relationship with Ukraine on the basis agreed earlier this year, reflecting Ukraine's progress in implementing reform. (See paragraphs 79-81.)
- Peace, stability and reform in the Middle East The EU will continue to continue to work with the US and other international partners to play a major role in the Middle East, in particular as a member of the Quartet for the MEPP. The UK Presidency will also take forward the developing EU role in supporting the transition in Iraq, building on the successful EU-US sponsored conference on Iraq. The Presidency will also use the tenth anniversary of the

### DRAFT

Barcelona Process to deepen the EU's partnership with the region, supporting reform efforts. (See paragraphs 93-95.)

### Economic Reform and Social Justice

- Better Regulation The Inter-Institutional Agreement on Better Law-Making demonstrated the commitment of the Parliament, Commission and Council to improving the regulatory environment in Europe. The UK Presidency will work to implement it fully. The wider goal is to ensure that policy-making and legislation in the EU is more effective, takes account of European competitiveness and does not impose unnecessary burdens on business or on job creation, building on the agenda set out in the Commission Communication on Better Regulation. (See paragraph 30.)
- The Services Directive The UK Presidency will build upon the work done by the Dutch and Luxembourg Presidencies to take forward this ambitious proposal to open up trade in services across the EU, potentially generating hundreds of thousands of jobs and billions of euros for the EU economy. (See paragraph 27.)
- Post-Financial Services Action Plan The UK Presidency will work to ensure that the remaining dossiers in the Financial Services Action Plan are adopted efficiently, and will take forward the debate on the Commission's recent Green Paper on the post-FSAP agenda. (See paragraph 28.)
- Environment and sustainable development The EU needs growth which does not compromise the quality of life of future generations. Discussions on the review of the EU's sustainable development strategy will start under the UK Presidency. The Presidency will aim to make progress on all three dimensions of the strategy social, environmental and economic with the aim of producing a balanced and forward-looking strategy. (See paragraphs 50-59.)
- The Chemicals Regulation (REACH) The UK Presidency will aim to make significant progress in discussions on the Chemicals Regulation (REACH), to ensure that the Regulation promotes public health, the environment and competitiveness. (See paragraph 58.)
- <u>The EU's relationship with the US</u> Within a wider framework of a renewed transatlantic agenda, strengthening the economic partnership will be a particular priority. (See paragraphs 84-85.)

### Security and Stability

• <u>Counter-Terrorism</u> The UK Presidency will help all Member States to work together, and to cooperate with other countries, to fight terrorism, within

the framework of the commitments made in the Hague Work Programme and the EU Counter-Terrorism Action Plan. (See paragraph 61.)

• Enlargement The UK Presidency will work to deliver the EU's commitment to open accession negotiations with Turkey on 3 October; prepare for Bulgarian and Romanian entry in January 2007; and be ready to open accession negotiations with Croatia as soon as the conditions have been met. (See paragraphs 11-17.)

The Future Financing of the European Union

<u>Future financing</u> The UK Presidency will take forward the discussions, drawing on progress made to date, and with a view to resolving all the elements necessary for an overall agreement as soon as possible. The Presidency will first consult all interested partners on the way forward. (See paragraphs 18-22.)

### The EU Constitutional Treaty

- 8. The Constitutional Treaty was signed in Rome on 29 October 2004. Member States committed themselves to try to bring it into force on 1 November 2006. However, as is well known, in referendums held in France on 29 May and in the Netherlands on 1 June, the French and Dutch people voted against ratifying the Treaty. Ten other Member States have approved the Treaty, one (Spain) by referendum.
- 9. The UK will only ratify the Constitutional Treaty by means of a referendum. The Government introduced an EU Bill to Parliament in January. The Bill provided for the necessary amendments to the 1972 European Communities Act and, after that Parliamentary debate, for a binding Referendum in the UK and Gibraltar. The Bill had second reading on 9 February but was lost because of the General Election. It was reintroduced on 24 May. On 6 June the Foreign Secretary announced that, pending clarification of the situation after the French and Dutch referendums, a date would not be fixed for Second Reading in the House of Commons.
- 10. The European Council addressed the situation on 16-17 June. It agreed a Declaration making clear that a period of reflection was needed on the Referendum results, and that this should be used for a wider debate on Europe, involving citizens and civil society. It agreed that the ratification timetable in different Member States could, if necessary, be adapted in the light of developments and according to Member States' circumstances. The European Council would look again at the situation in the first half of 2006 to take stock of the national debates and to agree on next steps. The Danish Government announced the cancellation of its referendum, planned for 17 September, at the same time.

### Enlargement

- 11. Enlargement has remained a central element of the EU's external engagement during 2005. The June 2005 European Council reaffirmed its commitments on enlargement and highlighted the need to implement them fully. The Government strongly supports the continuing enlargement of the Union to the countries listed below, provided that they meet the necessary conditions.
- 12. **Bulgaria** and **Romania** signed a joint Accession Treaty with the EU on 25 April this year. Their accession is scheduled for January 2007. Both countries still have much to do to prepare for EU membership, particularly in implementing the commitments undertaken during the negotiation process. If either country is unprepared to meet the requirements of membership, the EU can push back accession by one year. The Commission will produce reports assessing the preparedness of both countries in the autumn.
- 13. The UK Parliament will consider a Bill providing for the Accession of Bulgaria and Romania, by making the necessary amendments to the Accession Treaties, in due course.
- 14. The December 2004 European Council decided that **Turkey** sufficiently fulfilled the Copenhagen political criteria (the criteria against which a country's readiness to open accession negotiations with the Union is judged) and agreed to open negotiations on 3 October 2005, provided that Turkey brought into force specific pieces of outstanding legislation and signed the Protocol extending the Ankara (EU/Turkey Association) Agreement to the new Member States. Turkey also has to maintain its progress in reforming human rights and implementing the rule of law. It will be for the UK Presidency to prepare the framework for these negotiations, on the basis of a proposal from the Commission and, provided the conditions are met, to launch them on schedule.
- 15. The December European Council decided that negotiations with **Croatia** should open on 17 March, provided that it co-operated fully with the International Criminal Tribunal for the former Yugoslavia (ICTY). Member States thereafter agreed a negotiating framework for Croatia, but then agreed to defer the opening of negotiations, because of the lack of full co-operation with ICTY. The Government hopes the Croatian Government will move quickly to address these outstanding concerns, in particular through greater efforts to locate and transfer fugitive ICTY indictee General Ante Gotovina to the Tribunal, so that negotiations can open.
- 16. **Macedonia** applied to join the EU on 22 March 2004. The Commission is assessing its application against the established criteria and is likely to issue its opinion in the autumn.

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17. The UK strongly supports the membership aspirations of all the countries in the Western Balkans, but they must fulfil the political criteria like any other EU applicants. This includes co-operation with ICTY. The EU's approach to the region remains the Stabilisation and Association process (SAp), a step-by-step conditional approach based on aid, trade preferences, dialogue, technical advice and, ultimately, contractual relations.

### PART TWO: INTERNAL ISSUES

### The Future Financial arrangements for the Union

- 18. The annual EU budget is determined within a multi-annual framework or "Financial Perspective" agreed by the Council, Commission and Parliament. Discussions on the next Financial Perspective, which will run from 2007 to 2013, have been under way since February 2004, on the basis of proposals from the Commission. The final deal must be agreed unanimously.
- 19. The Commission proposed a large increase in the overall size of the EU budget to €1,025bn over the seven years, amounting to 1.24% of EU Gross National Income (GNI). The Commission proposals set out five different expenditure headings:
- Heading 1: Sustainable Development (47% of the overall budget) including competitiveness (Heading 1a, 13%) and cohesion (Heading 1b, 34%);
- Heading 2: Management of natural resources (39%) of which 74% is market support and direct payments under the Common Agricultural Policy;
- Heading 3: Citizenship, freedom, security and justice (2%);
- Heading 4: External action: the EU as a global partner (9%); and
- Heading 5: Administration (3%).
- 20. On the revenue (Own Resources) side, the Commission proposed various options for an EU tax in the medium term. It also proposed the replacement of the current correction system (which includes the UK 'abatement') with a "Generalised Correction Mechanism". This would have the effect of sharing out the value of the UK abatement among all net contributors above a certain level. This would make the UK the biggest net contributor to the EU by 2013. The UK has consistently argued that the abatement remains fully justified and is not negotiable.
- 21. Negotiations continued actively during the Luxembourg Presidency, on the basis of a so-called "negotiating box", a text setting out the main elements of a deal. That Presidency made an attempt to secure an overall deal at the European Council of 16-17 June. However, even the final compromise offer was unacceptable to the UK and four other Member States (the Netherlands, Sweden, Finland, and Spain). The UK rejected it because it proposed a ceiling of 1.06% of GNI, and a revised methodology for calculating the UK's abatement, the effect of which would have been to limit it to €5bn-€5.5bn per year, instead of the €8bn per year which the current methodology would deliver, and because it did not commit the EU to a fundamental review of all of its expenditure, including on agriculture.
- 22. The European Council invited the UK Presidency to take these discussions forward, taking advantage of the progress made hitherto, in order to find a solution on all the elements needed to conclude a deal as soon as possible.

The UK will now do so. Once a deal is reached, the Council must still negotiate an "Interinstitutional Agreement" (IIA) with the European Parliament. The IIA sets out the spending ceilings and budgetary procedures necessary for the Financial Perspective to come into effect.

### Structural and Cohesion Funds

- 23. As part of the future financing negotiations, the Council is discussing the future of European Structural and Cohesion Funds (SCF). In its 2004 proposal, the Commission proposed a 30% increase to the SCF budget, with a roughly even split in funding between new Member States and EU15 Member States, and generous transitional arrangements for regions in the richer Member States. The UK favours a model under which resources would be more heavily concentrated on the EU's poorest Member States.
- 24. Within the framework of these overall negotiations, the UK Presidency will take forward the process of agreeing new SCF Regulations, which set out the detailed implementation provisions and spending mechanisms for each fund. The new regulations should come into effect when the current regulations expire at the end of 2006. As well as the overall allocation of funds between objectives, Member States will discuss options for simpler and more flexible implementation and monitoring arrangements for SCF to ensure that they are consistent with the EU's economic reform and sustainable development agendas.

### **Economic and Social Reform**

- 25. When EU Heads met at the 22-23 March 2005 Spring European Council, the mid-point in the EU's ambitious "Lisbon" 10-year economic reform programme, they agreed a reform plan focused on boosting "jobs and growth" across Europe. The proposals, brought forward by the Commission, included measures to strengthen the Internal Market, boost R&D and EU trade and competitiveness, to improve the regulatory environment and support development of human capital. These are all UK priorities. During the Presidency, the UK will work with the Commission and EU partners to advance this agenda.
- 26. The UK will also be working to ensure that the streamlined system of Lisbon governance, endorsed at the Spring Council, is implemented effectively. This system is intended to advance the agenda agreed in Lisbon in March 2000 to make the EU the most competitive knowledge-based economy in the world by 2010. The Commission has requested that Member States draft a brief Lisbon National Reform Programme by 15 October 2005. This will be a high-level political document identifying key national actions to secure progress towards Lisbon objectives. These Programmes will be subject to regular peer review so that all Member States can work together to share best practice.

### DRAFT

- 27. Discussions will continue on the draft Directive on Services in the Internal Market. Services account for around two-thirds of EU GDP, but for only 20% of intra-EU trade. The draft Directive aims to create an effective internal market in services, which removes trade barriers while safeguarding areas crucial to the public interest. It is a controversial proposal in some Member States, but is strongly in the UK interest, given the large services sector in the UK's economy. The European Parliament should complete its first reading in the autumn, and the Government then expects the Commission to issue revisions to the proposal the basis for further work under the Presidency in both Parliament and Council.
- 28. The Commission's Green Paper on Financial Services published on 2 May sets the agenda for EU Financial Sector reform for 2005-10. It focuses on better implementation and enforcement of measures affecting the financial services sector, better financial sector regulation, and strengthening the dialogue between EU and US markets as the means to improve EU competitiveness. The Government strongly supports the approach outlined, and will be working during the UK Presidency to take it forward. The Government will also try to have the remaining dossiers in the Financial Services Action Plan adopted efficiently and in a form that protects and promotes the EU's competitiveness in the financial services sector. A Commission White Paper is expected in November.
- 29. The UK Presidency will press ahead with the modernisation of the VAT system so that it keeps pace with technological change and globalisation to ensure that VAT can continue to fund essential public services. We will do this by modifying the underlying rules to ensure that services at the forefront of technological change such as broadcasting, telephony and the internet are taxed at the place of consumption and putting in place business-friendly arrangements to facilitate this. These changes are widely though not unanimously supported across the EU, so the Government will continue discussions with the aim of building consensus behind the case for change.
- 30. The Inter-Institutional Agreement on Better Law-Making demonstrated the commitment of the European Parliament, Commission and Council to improving the regulatory environment in Europe. Improving the quality of EU legislation remains a top Government priority. Günter Verheugen, Vice President of the Commission for Enterprise and Industry, has pledged to make reducing EU red tape his personal trade mark. Working closely with the Commission, Parliament and Member States, the Government will be focussing on three important reform areas during the UK Presidency. First, we must improve the policy making process with better consultation and impact assessments, which will include testing all regulatory proposals in the Commission's 2005 work programme for their impact on competitiveness. Second, the EU will launch in October a major new programme to reduce the volume and complexity of EU legislation in order to ease the burden on business. Third, the UK will aim to reach agreement among Member States

### DRAFT

and the Commission on a common methodology for the measurement of the administrative burden of legislation, which, once agreed, would be included in all impact assessments. This work will form an important contribution to Government efforts to ensure that EU legislation is consistent with the risk based approach to enforcement, recommended in the Hampton and Arculus Reports, endorsed by the Prime Minister and Chancellor in March this year. These reports look at measuring the administrative costs of regulation and reducing them by means such as eliminating overlapping information requirements and cutting back on unnecessary inspections.

- 31. The **Working Time Directive** (WTD), which sets maximum working hours, will remain a priority for the Government. The UK, as Presidency, will continue to work for a European solution that preserves the freedom of individual workers to choose to work more than 48 hours per week and mitigates the impact of rulings on Working Time from the European Court of Justice on Governments' ability to deliver high-quality health and public services.
- 32. The UK Presidency should see the completion of the Commission's review of the guidelines for **regional aid**, and substantial progress on the Commission's review of other **state aid** instruments that ensure Member States do not distort competition by providing excessive aid to domestic industries. The new instruments should result in less and better-targeted state aid while maintaining necessary flexibility as well as taking into account the realities of an enlarged union. The Commission is also working on sectoral investigations of the effectiveness of competition in the EU's energy and telecommunications markets.
- 33. In March, the European Council endorsed an agreement by EU Finance Ministers on reform of the **Stability and Growth Pact (SGP)**, the EU's fiscal framework. The reformed Pact aims to enhance its economic rationale and takes greater account of country-specific factors, including debt sustainability, the stage of the cycle and the important roles of structural reform and public investment. Some work on the implementing Regulations will fall to the UK Presidency.
- 34. By the end of the year, the Commission will publish its proposal for a revision of the **Television Without Frontiers Directive**, the EU's main legislative instrument in broadcasting. The current Directive enables the free movement of television services within the EU and was last revised in 1997. The Commission's new proposal will amend the Directive to take account of the development of new media technologies during the last 10 years.
- 35. Negotiations will continue on European funding programmes for **Culture** and **Media**, which aim respectively to promote cooperation between EU cultural organisations and to support the development of the European film industry. The UK also plans to take forward negotiations on the

Commission's proposal to revise the procedures for selecting European Capitals of Culture.

- 36. The Commission's proposal on the 2007-2013 Framework Programme for Research & Development, published on 6 April, aims to increase the competitiveness of EU industry and underpin a range of other EU policies by funding research. Our Presidency will see negotiations continue on the detail of this programme, to ensure European value added and a clear focus on outcomes, and to make the system more user-friendly, all within the wider context of the future financing negotiations (see paragraphs 18-22). The EU will also respond to the Commission's i2010 programme, which will lay out the progress Member States have made on the contribution that information communication technology makes to their National Reform Programmes (see paragraph 26). 2005 is also likely to see the adoption of a European Space Programme an overarching framework for managing European space activities.
- 37. The Government expects progress this year on a Directive pulling together and simplifying existing European legislation on **gender equality and equal treatment**, which will clarify rights and responsibilities for individuals, employers and service providers. Work will continue on a new **European Gender Institute**, which will co-ordinate and implement EU work on equal opportunities for men and women.

# **Transport**

38. Transport at the EU level sets the framework for the free movement of goods and vehicles, establishes rights and safeguards for the travelling public, promotes environmental protection and coordinates investment plans for Europe-wide infrastructure. During the next six months Ministers will discuss new proposals on Europe-wide rights for aviation passengers of reduced mobility, and there will be a sharing of Member States' latest experience in road safety. The UK Presidency will try to reach agreement with the European Parliament on revised legislation underpinning the free movement of lorries across the EU, specifically the rules when lorries are charged for their use of roads (the Eurovignette Directive) and the rules on HGV drivers' rest periods and driving hours. Negotiations on a "third rail package" will continue, moving on now to those measures designed to modernise international passenger services. EU transport also looks outward to the wider world, and the UK Presidency will have a role in this direction too: we will provide time for further discussion of aviation agreements between the EU and other countries, and we will discuss a voluntary agreement with the EU shipping industry to promote careers in the maritime sector at sea and on shore.

#### Education

- 39. As Presidency, the Government hopes to make good progress in negotiations on a proposed new EU integrated lifelong learning programme for 2007-2013, which will support the Lisbon goals through the contribution of lifelong learning and improving employability and social cohesion. We also hope to make good progress in negotiations on the proposed Youth in Action programme for 2007-2013, which will support youth exchanges.
- 40. The UK will seek to focus discussions in the Education Council on the contribution that education and skills can make to improving productivity and competitiveness. The Council will prepare a report, to be finalised under the Austrian Presidency next year, on education and training and Lisbon. There will be discussions on the contribution of universities to the economy. The Youth Council will discuss the implementation of the Commission's proposals for a European Pact for Youth, which seeks to address the needs of young people in the areas of employment, education and training.

## Health

- 41. December 2005 will see the UK introduce the European Health Insurance Card, which will replace the E111 form. It will help to simplify procedures without changing any existing rights or obligations. The introduction of the card is part of the EU's overall aim of removing obstacles to geographic mobility, which the UK strongly supports.
- 42. Negotiations will continue on the European Commission's proposal for a regulation on **medicines for paediatric use**. Discussions have been under way since the Dutch Presidency last year. The proposal aims to improve the health of European children by improving the research, development and authorisation of medicines for children's use.
- 43. The UK Presidency will continue any necessary work to gain common positions on the proposed regulations on **nutrition and health** claims made on foods and the addition of vitamins and minerals and other substances to foods. We will also look for agreement on food additives.
- 44. Discussions will continue on the European Commission's proposal for a Programme of Community action in the field of **Health and Consumer protection** 2007-2013. The proposal brings together the public health and consumer protection programmes for the first time and sets out the work programme and budgets for both areas.

# **Agriculture and Fisheries**

45. Reform of the **EU's sugar regime** will be the next step in the continuing reform of the Common Agricultural Policy. The sugar sector needs to be brought into line with the decoupled, market-based approach already agreed for most other sectors. Changes are also needed to ensure that the regime is

fully consistent with the EU's existing international obligations and flexible enough to respond to further liberalisation as part of the World Trade Organisation Doha Round. The Commission proposals published on 22 June are designed to achieve this through a radical narrowing of the gap between EU and world prices and an efficiency-led restructuring of the EU industry leading to reduced production.

- 46. As Presidency, the Government will aim to reach agreement at the November Agriculture Council. This would not only produce significant welfare gains for the EU economy but would also put the EU in a better position to contribute to an ambitious outcome in the Doha trade round. Integral to a satisfactory reform are good, timely, transitional arrangements, which are acceptable to the African, Caribbean and Pacific (ACP) countries and which effectively help them adjust to the reform.
- 47. The UK Presidency aims to agree the EU Strategy for rural development. This strategy is important for improving environmental outcomes in agricultural schemes. Work may also start on amending legislation on spirit drinks, dairy products and protected geographical indications (which ensure that only products meeting a geographically defined specification like Stilton or Roquefort can use that label).
- 48. The Agriculture Council should also finalise rules on avian influenza and take forward proposals on fish diseases and on the welfare of broiler chickens (chickens reared for meat). The Council will review the EU system for authorising pesticides and consider the Commission's Thematic Strategy on the sustainable use of pesticides.
- 49. The most important item on the **fisheries** agenda will be to agree the Total Allowable Catches and Quotas Regulation for 2006. Negotiations will begin in the autumn and be concluded in the usual way at the December Fisheries Council.

# Sustainable Development and the Environment

- 50. Urgent action is needed to tackle climate change at a global level. National or even regional action alone will not be sufficient. The UK's EU and G8 Presidencies will be important for making progress.
- 51. The March European Council emphasised the Union's determination to reinvigorate international **climate change** negotiations by: exploring in the UN context the options for international follow-up to the Kyoto Protocol (which sets national and regional targets to reduce greenhouse gas emissions up to 2012); developing an EU medium and long term strategy to combat climate change; and promoting cost-efficient measures to cut emissions. The Council agreed that the Union should explore with other countries reduction

- pathways for developed countries in the order of 15%-30% by 2020, and that further work should be done on longer term reduction pathways to 2050.
- 52. Within this context, the Government plans to deepen the EU's dialogue on climate change with other countries through discussions at the planned EU Summits with India, China, Russia and Canada. The EU hopes the next UN Climate Change Conference in December in Montreal will agree to start negotiations on further international action to tackle climate change after 2012. The UK Presidency will have the responsibility of representing the EU's position at that Conference. The Government expects to underline the scale and urgency of the challenge of climate change, the benefits of market-based approaches to reducing emissions at least cost, and the EU's willingness to explore with other parties all effective options for follow up to Kyoto.
- 53. Under the EU Action Plan on Climate Change and Development Cooperation, the Government will take forward work on integrating climate risk within the EU's development assistance and working with vulnerable developing countries, particularly in Africa, to improve scientific monitoring to assist them in identifying and managing climate impacts and risks.
- 54. Within the EU, the Commission will produce a Communication in July on tackling aviation emissions, and discussion will then begin in the Council during the UK Presidency. The international aviation sector is an increasing source of greenhouse gas emissions that cause climate change, but has so far remained outside the Kyoto Protocol framework. The EU is already committed to taking action on aviation emissions. The UK would prefer to do so through a well-designed emissions trading system.
- 55. The EU should make progress on many other policies which help to address greenhouse gas emissions. All of these will contribute to the EU's medium and long term climate change strategy. These include working in the Energy Council on the Energy Commissioner's Energy Efficiency Initiative following publication of the new Green Paper on Energy Efficiency, 'Doing More With Less'; launching the next phase of the European Climate Change Programme (which sets out the policies needed for the EU to meet its climate change targets); taking forward a Regulation and a Directive on Fluorinated Gases (which will control the use of these gases, which can contribute to global warming); progress on the Energy End-Use Efficiency and Energy Services Directive; consideration of financial mechanisms for funding the climate change agenda; and considering the impact of climate change on agriculture.
- 56. We expect the European Commission to release detailed proposals for the review of the EU's **Sustainable Development Strategy** in the autumn. The review aims to communicate the Union's strategy better through the production of a single, coherent document. It should bring together both the internal and the external aspects of the EU's sustainable development policy.

The UK Presidency will aim to make good progress on the review, clarifying the role of growth and employment in delivering on environmental and social objectives and to achieve buy-in from across the economic, social and environmental spectrum by inviting input from a broad range of Council formations. At an international level, the EU will aim to ensure that the outcomes of the Millennium Review Summit in September attach sufficient importance to environmental sustainability. The EU will also aim for agreement to specific actions that will speed up implementation of sustainable development goals, especially: the Millennium Development Goals (see paragraph 69), the agreements made at Doha in 2001 (see paragraph 98), and the commitments made in 2002 at the World Summit on Sustainable Development in Johannesburg and the Conference on Financing for Development in Monterrey. The EU will also support the Secretary General's call for the international community to consider a more integrated structure for global environmental governance, with a view to the possible upgrading of the UN Environment Programme to a specialised agency. As Chair, the UK will aim to provide a strong and clear voice for the EU at the Summit negotiations.

- 57. The Government will continue to work with other Member States to implement the EU Action Plan on Forest Law Enforcement, Governance and Trade (FLEGT) to tackle illegal logging and international trade in illegally harvested timber. The UK Presidency will take forward a regulation giving EU Customs Authorities the powers to implement a timber licensing system and deny access to EU markets of unlicensed timber products from partner countries. The EU should also finalise the mandate for the Commission to negotiate voluntary bilateral partnership agreements with timber-producing countries (under which the timber producing country agrees to export only verified legal timber in exchange for EU development assistance to improve forest governance), and to make significant progress on negotiating those individual Partnership Agreements.
- 58. Negotiations will continue on the EU's new chemicals strategy, **REACH** (Registration, Evaluation and Authorisation of Chemicals). The new strategy will replace current disparate chemicals legislation, and bring regulation under a single legislative structure. During its Presidency, the UK will aim to secure political agreement in the Council on a package that improves the protection of human health and the environment while maintaining the competitiveness and enhancing the innovative capability of the EU chemicals industry.
- 59. Negotiations will begin on new **air quality legislation** which is due to be proposed as part of the environmental thematic strategies. The dossier may come to political agreement during the UK Presidency.

## Freedom, Security and Justice

# The Hague Programme

60. The Hague Programme, agreed by the European Council in November 2004, is a comprehensive five-year strategy for EU co-operation on freedom, security and justice. It reflects UK objectives. It sets out how EU action can add value to the efforts of Member States to help strengthen borders, control migration flows and combat serious and organised crime, including terrorism. The Hague Action Plan adopted at the European Council in June 2005 is a useful tool for its implementation. It will inform the priorities for action during the UK's Presidency of the EU and will include an evaluation process. The Hague Programme also calls for a strategy to ensure that freedom, security and justice are pursued effectively in the EU's external relations. The UK Presidency will work with the Commission and EU High Representative to ensure an approach that helps countries outside the EU to tackle the most serious crimes, to stop illegal migration, to provide protection to those in need of asylum, and to ensure the safety of their citizens.

## Counter-Terrorism

61. The EU can play a key role in supporting Member States in tackling terrorism. In the wake of the 11 March 2004 bombings in Madrid, the EU set out an action plan for how to do this. During the UK Presidency the primary focus will be on delivering this action plan. In particular, the Government will aim to agree essential measures of police and judicial co-operation, including proposals relating to the European Evidence Warrant and the retention of data on telecommunications traffic; lay the foundations of an EU strategy to combat radicalisation and recruitment to terrorism; and deliver concrete assistance to partner countries outside the EU to help fight terrorism overseas. Given that many actions in the March 2004 Action Plan will be completed by the end of 2005, the Government will also work to develop further the framework agreed in 2004, concluding the Presidency with a new agenda for what more EU Member States can do individually and together to fight terrorism.

# **Asylum & Immigration**

62. The focus of EU activity will be on implementation and evaluation of existing asylum and immigration measures, and the development of practical cooperation between national asylum authorities. The UK benefits from a level playing field in asylum across the EU. We are currently removing around 200 asylum seekers a month back to the EU countries where they first sought asylum, without needing to consider their claim. The Government will also work to enhance practical co-operation between EU partners on asylum, integration and the exchange of information and statistics, and take forward discussion of a new solidarity mechanism to provide substantial funds for border, integration, returns and refugee projects. The UK is keen to take forward work to strengthen the EU's borders. This will include: helping the

new EU Border Agency to identify and respond to illegal immigration risks; raising awareness of the role that Advanced Passenger Information/Passenger Name Records can play in strengthening border security; improved EU cooperation on combating people trafficking; making progress on the security of EU travel documents, including work towards incorporating biometrics in ID cards; working towards the adoption of the Visa Information System (a system of sharing information that aims to prevent fraud and "visa-shopping"); and maximising interoperability between EU databases. The UK will continue to participate actively in operations to share intelligence to target illegal immigration networks.

63. The UK will work to strengthen the EU's impact on international asylum and immigration issues by, for example, improving its partnership with countries of origin and transit, or improving the capacity for migration management and refugee protection at source, including the piloting of Regional Protection Programmes. The Government will work with the Commission to improve the EU's performance on readmission agreements with third countries to facilitate the return of failed asylum seekers. A Communication on Development and Migration is expected from the Commission.

# Combating serious and organised crime

- 64. In order to combat cross-border crime within the EU, Member States need to share law enforcement information effectively. During the UK Presidency the EU will discuss how to improve the exchange of law enforcement information, how to support the development of intelligence-led policing, and how to cooperate practically to tackle crimes such as people trafficking. We will press ahead with proposals to connect all Member States to the Schengen Information System II, which will improve security across the EU and allow the new Member States to lift their internal borders with the Schengen area. More effective assessments by the European Police Office (Europol) of crime threats across the EU will improve the impact of operations by national police forces.
- 65. Judicial co-operation in the EU will continue to be based on respecting the distinct and diverse legal systems of Member States. The UK Presidency will work further on EU proposals for minimum standards in criminal procedural law. This will ensure access to justice for UK (and other) citizens across the Union. The Government will also aim to conclude negotiations on the European Evidence Warrant, which will help to bring swifter justice by speeding up access to evidence in cross border trials. Discussions on measures to exchange information on criminal convictions and disqualifications will also be taken forward.

Civil justice



66. The UK Presidency will work to ensure that progress is made on a proposed measure to facilitate small claims across the EU, as well as on the 'Order for Payment' which will make it easier for businesses and individuals to enforce uncontested debts across EU borders.

# **Human Rights**

67. Human rights and fundamental freedoms are founding principles of the EU. As Presidency, the UK will aim to make progress on a Commission proposal for a new Fundamental Rights Agency, which will fill a gap in the current system by providing independent advice to the EU institutions.



## PART THREE: EXTERNAL ISSUES

68. The external agenda for the UK Presidency will be dominated by a series of international meetings and summits with third countries. The Millennium Review Summit in New York in September will evaluate progress against the eight Millennium Development Goals agreed at the Millennium Summit in 2000. The WTO Ministerial meeting in Hong Kong in December will be the focus for efforts to make progress in the Doha Development Agenda (see paragraph 98). There will also be the eleventh UN Climate Change Conference and first Meeting of the Parties after the entry into force of the Kyoto Protocol. The Prime Minister will take the lead as Presidency in EU Summits with India, China, Russia, Ukraine and Canada; and the UK will also be hosting, in partnership with Spain, the tenth anniversary event in Barcelona of EuroMed - a wide framework of political, economic and social relations between the EU and its 10 Mediterranean Partners. Alongside these meetings there will be a continuing focus on major international issues. particularly on promoting peace, stability and reform in the Middle East. All this will be pursued against the background of the central message of the European Security Strategy, adopted in December 2003, of developing more active, coherent and capable EU external policies.

# Development

- 69. The Millennium Review Summit will provide an opportunity for the EU to take a lead in strengthening international efforts to tackle poverty, and a starting point for a debate on more effective EU policies towards and support for Africa. As a basis for the EU's contribution to the Summit, the 16-17 June European Council endorsed an ambitious set of commitments focused on accelerating progress towards attaining the Millennium Development Goals (which include halving global poverty and ensuring environmental sustainability). These commitments represent a major step forward in the fight against global poverty, and include agreement to a new collective EU aid volume target of 0.56% ODA/GNI by 2010. At least half of this agreed increase in ODA will be for Africa. As Presidency, the Government will be looking to build on this, improve policy coherence and further strengthen the EU's contribution to international efforts to tackle poverty. As the world's largest aid donor, and key trading partner of most developing countries, the EU has great potential to reduce poverty.
- 70. The Commission will revise its Development Policy Statement later in the year. This is a good opportunity to update current policy to reflect recent international agreements, including those from the Monterrey Conference and the Johannesburg Summit, and changes in best practice in the area of development since the statement was first agreed in 2000. This will also ensure it is applied in all parts of the EC dealing with development and developing countries. The Government will want to work towards agreement

- on a revised EC Development Policy that remains clearly focused on poverty reduction and achieving the Millennium Development Goals.
- 71. Discussion will continue during the UK Presidency on proposals for the EU's external spending in the next Financial Perspective. The Government hopes this can make a more effective contribution to poverty reduction and the Millennium Development Goals, allocate resources according to performance and needs, be more flexible in response to international developments, and support our enlargement, neighbourhood and stability objectives more effectively. In May 2005 the Council agreed a new EU strategy for tackling AIDS, tuberculosis and malaria between 2007 and 2011. The UK Presidency will look to agree a financing package for the strategy that represents a significant increase on current funding. The Government remains opposed to integrating the European Development Fund into the main Community budget.

## **External Relations**

#### Africa

- 72. Africa is a top priority on the EU agenda. In March, Heads of Government underlined the particular importance of Africa in 2005. They welcomed the Commission's intention to reinforce the Union's support for the African continent and took note in this context of the recent report of the Commission for Africa. The June European Council asked the Council to elaborate a new long-term strategy for EU/Africa relations, in the light of the Millennium Review Summit, and with a view to discussion at the December European Council.
- 73. Through dialogue, election observation and other measures, the promotion of good governance will remain a focus of active EU involvement with African partners. During the UK Presidency, EU missions are scheduled to observe elections in several countries.
- 74. The EU concluded that the elections in **Zimbabwe** on 31 March were not free and fair and issued a statement on 7 June condemning the post-election crackdown on shanty settlements. The EU will therefore continue its policy of pressure on the Government of Zimbabwe to respect good governance, the rule of law and human rights.
- 75. Conflict prevention, management and peace-building in Africa are of utmost importance. The African Peace Facility will continue to be used, including in **Sudan**, in supporting African peace keeping operations and building the capacity of African regional and subregional organizations. The EU remains firmly committed to supporting the implementation of the comprehensive peace agreement in Sudan, and resolving the conflict in Darfur. The EU is firmly committed to the transition process in the **Democratic Republic of**

**Congo.** Advice and assistance on security sector reform and training for the Congolese police to increase security during and after the election are key to EU efforts.

# **European Security and Defence Policy**

- 76. A priority for European Security and Defence Policy (ESDP) in the second half of this year will be the review in November of the EU Force (EUFOR) mission in Bosnia, with a view to renewing its mandate and planning ahead to an eventual transition to a largely civilian presence. Launched in December 2004 to provide security and stability to support the continuing Bosnian reform process, EUFOR is the EU's largest military operation to date, comprising contributions from 33 countries and using the Berlin Plus arrangements for EU access to NATO assets. The EU will also take forward current civilian and civil/military operations in the Balkans, Georgia, the Democratic Republic of Congo and Iraq, and examine potential requirements for civilian intervention elsewhere.
- 77. Member States will continue work to improve capabilities through finalisation of a military Requirements Catalogue detailing what the EU needs to undertake its agreed range of tasks. The EU will also further develop the rapid-response Battlegroups initiative (which comprises very rapidly deployable, self-sustaining packages of 1,500 troops drawn from one or more Member States), and agree a civilian capability improvement plan in November. The UK Presidency will launch a work programme on civil/military co-ordination intent on maximising the EU's potential to apply its especially wide range of security instruments coherently, including a framework to support comprehensive planning. The EU will also concentrate on improving its ability to contribute to disaster response, in light of the Asian tsunami last year; and take forward work on a concept for EU security sector reform missions. Finally, the EU will look to further strengthen cooperation with NATO and the UN.

## **European Neighbourhood Policy**

78. Action Plans for the first wave of European Neighbourhood Policy (ENP) countries (Ukraine, Moldova, Israel, Palestinian Authority, Tunisia, Morocco, Jordan) have now been adopted. Monitoring the implementation of these Action Plans, which identify areas for reform linked to closer co-operation with the EU, is now taking place within the framework of the EU's relations with each partner country. As Presidency, the UK will ensure effective co-ordination of this monitoring and will continue to encourage partner countries to take advantage of the opportunities under the ENP by helping them along the process of political, social and economic reform. The UK Presidency will also support the Commission in negotiating Action Plans for the second wave of ENP countries (Armenia, Azerbaijan, Georgia, Egypt, Lebanon). The Commission hopes to complete these negotiations by the end of 2005.

- 79. Following the Orange Revolution in Ukraine last December, the central tenet of the new Ukrainian Government's foreign policy is to develop closer relations with the EU, leading eventually to membership. The Ukrainian Government has introduced a comprehensive reform programme aimed at bringing Ukraine closer to EU standards, focusing on the priorities set out in the European Neighbourhood Policy Action Plan. The EU and Ukraine are also working towards implementation of a package of additional measures designed to strengthen the Action Plan further and deepen the relationship.
- 80. The EU-Ukraine Summit during the UK Presidency will provide an opportunity to demonstrate the increased depth and strength of relations between the EU and Ukraine since the Orange Revolution, and to underline EU support for the ongoing reform process. By the time of the summit, we hope Ukraine will have secured Market Economy Status, made progress on WTO membership and opened negotiations on a visa facilitation agreement.

## **EU-Russia**

81. The EU-Russia Four Common Spaces Agreement (a framework for cooperation in four areas: a common economic space; a common space of freedom, justice and security; a common space of external security; and a common space of research and education, including culture) was finalised at the 10 May EU-Russia summit. As Presidency, the UK will press ahead with implementing the agreements reached, and ensuring that they deliver practical benefits to the EU and Russia alike. We will aim to secure greater cooperation with Russia in the fight against organised crime, including on drugs and hi-tech crime. We will take forward negotiation of a facilitated visa agreement and a readmission agreement on behalf of the EU. The Government will also work to secure a co-ordinated EU response to Russian requests for help with socio-economic development in the North Caucasus, while continuing to raise our concerns about the situation in the region, including through the EU's dialogue with Russia on human rights. The EU will follow up the commitment to further EU-Russia co-operation on energy relations and climate change, including continued support for Russian implementation of the Kyoto Protocol (see paragraph 51) and an EU-Russia Permanent Partnership Council on energy issues. The EU-Russia Summit, planned for 4 October, will provide an opportunity to mark progress in all the areas above and to launch early consideration of the shape of EU-Russia relations after 2007, ten years after the EU-Russia Partnership and Cooperation Agreement came into force.

## China

82. This year marks the 30th anniversary of the EU-China bilateral relationship, which is developing into an important strategic partnership for both sides. The regular political dialogue and the twice-yearly EU China Human Rights

dialogue will provide further opportunities in 2005 for EU engagement with China on bilateral and global political, human rights, environmental and economic challenges. EU Member States will continue their review of the EU Arms Embargo on China and revision of the Code of Conduct on arms exports. Trade relations are likely to be an important focus of discussion during the year, not least as the EU is now China's largest trading partner and China is the EU's second largest trading partner. Preliminary work on a new EU-China framework agreement to replace and update the existing EU-China Agreement on Trade and Economic Co-operation is expected to get underway. Specific events to promote Science and Technology and regional economic development are planned. Both sides will continue co-operation on areas such as non-proliferation, combating illegal immigration, the environment and sustainable development.

83. The UK will represent the EU, together with the European Commission, at the EU-China Summit in Beijing in September. As Presidency, the UK will put forward detailed proposals for closer EU-China co-operation on energy security and climate change.

#### **EU-US**

- 84. A robust transatlantic relationship is essential for the UK's, and the world's, security and prosperity. 2005 is an another important year in this regard, as was evident in President Bush's visit to Europe in February his first overseas visit in his second term. All parties involved agreed that it is important for the two sides to engage ever more closely on key areas of mutual concern, including the Middle East Peace Process and Iraq. We will also continue to promote deeper dialogue on climate change between the EU and US.
- 85. Much of the strength of the EU-US relationship lies in our economic ties. Trade and investment links are already worth over \$2.5 trillion a year and support 12 million jobs. But significant barriers remain, particularly due to differences in regulatory approaches and standards. Continuing work is needed with the Commission, other Member States and the US Administration on developing an ambitious new forward-looking strategy to strengthen the EU-US economic partnership, which reflects the findings of the recent stakeholder consultation.

#### **EU-Canada**

86. The EU-Canada Summit planned for November will cover policy cooperation under five headings: international security and effective multilateralism; economic prosperity; justice and home affairs; global and regional challenges; and people-to-people exchanges. As Presidency, we will identify areas for increased co-operation, including climate change, Africa and implementation of the Millennium Development Review commitments.

#### Iran

87. Progress in the EU's relations with Iran depends on action by Iran to address the EU's political concerns, in areas such as WMD proliferation, human rights, and Iran's approach towards terrorism and the Middle East Peace Process. Iran is discussing long-term arrangements for its nuclear programme with the UK, France and Germany (the 'E3'), supported by the EU High Representative, on the basis of an agreement reached in November 2004 (the 'Paris agreement'). The long-term arrangements are to provide objective guarantees that Iran's nuclear programme is for exclusively peaceful purposes. Iran has agreed to suspend all uranium enrichment related and reprocessing activities and to maintain this suspension while negotiations continue; a full suspension is essential for the continuation of the process. Following the Paris agreement and Iran's suspension of all its nuclear fuel cycle activities, the EU decided to hold further negotiations on a draft EU/Iran Trade & Co-operation Agreement and a parallel political agreement. It will be for the UK Presidency to take forward. negotiations on the latter. Human rights are also a priority for the UK and EU in relations with Iran, and, as Presidency, the UK will represent the EU in the EU/Iran Human Rights Dialogue.

# Iraq

- 88. The EU has made a clear commitment to assist Iraq with the transitional process, security and reconstruction, consistent with UN Security Council Resolution 1546. The UK has worked to ensure increased EU help for Iraq and to foster closer EU/Iraq co-operation. In June 2004 the European Council agreed a framework setting out a medium-term strategy for EU engagement with the Iraqi authorities.
- 89. This strategy is bearing fruit. On 5 November 2004 the Council presented an EU package of assistance to then Prime Minister Allawi. This contained a commitment to start negotiations on a new EU/Iraq political and trading relationship, including restoration of the Generalised System of Preferences (GSP), help with electoral preparations and support in the fields of police training, the rule of law and governance. Three European Commission elections experts played a valuable role helping the UN assist the Independent Electoral Commission of Iraq (IECI) with technical support for the successful parliamentary elections on 30 January 2005.
- 90. On 21 February 2005, EU Foreign Ministers reaffirmed the Union's intent to implement in full the 5 November 2004 assistance package. It agreed:
- to continue working with the IECI and the UN on Iraq's constitutional process, and with preparations for the December 2005 elections, by providing financial and technical support;

- to launch an integrated Rule of Law and Police Training Mission for Iraq with offices in Baghdad and Brussels;
- to open a European Commission Delegation office in Baghdad as soon as
  possible (opening an office will help the Commission fulfil its commitment to
  assist Iraq with capacity building in the trade and energy sectors, to
  implement the GSP and begin negotiations on a third country and trade and
  political framework);
- a new aid package of €200m for 2005 (and EU humanitarian assistance to Iraq continues).
- 91. On 9 June 2005 an EU Troika delegation, accompanied by the Foreign Secretary, visited Baghdad and met the Iraqi Transitional Government (ITG). The Troika expressed their support for the Iraqi government and the transition process. During the visit, Commissioner Benita Ferrero-Waldner pledged additional funds to support the constitutional process, referendum and subsequent elections and re-iterated her intention to open a Commission office in Baghdad soon.
- 92. The EU and US co-hosted an International Conference on Iraq in Brussels on 22 June, which demonstrated a renewed international partnership on Iraq. The international community pledged to support the political process, reconstruction and restoration of law and order. The Conference called on Iraq's neighbours to fight terrorism, tighten border controls and improve regional security. It endorsed the creation of a new Baghdad-based, Iraqi-led donor coordination mechanism, with strong UN support.

## Middle East Peace Process

- 93. The European Union continues to play a significant and constructive role in promoting peace, stability, and economic and financial reform in the region. The UK as Presidency will work closely with other international partners (notably through the Quartet of the EU, the US, UN and Russia) and in a way that promotes co-operation and co-ordination between Europe and the United States.
- 94. During the UK Presidency, the main European Union objectives will be to support Prime Minister Sharon's plan for disengagement (set to begin on 16 August) and continued reform of Palestinian institutions as set out at the London Meeting on 1 March 2005. In this context, the European Union will work closely with James Wolfensohn, Quartet Special Envoy for disengagement, in order to help realise plans to make Gaza economically viable post Israeli withdrawal. The EU will also continue to support the work of the US Security Coordinator, Lt General Ward, in particular through support for Palestinian police. In addition, the EU will continue its work to reform donor structures and will assist the Palestinian Authority in its democracy building efforts through monitoring Palestinian Legislative Council elections.

#### EuroMed

95. As Presidency, the UK will host, with Spain, a Summit in Barcelona on 27-28 November to mark the Tenth Anniversary of the Euro-Mediterranean Partnership. The Summit will aim to give high level impetus for change, through a re-launch of the EuroMed Partnership to reflect the changes in the region since 1995 and agreement on an outcomes oriented action plan containing medium term targets in key areas including good governance, economic reform and education, which should then be reflected in individual European Neighbourhood Policy Action Plans.

#### India

96. At the fifth EU-India Summit in The Hague in November 2004, both sides agreed to develop the EU-India Strategic Partnership. At the sixth summit in Delhi in September 2005 the EU and India will agree an Action Plan and Political Declaration which will form the framework for the Strategic Partnership. As Presidency, the UK will work closely with India, the Commission and Member States to ensure that the agreed texts provide a firm basis for taking forward the Strategic Partnership in future years.

# Afghanistan

97. The EU will continue to support Afghanistan's democratic progress and national reconstruction, in particular supporting the Parliamentary and Provincial elections scheduled for 18 September 2005, and the creation of the new Parliament. The Government supports the European Commission's plans to send a larger monitoring mission to Afghanistan for the Parliamentary elections, with coverage outside Kabul. The UK Presidency will seek full EU involvement in the discussion on international engagement in Afghanistan following the end of the Bonn Process (the political process arising from the Bonn Agreement signed on 5 December 2001) after the elections. The UK Presidency will also encourage increased EU support for the Government of Afghanistan's 2005 Counter Narcotics Implementation Plan and National Drugs Control Strategy.

## Trade

98. In trade policy, the Commission negotiates on behalf of, and mandated by, the Member States. The current round of WTO trade negotiations, the Doha Development Agenda (DDA) was launched in 2001 and places the concerns of developing countries at the heart of the negotiations. An ambitious, propor outcome to the DDA could make a highly significant contribution to increasing world trade, reducing poverty and achieving the Millennium Development Goals.

- 99. As EU Presidency, the UK will play a key role in moving the negotiations forward before the next WTO Ministerial meeting in Hong Kong in December 2005. The Government will work closely with the Commission, our EU partners and other WTO Members to build on the progress made so far to ensure a successful outcome at Hong Kong, which allows for completion of the round by the end of 2006 and helps deliver a freer and fairer global trading system. Key issues in the negotiations include agriculture, industrial tariffs, services, and special and differential treatment for developing countries.
- 100. Discussions on Economic Partnership Agreements (EPAs) between the EU and the six regional groupings of the African Caribbean and Pacific (ACP) countries will continue throughout our Presidency. EPAs will not be Regional Trade Agreements in the traditional sense. They are intended to be new instruments that will promote development through trade, accompanied by additional resources to enable the ACP countries to benefit from trade reforms and build their own export competitiveness. We want to ensure that EPAs are designed to deliver long-term development, economic growth and poverty reduction in the ACP countries (as set out in the UK position paper released in March).

#### **GLOSSARY OF EU TERMS**

#### Abatement

In 1984 the UK secured an abatement, an adjustment to its net contribution to the EU budget, to correct for imbalances arising in EU Budget expenditure. Broadly, this is two-thirds of the difference between its gross contribution to the EU budget and its receipts from internal spending. Without it, the UK would have paid, in net terms, 12 times as much as Italy and 15 times as much as France over 1995-2003. Even with it, the UK paid two and a half times as much as Italy and France.

#### Accession

There are four candidates for EU membership: Bulgaria, Romania, Turkey and Croatia. Macedonia has also applied to join.

#### Acquis

The phrase acquis communautaire refers to the whole range of principles, policies, laws, practices, obligations and objectives that have been agreed within the EU. It includes the Treaties, EU legislation, judgments of the European Court of Justice and measures taken in the fields of the Common Foreign and Security Policy and Justice and Home Affairs.

#### Amsterdam Treaty

The Treaty of Amsterdam was agreed in 1997 and entered into force in May 1999. It provided for important changes in the range of matters falling under EC competence – incorporation of the Schengen acquis, moving visas and asylum policy to the First Pillar (see European Union), an employment chapter, and incorporation of the social protocol. Amsterdam also endorsed "the progressive framing of a common defence policy" and extended the use of co-decision and QMV.

#### Berlin Plus arrangements

Under these arrangements the EU has guaranteed access to NATO's operational planning facilities and a presumption that pre-identified capabilities and common assets will be made available for use in EU-led operations. These arrangements underpin the strategic partnership between the EU and NATO in crisis management.

#### Co-decision procedure

Introduced by the Treaty of Maastricht, this procedure has been modified by the Amsterdam Treaty and now applies to most areas of Community legislation. The draft EU Constitutional Treaty would make co-decision the normal legislative procedure. It involves both the Council and Parliament proposing amendments to a piece of legislation proposed by the Commission. Both need to agree if the draft is to become law. It is a lengthy procedure: it can often take a year or more to approve legislation.

#### Commission

An EU institution currently made up of 25 Commissioners (one from each Member State). Its President is Jose Manuel Durao Barroso, former Prime Minister of Portugal. The British Commissioner is Peter Mandelson. The Commission is central to the EU's decision-making process and its conduct of business. It has the tasks of ensuring the Treaties are correctly applied, of proposing new legislation to the Council and European Parliament for approval, and of exercising implementing powers given it by the Council.

#### Common Agricultural Policy (CAP)

The aims of the CAP are: to increase agricultural productivity; to ensure a fair standard of living for the agricultural community; to stabilise markets; to assure the availability of supplies; and to ensure that supplies reach consumers at reasonable prices. To achieve these objectives, the CAP is based on three principles: a single market; Community preference; and financial solidarity. The CAP has been successful in generating food production with the EU, but has been much criticised for its environmental consequences and its effects on developing countries.

## Common Foreign and Security Policy (CFSP)

An area of intergovernmental activity within the European Union, that sees the EU Member States work together to achieve common objectives. CFSP covers all areas of foreign and security policy.

## **Constitutional Treaty**

The Treaty agreed by Heads of Government in June 2004 following an Inter-Governmental Conference

and signed by them in Rome on 29 October 2004. It has now to be ratified by all Member States before it can come into force.

Copenhagen Criteria

The 1993 Copenhagen European Council agreed that membership of the EU "requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities [the so-called political criteria, which are a precondition to starting accession negotiations], the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union. Membership also presupposes the candidate's ability to take on the obligations of membership".

Council of Ministers of the European Union

The primary decision-making body of the Union. It meets in sectoral formats chaired by the Presidency and attended by the relevant national ministers. Examples include the Economic/Finance Council (ECOFIN), the Competitiveness Council, and the General Affairs and External Relations Council (GAERC). They are also attended by the Commission (usually the relevant Commissioner). Working Groups and the Committee of Permanent Representatives (composed of the Member States' EU ambassadors) prepare the Council's work. It is supported by the Council Secretariat.

Doha Development Agenda

The current World Trade Round, launched at a conference of global trade ministers in Doha, Qatar, in November 2001.

EU High Representative

The representative of the Council of Ministers for Common Foreign and Security Policy matters. Javier Solana was appointed High Representative for the CFSP in June 1999 by the Cologne European Council and re-appointed for a second term in June 2004. He is also Secretary-General of the Council and, as such, head of the Council Secretariat.

#### EU15

Sometimes used to refer to the Member States that were member of the EU before 1 May 2004, when 10 new Member States joined to bring total membership to 25.

**European Council** 

A summit of Heads of State or Government that has met regularly since the 1970s. It now normally meets four times a year, twice under each six-monthly **Presidency**. Originally an informal gathering, the European Council was given formal recognition in the **Single European Act** of 1986. It has the task of providing the EU with the necessary impetus for its development and defining the necessary general political guidelines for its work. These meetings are sometimes referred to as European Summits. The European Council will normally agree Conclusions, signalling its commitment to a course of action.

European Court of Justice (ECJ)

The European Court of Justice is made up of Judges appointed by the Member States. It ensures that the law is observed in the interpretation and application of the Treaties. It therefore rules on questions relating to interpretation of the Treaties and secondary legislation in direct actions and in cases referred to it by national courts. ECJ judgments form part of national law. It also has certain powers in relation to certain Third Pillar measures (see European Union), but no jurisdiction over CFSP. There is also a Court of First Instance to deal with certain specified issues. Judicial panels are also being set up under reforms introduced by the Nice Treaty to deal with specialist cases like employment cases against EC institutions by their staff.

European Parliament (EP)

The European Parliament is composed of 732 members and is directly elected every five years in each Member State. Originally a consultative body, successive Treaties have increased the EP's role in scrutinising the activities of the **Commission** and extended its legislative and budgetary powers. The Parliament meets in plenary session in Strasbourg and Brussels.

European Security Strategy (ESS)

The ESS was finalised during the Italian Presidency and endorsed by the European Council in December 2003. It sets out how the EU can build a more coherent, pro-active and capable policy response to global security threats.

## European Security and Defence Policy (ESDP)

The European Security and Defence Policy was launched in response to proposals put forward jointly by the Prime Minister and President Chirac in 1998. It centres on strengthening Europe's capability for crisis management through both NATO and the EU. The policy is designed to give the EU the tools to take on humanitarian and peacekeeping tasks where NATO as a whole is not engaged.

#### **European Union**

The European Union was created by the Treaty of Maastricht in 1992. It currently consists of three pillars. The First Pillar is the pre-existing European Community, which covers largely, though by no means exclusively, economic business. The Second Pillar is the Common Foreign and Security Policy. The Third Pillar, after amendment by the Treaty of Amsterdam, covers certain police and judicial co-operation in criminal matters. The main difference between the First Pillar and the rest is that under the latter Member States, as well as the Commission, have the right to propose policies. The European Court of Justice also only has jurisdiction in the First Pillar and parts of the Third Pillar under certain circumstances. The new Constitutional Treaty would dissolve the three pillars to create a single Treaty structure, although key differences between the CFSP and other areas of Union activity would remain.

### Europol

EU Member States agreed to establish Europol in the **Maastricht Treaty** of 1992 and the organisation started its full activities in July 1999. It is based in Amsterdam. Its purpose is to improve co-operation between the law-enforcement authorities of the EU **Member States**.

#### Lisbon economic reform agenda or Lisbon process

In Lisbon in March 2000 the European Council set itself a new strategic goal for the next decade: "to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion." Progress towards this goal is reviewed at successive spring European Councils.

## **Maastricht Treaty**

See European Union.

#### Member State

A country which is a member of the European Union.

#### Nice Treaty

The Treaty of Nice was agreed at the Nice European Council in December 2000 and came into force in 2003. It set out new arrangements for the size and composition of the European Commission, and agreed reforms to the system of Qualified Majority Voting in Council while extending it to a number of new policy areas.

#### Presidency

This is in effect the chairmanship of the European Union. The Presidency rotates every six months among the Member States. Luxembourg held the EU Presidency in the first half of this year, with the UK taking over for the second half of 2005. The Presidency chairs most Working Groups, the Committee of Permanent Representatives (composed of the Member States' ambassadors to the EU) and meetings of the Council of Ministers. The Presidency plays a key role in setting the Union's agenda and working towards an agreement. The Constitutional Treaty proposes that the European Council has a full-time President (an individual rather than a country), while for all other formations and groups more than one Member State hold the Presidency and it last for at least a year.

## Qualified majority voting (QMV)

This is a voting mechanism in the Council under which a proposal can be adopted without every **Member State** agreeing to it. New QMV arrangements agreed in the **Nice Treaty** came into force on 1 November 2004. There are 321 votes in total. 232 votes are needed for a qualified majority and 90 for a blocking minority.

## Schengen acquis

"Schengen" is the shorthand for measures originally agreed in 1985, in the Luxembourg village of Schengen, by certain Member States on the gradual elimination of border controls at their common frontiers. These agreements were incorporated into the Treaties with the Amsterdam Treaty in 1999.

## Single European Act

This Treaty, which was agreed in 1986 and entered into force in 1987, was the first substantial revision of the Community Treaties. Among the main changes it made were the initiation of co-operation in environment policy and foreign policy; the extension of qualified majority voting (notably to allow the rapid development of the Single Market); the granting of a greater role in legislation to the European Parliament; and the setting up of the Court of First Instance (see the European Court of Justice). It also formally recognised the European Council.

Single Market

Shorthand for the EU's commitment to create an internal market in which all obstacles to the free movement of goods, persons, services and capital between Member States have been abolished. The Single Market was largely completed by 1992 but remains incomplete in some areas. A major aim of the **Lisbon Process** is to accelerate its full completion and implementation.

Structural and Cohesion Funding

The European structural funds comprise the European Social Fund, the European Regional Development Fund, the European Agricultural Guidance and Guarantee Fund, and the Cohesion Fund. They provide the channel for the European Union to direct money towards its poorest regions. The allocation of the money is determined according to three objectives: assisting regions with a GDP of under 75% of the EU average, helping areas facing structural difficulties, and providing education training and employment in those areas not covered by the first objective.

Subsidiarity

Subsidiarity is the principle whereby, in policy areas where competence is shared between the Union and **Member States**, the Union should only act when "the objectives of the intended action cannot be sufficiently achieved by the Member States" alone. In other words, the Union should only get involved where it can add value.

#### Troika

Troika – a Russian word for a sledge drawn by three horses – is used to denote a group of three senior EU representatives. For external relations visits, this group usually comprises the Minister of Foreign Affairs from the Member State holding the Presidency, the EU High Representative for Common Foreign and Security Policy, and the Commissioner for External Relations. It may also include the Minister for Foreign Affairs from the Member State next in line for the Presidency.

Unanimity

A form of voting in the Council. A proposal requiring unanimity must have no Member State voting against (abstentions do not matter). See also Qualified majority voting.

#### TIMETABLE OF COUNCIL MEETINGS IN THE SECOND HALF OF 2005

7-8 July Informal Employment Council

11-12 July Informal Competitiveness Council

12 July ECOFIN Council

12-13 July Informal Education Council

15 July ECOFIN Council

18-19 July General Affairs and External Relations Council

18-19 July Agriculture and Fisheries Council

1-2 September Gymnich (Informal Foreign Affairs Council)

8-9 September Informal Justice and Home Affairs Council

9-10 September Informal ECOFIN Council

9-12 September Informal Agriculture and Environment Council

19-20 September Agriculture and Fisheries Council

19-20 September Informal Meeting of Sports Ministers

6 October Transport, Telecommunications and Energy Council

11 October ECOFIN Council

11 October Competitiveness Council

12-13 October Justice and Home Affairs Council

17 October Environment Council

20-21 October Informal Health Council

24-25 October General Affairs and External Relations Council tbc

24-25 October Agriculture and Fisheries Council

24-25 October Informal Development Council

27-28 October European Council tbc

8 November ECOFIN Council

7-9 November Ministerial Informal on Equality

14-15 November Education, Youth and Culture Council

21-22 November General Affairs and External Relations Council

22-24 November Agriculture and Fisheries Council

24 November ECOFIN Council

28-29 November Competitiveness Council

1 December Transport, Telecommunications and Energy Council

1-2 December Justice and Home Affairs Council

2 December Environment Council

6 December ECOFIN Council

8 December Employment, Social Policy, Health & Consumer Affairs Council

12-13 December General Affairs and External Relations Council

15-16 December European Council

19-21 December Agriculture and Fisheries Council

## MILESTONES OF THE LUXEMBOURG PRESIDENCY

- Agreement on a revised Stability and Growth Pact (March European Council)
- Reformed Lisbon economic reform process (March European Council)
- Declaration of Guiding Principles for Sustainable Development (June European Council). This sets the framework for the review of the SDS later this year.



Brussels, 17 June 2005 (OR. fr)

SN 111/05

LIMITE

# DRAFT

# OF THE MEMBER STATES OF THE EUROPEAN UNION ON THE RATIFICATION OF THE TREATY ESTABLISHING A CONSTITUTION FOR EUROPE

(European Council, 16 and 17 June 2005)

SN 111/05

kea/PG/kjf

EN

We have held a wide-ranging review of the ratification process of the Treaty establishing a Constitution for Europe. This Treaty is the fruit of a collective process, designed to provide the appropriate response to ensure that an enlarged European Union functions more democratically, more transparently and more effectively.

Our European ambition, which has served us so well for over 50 years and which has allowed Europe to unite around the same vision, remains more relevant than ever. It has enabled us to ensure the well-being of citizens, the defence of our values and our interests, and to assume our responsibilities as a leading international player. In order to fight unemployment and social exclusion more effectively, to promote sustainable economic growth, to respond to the challenges of globalisation, to safeguard internal and external security, and to protect the environment, we need Europe, a more united Europe presenting greater solidarity.

To date, 10 Member States have successfully concluded ratification procedures, thereby expressing their commitment to the Constitutional Treaty. We have noted the negative outcome of the referendums in France and the Netherlands. We consider that these results do not call into question either citizens' attachment to the construction of Europe or its continuing development.

Citizens have nevertheless expressed concerns and worries which need to be taken into account. Hence the need for us to reflect together on this situation.

This period of reflection will be used to enable a broad debate to take place in each of our countries, involving citizens, civil society, social partners, national parliaments and political parties. This debate, designed to generate interest, which is already under way in many Member States, must be intensified and broadened. The European institutions will also have to make their contribution, with the Commission playing a special role in this regard.

The new state of affairs does not call into question the continuation of the ratification processes. We are, however, agreed that the timetable governing the procedures will be altered in response to recent developments.

We have agreed to come back to this matter in the first half of 2006 to make an overall assessment of the national debates and agree on how to proceed.

Bruxelles, le 17 juin 2005

SN 111/05

LIMITE

# **PROJET**

DÉCLARATION DES CHEFS D'ÉTAT OU DE GOUVERNEMENT DES ÉTATS MEMBRES DE L'UNION EUROPÉENNE SUR LA RATIFICATION DU TRAITÉ **ÉTABLISSANT UNE CONSTITUTION POUR L'EUROPE** (Conseil européen des 16/17 juin 2005)

SN 111/05

RECEIVED TIME 17. JUN. 14:13

17. JUN. 2005 15:13 UK 4892 № 152 P. 4

Nous avons procédé à un large tour d'horizon sur le processus de ratification du Traité établissant une Constitution pour l'Europe. Ce traité est le fruit d'un processus collectif, visant à donner la réponse adéquate pour un fonctionnement plus démocratique, plus transparent et plus efficace d'une Union européenne élargie.

Notre ambition européenne, qui nous a si bien servi depuis plus de 50 ans et qui a permis que l'Europe se réunisse autour d'une même vision, demeure plus que jamais pertinente. C'est elle qui permet d'assurer le bien-être des citoyens, la défense de nos valeurs et de nos intérêts et de prendre nos responsabilités en tant qu'acteur international de premier plan. Pour mieux lutter contre le chômage et l'exclusion sociale, pour favoriser une croissance économique durable, pour répondre aux défis de la mondialisation, pour sauvegarder la sécurité intérieure et extérieure, pour protéger l'environnement, nous avons besoin de l'Europe, d'une Europe plus unie et plus solidaire.

À ce jour 10 États membres ont conclu avec succès les procédures de ratification et ainsi exprimé leur adhésion au traité constitutionnel. Nous avons pris acte des résultats négatifs des referendums en France et aux Pays-Bas. Nous estimons que ces résultats ne remettent en cause ni l'attachement des citoyens à la construction européenne, ni la poursuite de son développement. Les citoyens ont toutefois exprimé des préoccupations et des inquiétudes dont il faut tenir compte. Il est donc nécessaire d'entreprendre une réflexion commune à cet égard.

Cette période de réflexion sera mise à profit pour permettre un large débat dans chacun de nos pays associant tant les citoyens, la société civile, les partenaires sociaux, les parlements nationaux, que les partis politiques. Ce débat mobilisateur, qui est déjà en cours dans bon nombre d'États membres, doit être intensifié et élargi. Les institutions européennes devront également y apporter leur contribution; un rôle particulier revient dans ce contexte à la Commission.

La nouvelle situation ne remet pas en cause la poursuite des processus de ratification. Nous sommes cependant convenus que le calendrier des procédures sera adapté à la lumière des récents développements.

Nous nous fixons rendez-vous au premier semestre 2006 afin de procéder à une appréciation d'ensemble des débats nationaux et de convenir de la suite du processus.

Show to PM

# **Debbie Ailes**

From: Rishma.Lilani@cec.eu.int on behalf of Simon.FRASER@cec.eu.int

**Sent:** 15 June 2005 10:18

To: Jonathan Powell

Subject: Peter Mandelson's lecture to the Fabian Society: 13 June

Jonathan,

Here is the text of Peter's Fabian Society lecture on Monday which the Prime Minister was asking to see.

<<s05\_349.en.doc>>

Regards,

Simon

# **Peter Mandelson**

**EU Trade Commissioner** 

# The Future of Europe



Fabian Lecture

Canary Wharf, London, 13 June 2005

Europe today faces a deep crisis of direction and legitimacy. There have been many such crises before, and doubtless there will be more in the future. For make no mistake – Europe does have a future. I believe profoundly that Europe, having solved the problem of the European civil wars of the twentieth century, is a large part of the solution to many of the challenges of the twenty first – and unless we succeed in making the idea of Europe more effective, the progressive politics we all stand for will be greatly weakened.

Nye Bevan famously said that unilateralism would mean sending him as Foreign Secretary ". . .naked into the Conference Chamber". I am equally sure – without Europe, Britain and the other individual nation states of our continent will walk naked into the world of globalisation.

But after the French and Dutch votes, Europe doesn't feel it is the bold solution now. The rejection of the Constitutional Treaty poses pro-Europeans with a profound problem. This lecture is about how we can turn Europe from being a problem to being a solution; how we build the new consensus that will allow Europe to fulfil its potential.

There were multifarious motives for the No but the message is stark. Partly it was a domestic protest vote. But people are disenchanted with the European Union. They are confused about its direction or they think it's speeding ahead too fast in the wrong one. They feel it lacks connection with their real concerns.

Europe presents too many visible targets to its enemies: from the failure of MEPs to control their expenses – despite the sterling efforts of many MEPs - to a culture of over prescriptive regulation – which the new Commission is at long last attempting to tackle. This produces a vicious circle in which national politicians, claiming to be pro Europeans, make populist attacks on Brussels, just as past leaders in the United Kingdom have done, which only nurture public alienation. This is the trap Jacques Chirac fell into. If political leaders are to persuade their electorates to support the idea of Europe, they have to explain clearly why, despite the inevitable frustrations of working together in a collective of 25 countries through the machinery of Brussels, Europe is a good thing from which we gain many benefits.

The decisive No vote amongst the younger generation in France was distressing. The old European project of "an end to war" has inevitably lost resonance. The freedoms Europe offers – democracy and human rights across our continent, the freedom to travel, study, work and settle in different European countries – are taken for granted. They should not be. We are only 15 years from the end of the Soviet Union, and much closer still to the horrors of the former Yugoslavia. We must beware of amnesia.

This is all grist to the mill of Britain's so called Eurosceptics. It may surprise you, but I have no objection to genuine sceptics. The dictionary definition of a sceptic is someone who is intellectually open to persuasion. But the vast majority of Britain's Eurosceptics are not in that camp. Just look at how they either deceive themselves, or wilfully misrepresent what happened in France and the Netherlands.

It was a vote against the idea of European integration, they say. Well actually it wasn't. In France, many on the Left voted against the Treaty because for them it didn't integrate enough. It didn't in their view build the kind of protectionist social Europe that they imagine, falsely in my view, would be a strong shield against globalisation.

The sceptics also say it was a vote for their vision of a looser, wider free trade Europe. Well again, it most definitely was not. In both countries, the No vote drew

on a rich vein of discontent about enlargement which is all part of a more general populist reaction against immigration, fear of Turkish membership and the competitive threat of the Polish plumber.

And British Eurosceptics are wrong most of all in thinking that the Treaty was rejected because of its institutional proposals. People were not flocking to the polls to vote against the double-hatted EU Foreign Minister, the end of the rotating Presidency or because they believe the complexities of the Nice Treaty's voting formulae are superior to the double majority of the Constitutional Treaty! And surely people were not voting against the idea of a smaller Commission!

The Constitutional Treaty itself is not the real problem. The Treaty's institutional reforms would make the EU more effective, transparent and accountable. Europe would be mad to scrap a painfully established consensus. If the European Council later this week decides to put ratification on ice, the aim must be that in future, popular support could be mobilised to implement those reforms, perhaps in a different form, but without seeking to bypass the people's will.

No. The real problem in Europe is that there is no consensus about what Europe is for and where it is going. The European project is today under sharp attack from a populism of the Right that blames foreigners for every woe, and a populism of the Left that feeds on fear of globalisation, Anglo Saxon "liberalism", job losses and "delocalisation". This phenomenon is widespread, of course in France, but also in the Netherlands and right across Europe, including Britain where immigration was stoked up into a powerful issue in the election.

On the Continent the progressive centre ground in which the idea of Europe has always been rooted, is damaged and weakened in several countries by poor economic performance. How to marry economic dynamism successfully with security and social justice is the central political challenge for politicians seeking to build a European consensus in the globalised post-war world. For a decade or more the answer has eluded some of the biggest economies in Europe. And the issues don't get easier as all Europe faces the double challenge of an ageing society and intensifying global competition, especially with the rise of Asia.

There are of course many voices in Britain who think this is others' problem, not ours. The ant- European tendency would happily leave the rest of Europe to get on with it. Freed in their demonology from the tentacles of Brussels that allegedly want to hold us back, they would then be free to spectate from across the Channel with a mixture of righteous sermonising about the successes of our own Anglo Saxon model, and not a little schadenfreude after decades of humiliating post war decline. "Thank God they're failing" the anti-Europeans privately think, because this enables Britain to do what they most want it to do, as in 1940, proudly "stand alone".

I do not expect everyone in this country to share my enthusiasm for the pro European cause, but let me explain briefly why I believe this course of disengagement from the European Union at this time would be a total betrayal of Britain's national interest.

The fate of our economy and our personal prosperity is inextricably bound up with the rest of Europe. 50% of our trade is with the rest of Europe. "Their" market is our market. "Their" demand for goods and services is the demand we want for what we produce and supply. The reason, therefore, that the European Union really matters to Britain – and why schadenfreude is the wrong instinct - is that the Continent's economic success or failure contributes directly to our economic success or failure. I saw a Treasury statistic the other day suggesting that a 1% increase in the Continent's growth rate lifts the British growth rate by 0.25%. That may not sound much, but it's an extra 3 billion or so of national wealth added cumulatively every year. In terms of the additional tax revenue that would accrue over a Parliament,

it's more than enough to pay for a decent system of child care in Britain. So that should make a Fabian audience sit up and think twice.

So the more we contribute to more successful economic policies in Europe, the more we gain ourselves. And the potential is huge. People complain the Single Market hasn't delivered what it promised. They are right. That's because it hasn't been carried through to anything like the full extent it could be. This is a central UK interest.

And remember this. It's impossible to have the Single Market without the supranational institutions that make it work: the Commission that is the initiator and enforcer of legislation and fair competition; majority voting in the Council that breaks deadlock; and a Court of Justice that can hold Member States to account. When anti Europeans in Britain say, "we like a free trade Europe but we don't want Brussels", they gloriously contradict themselves in a single sentence. You can't have the Single Market without Brussels – end of story.

People complain about the increased volume of intrusive EU regulation, particularly as it impacts on business. There is more than an element of truth in this. But it was the impetus of the Single Market that led to this explosion of regulation, to harmonise and converge. The Barroso Commission is now slowing this trend, and reversing it where European legislation is excessive or not needed. In October we will publish proposals to simplify – I hope radically – the legislative 'acquis'. But does anyone think the likelihood of this happening would be improved if Britain relegated itself to the sidelines? Eurosceptics, please wise up. We can't have the free trade benefits of a single Market without Brussels and we can't deal with the problem of excessive regulation unless we are in Brussels fighting there to stop that excess.

Think of my own responsibilities as the Commissioner for Trade. In Trade, uniquely in terms of our external relations, Member States have pooled their negotiating authority – in me, as the lucky recipient of their trust. And – in all humility - it's a pretty sensible thing for them to have done. When European nations are negotiating with China, whether it's an issue of rocketing textile imports or unfair competition or the Chinese being slow to deliver on their commitments on market access or intellectual property, who thinks a Minister for Britain representing 60m people would get a better hearing and a fairer deal in Beijing or Shanghai than a European Trade Commissioner who speaks on behalf of a prize market of 450m people? Again, it's a no-brainer.

I could go on to identify other areas where Britain gains business opportunity, international leverage, economy of scale or additional security by combining its strength with that of other European nations, whether we are talking about counterterrorism, emissions trading, or immigration policy. These are hard-headed arguments about where Britain's national interest lies. They are the reasons why a genuine British sceptic would be a fool to disengage from Europe. But I also want us to engage because I believe we share common values as well as common interests with our European partners. It's not just about economics. It's about politics.

Europe must press ahead with painful economic reforms. But reform is for a purpose: not to Americanise Europe but to make our European model of society sustainable for generations to come. Essentially we need a new social consensus for economic reform as New Labour has achieved in Britain, based on a social justice argument, which is capable of uniting mainstream opinion in France and Germany as well as Britain and Holland and the rest of the EU25. The fact that the British people have three times in succession returned to power a New Labour government demonstrates that we share the wider European vision of a social

justice economy. Those both in Britain and on the Continent who believe that there is a fundamental and irreconcilable difference between an "Anglo-Saxon" model and the continental view create in my view a false antithesis. Our vision of the society we want to live in is close. Where we differ is in our understanding of the need to accept change and reform is fundamental.

This has been brought home to me with exceptional force in my current role. Europe cannot stop the world and get off. Take China's emergence as a world economic power, given that I have just returned from negotiating with the Chinese Government, so I have China in my mind. I don't want to stoke fears about China. Rather the reverse. I want Europe to rise to the challenge of accommodating a new China as a constructive partner, not a deadly rival. China is itself only a proxy for what is happening on a wider scale in Asia and South America — and some day hopefully in Africa and the Middle East when those regions are able to participate in the benefits of globalisation. Ten years ago, Chinese exports to Europe amounted to roughly a fifth of those of the United States. Today they amount to about three quarters. Over the last five years they have expanded at 23% a year — an estimated 38% in 2004.

For the past two months, I have been facing insistent demands for the imposition of safeguard measures against surges of imports on a scale that our domestic producers complain they simply cannot withstand. My point today is not whether you think I have done too little or too much. I struck a deal with the Chinese that gives European business stability to plan ahead and restructure in the next couple of years without facing short term disruption and without triggering a major trade dispute that would jeopardise our longer term economic relationship with China.

My point is a much more profound one – about the economic challenges ahead. The issues we face in textiles today will affect other sectors tomorrow. Intensifying competition exists in all the traditional industrial sectors: footwear, machine tools, consumer electronics, and cars. You name it: we're going to experience it and the impact will be severe, not just in France and southern Europe where the volume of demands for action in textiles has been heard loudest, but across the EU as a whole.

Of course the temptation is to cry foul. To denounce competition as unfair; to complain of artificial exchange rates; to protest that goods are being sold below long run sustainable costs; and to argue that wage levels reflect forced labour and the absence of trade union rights. As the responsible political authorities in Europe, the Commission and the Member States have a duty to listen to these arguments, not dismiss them as a fantasy and be prepared to act where a well founded case can be made.

But let us not deceive ourselves and refuse to face realities. Europe is faced with a fundamental choice of directions. One way we sink into protectionism and populism - either the populism of the Left that rejects globalisation or the populism of the Right that blames foreigners for everything. And if we make that choice, we really will sink. Because by putting up barriers between ourselves and world markets, we may save jobs in the short term but only to ensure that our industries are globally uncompetitive in the longer term.

The only alternative is the difficult and painful tasks of reform and modernisation. It's the policy that the Barroso Commission set out in February for Europe and its Member States, explaining our revised Lisbon strategy. To prioritise Growth and Jobs is not a neo-liberal obsession. Yes, it involves difficult economic reforms, affecting many vested interests as well as people's livelihoods. Yes, it demands of us to press ahead with opening markets in Europe, in order to provide European business with a vibrant economic base on which it can compete in the rest of the

world. But the thrust, I repeat, is reform for a purpose: to make our European model of society sustainable for generations to come. No wealth, no opportunity. No opportunity, no progress.

I realise that for many people on the Left, the use of phrases like 'reform and modernisation' is seen as code for more labour market flexibility, less job security, a weakening of employment rights, and welfare reforms that reduce social benefits and/or make entitlement to them 'conditional'. And reform may indeed involve tough and unpalatable choices. But the larger failure of economic reformers has been in not offering a positive vision within which the short term pain can at least be understandable, even when it still hurts.

In the past we've tended to stress the inevitability of globalisation in the world, together with the inevitability of deepening economic integration in Europe: we've said there's no alternative as if politics cannot offer people security any more. But globalisation is not a tide that we should simply let flow over us. We have to make the case that we can marry globalisation with social justice; that we can open markets in Europe and pursue economic reforms in way that narrows, not widens the gap between 'winners' and 'losers'. Globalisation is not some zero sum game, certainly not for politicians with progressive values.

There have always in history been losers from the dynamics of economic change, from the handloom weavers in the first stages of the English Industrial Revolution. What we have to show now in our policies is as much concern for the losers, as for the winners. The basic political problem with open market and economic reform is that the benefits are spread out while the costs are concentrated. Poor families across Europe benefit from cheap Chinese T-shirts, but it is the textile workers standing to lose their jobs who understandably are most vocal. If economic reform is to be acceptable politically, the losers have to be cushioned and equipped to adjust to change.

Since we took office, the Barroso Commission has been at fault in not articulating that balance and failing to make the social justice case for economic reform. The old European Social Model was a great achievement, but it is flawed. In most European countries, it was build around the protection of existing jobs — through legal rights and collective bargaining. These arrangements worked well in an era of slower economic change, when employers could manage any need for job losses and redundancies smoothly over a long period. Today in a more rapidly changing world, firms have to be faster on their feet. Today's innovation may be overtaken by tomorrow's new technology or new market demands. This is why in the world today, our existing job protection arrangements, which put emphasis on preserving the status quo, deter new investment in Europe.

In the face of globalisation it would be a dead end to extend the legal protection of jobs, simply accentuating the flight of capital from Europe. It would also offend against the requirements of social justice because it would accentuate a great divide between the lucky insiders who have protected jobs and the unlucky outsiders who are unemployed. Look how many young people are unemployed in France and ask yourself why so many of them see Europe as the unwelcome agent of a job-destroying globalisation. A New Social Model for Europe has to break down this insider/outsider distinction country by country, according to their different circumstances, but at the same time offer new forms of security and opportunity for all, at all stages of the life cycle.

I have always believed in a social dimension to Europe. My preoccupation has not been to question its importance, but to argue that the Social Europe we build should be modern and forward looking, rather than stuck in the past, defensive and

protectionist. Its driving purpose should be to provide security by advancing opportunity rather than fruitlessly attempting to block change.

The Single Market was never conceived as an end in itself. I still remember my feeling of excitement and pride when Jacques Delors re- launched the idea of Social Europe. His concept - that market liberalisation and the drive for competitiveness had to be matched by flanking measures to promote social cohesion and environmental sustainability - is still valid. The right social and environmental policies strengthen competitiveness and at the same time make reform more acceptable. But the achievements of Social Europe have in truth been limited. True we have put in place a set of minimum social standards, which for all the furore they have aroused and still arouse, have improved millions of people's lives, from the right to paid holidays to a comprehensive outlawing of all forms of discrimination at work. But beyond a minimum floor, a modern Social Europe can make more progress.

The challenge of today is to equip every citizen of Europe, from whatever social background, nationality, colour or religion, to fulfil their own individual potential in a rapidly changing world. The essence of our European cultural and religious tradition is this recognition of the uniqueness and equal worth of the individual. We then combine this essential insight of the Enlightenment with recognition of the need for a strong society, particularly in both the social catholic and social democratic traditions, to enable the individual to achieve fulfilment within a stable social framework.

The situation today is that these essential insights of our Europeanness remain valid. But the collective institutions and systems we built in the last century to underpin them have outlived their time – in particular, social consensus corporatism, the social insurance welfare state and centralised universal public services that played such a crucial role in the era of mass industrial society.

The ends remain – but the means require modernisation and reform. What we need today are new approaches and new institutions to tackle the new social challenges of extending opportunity throughout the lifecycle— tackling inherited disadvantage by investing in the social support and education of young children and their mothers; providing high standards of schooling in ethnically diverse and socially fractured communities; promoting skills and lifelong learning for those who missed out at school; reaching for world class standards of excellence in higher education and research; opening access to retraining and help with adjustment for the victims of economic change; helping older workers reintegrate to the labour market and abolishing the traditional concept of retirement: integrating migrants and minority groups more successfully than we have so far succeeded in doing into our local communities. These are examples of the common challenges a modern Social Model should be addressing.

Some people will say what has this all got to do with Europe. Aren't these in essence national questions for each Member State to solve? Well, yes they are in the main. Welfare systems and labour market policies are country specific: and so need to be reform policies. When I talk of creating a modern Social Model for Europe, it is not a question of harmonising employment law and social standards. But there is an indispensable European dimension to national reform policies. Establishing greater consensus on how we make economic change acceptable is the key to faster economic reform, Member State by Member State, from which we all benefit.

And addressing the needs of the 'losers' in Europe is essential if Europe is to proceed with enlargement. I believe in enlargement as a means of extending democracy, human rights and our values to a wider Europe. But there will be no

consent for enlargement to the Balkans, Turkey and beyond, unless we first address the problems of the "losers" back home. All politics is local, ultimately even the geopolitics of enlargement.

On economic reform, Europe's policy makers know what needs to be done: the problem is summoning the political will to actually do it. The policy is all there in the Barroso Growth and Jobs strategy: a crack down on abuses of competition; enforcement of Single Market laws; a revised Services Directive; opening up public procurement; reform of State Aids; thoroughgoing regulatory reform. But to develop a New Social Model, we now need an open debate. It won't work if advocates of the old Social Europe simply continue as before, regardless of globalisation. It won't work if economic reformers appear to think that acceptance of globalisation is all that matters, regardless of the social action needed to make it work for all. Economic reformers need to adopt both a new language and a new set of priorities.

There is a paradox that in Britain, New Labour has been strong advocates of a modern social democratic mix of market flexibility with massive public investment and the first successful attack on poverty in a generation. In Brussels, Britain has sounded neo-Thatcherite as though nothing has changed from the 1980s. Both tone and substance need now to change if the British Government is to command attention and win the backing it seeks on the continent. A greater effort must be made to get this right during the UK Presidency which starts in a few weeks time.

These broader, more profound issues are frankly more important than the familiar argy-bargy over Britain's budget rebate. I am not saying that EU spending — and who pays for it — does not matter. Of course it does. Refusal to talk about much needed budget reform is part of the old conservatism in Europe which the Barroso Commission is determined to change. But Britain should be careful not to play into the hands of this conservatism. Ministers must be consistent and courageous in their reformism, and be prepared, in the context of a deeper re-think about the EU's budget, to look at reforming Britain's rebate. For a start it is surely wrong to ask the poorer new accession states to pay for any part of the rebate.

I want the European Union collectively to find a way of addressing and bringing definition to these issues in the months ahead. What we spend and how it is financed is directly linked to Europe's direction and its policies and priorities. A new consensus can be found in Europe. You don't have to know much about the political situation in France and Germany to realise that. There is massive public discontent, but also a realisation that things can't simply go on as before.

One thing the so-called "elites" need to learn form these referenda is that we must stop pretending that the answers to the problems lie in yet more treaties, charters or institutional tinkering. Treaties are needed to set a framework of cooperation and oil its machinery. But only policies, not Treaties, or Euro theology, can address the core issues I have set out today.

Engaging in this debate and making this new case for Europe can galvanise British pro Europeans. We have to put on the backburner the old argument that Britain has no alternative to Europe. The fact is that with our present economic success, there is an alternative – but one that it is not as good as being fully committed members of a reformed European Union and its vast Single Market.

A more successful Europe is critical to enhancing British prospects of achieving greater prosperity with social justice, and of being part of a strong grouping of nation states that can advance shared interest and values in a world of globalisation. The time is ripe for the government to go on to the front foot in Europe but not in a divisive way. At home the Prime Minister and his colleagues should make a modern pro European case and in so doing, lead the way forward to a vision of a New Europe that all 25 Member States can share.



:EU CONSTITUTION : EVEN LUXEMBOURG WOBBLES

From: LUXEMBOURG

TO IMMEDIATE FCO
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## SUMMARY

Summary

1. No vote climbs to 38%, Yes falls to 46%. Projections suggest a possible 51% Yes against a 48% No on the day. Suddenly the referendum even in super-europhile Luxembourg looks in the balance. Government alarmed; but anticipated late intervention by Juncker (who'll lead the campaign personally) likely to sway enough voters to carry the day for the Yes.Health warning about the quality of the polling data.

Summary

1. No vote climbs to 38%. Yes falls to 46%. Projections suggest a possible 51% Yes against a 48% No on the day. Suddenly the referendum even in super- europhile Luxembourg looks in the balance. Government alarmed; but the anticicpated late intervention by Juncker (who will lead the campaign personally) will still o sway enough voters to carry the day for the Yes. Health warning about the quality of the polling data.

### Detail

- 2. Intentions to vote No in the Luxembourg referendum due on 10 July are at 38%, according to an IIRes poll taken on 3 June. The No vote has risen from 32% in May, already an increase from a low 23% in April.
- 3. Meanwhile the Yes vote has deteriorated to 46% on 3 June, down from 59% in April.

  The Yes vote in October 2004 had been a massive 76%.
- 4. More worrying (for the Luxembourg Government, and Prime Minister Juncker who has said he would resign if there is a No vote) is that IIRes reports that most of the 16% who are currently undecided are projected to vote No. This translates as a 51% Yes vote against a 48% No vote.
- 5. The poll was the first taken since the No votes in France and the Netherlands. It will be the last to be published before the referendum (publication of polls is banned for a month before the vote).
- 6. The primary reason for voting No is opposition to Enlargement, the second is social policy. Nearly half the No intentions think the Treaty too liberal. No votes, always strong among the lower paid and young people, have become more prevalent among women and the over 50s.
- 7. Press commentary shows considerable alarm, reflecting establishment thinking. Despite support across the political establishment (there was a call from 66 prominent figures yesterday for a strong Yes) and daily pro-Yes articles in a wholly europhile press, the Yes campaign appears to be making no headway. Editorials

issue a call to arms, to persuade Luxembourgers to vote not just for Luxembourg's sake but for Europe. There is a realisation that a No in Luxembourg (another founding Member) would be the final blow to the Treaty. Even a low Yes would damage Juncker. He intends to personally lead the Yes campaign once he is clear of Presidency commitments; he will rely on his immense personal popularity, and most here think that will do the trick and achieve a Yes. However there remains concern that the polls themselves— and the upward steady trend of the No vote—will themselves influence enough voters in the other direction to tip the balance: the gloomy polls making for a self-fulfilling prophecy.

8. This is more bad news for Juncker, amplified slightly by uncertainties about the quality of the polling data--- which are the result of the same question(s) being asked to the same selected sample of 323 people each month (more a giant focus group than a poll). According to contacts, Juncker would like to say that he does not trust the methodology, but-- never having raised the issue before--feels he cannot do it now that the numbers have started to go against him. He will be hoping if there is any bias in the sample, it overestimates the No rather than the Yes vote. But we will not know until 10 July.

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CLARK

Sent by LUXEMBOURG on 10-06-2005 10:27 Received by No10 on 10-06-2005 11:15

# CONFIDENTIAL

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From: Kim Darroch Date: 7 June 2005

cc:

Jonathan Powell

Ivan Rogers

Nigel Sheinwald

David Hill Ian Gleeson Tom Kelly Steve Morris

**Antony Phillipson** 

# **EUROPE ROUND-UP**

PRIME MINISTER

A quick update for your return. One sentence summary: we are in a much better place than we were before the weekend, but the next week and a half will be really difficult.

# The Foreign Secretary's statement

This went as well as we could have hoped. The domestic press coverage isn't bad. The general sense is that the Foreign Secretary managed to close down the Parliamentary process without declaring the Treaty dead. The "stand-out" is the Guardian: headline "EU crisis averted by Straw", and first sentence "Jack Straw yesterday talked Labour's way out of the tightest diplomatic corner in the Blair government's 8 year engagement with Europe (sic)". Even the Telegraph recognised that the speech had been judiciously worded.

As for the reactions across Europe, in short, most governments, and national media, recognised that we successfully managed to avoid being the first to declare the Treaty dead. Those still to hold referenda – the Czechs, the Danes,

the Irish – have been hinting that they may follow the British lead. But those on the other side of the argument – notably the Germans – recognised that we struck the right balance. The German government comments were relatively positive, while the German media recognised "British pragmatism". Juncker said "the Treaty is not dead... the British might have said that they will not ratify, and they did not do that". Barroso said "he understood the need for some Member States to pause and reflect". Fini said "it is a wise position which we can appreciate". The French reaction was much less positive – indeed, pretty grudging, with the sense that we had somehow shafted them. Errera, the French Ambassador, told me that the statement had been "brilliant but cynical"! I attach a brief summary of reactions around Europe, and individual reports on reactions in Brussels, Berlin, Paris and Luxembourg.

# The Financial Times interview

Again, this looks to have come out really well. The UK edition headline – "Blair seeks to heal EU rifts" was as good a top line as we could have had. It's early days for reactions in other EU capitals, given that it was only published this morning. But John Grant tells me that the buzz around the Brussels corridors in strongly positive. The French Ambassador admitted it was precisely the right signal to Chirac in present circumstances. And in Germany, initial reactions are that it was a good, balanced, intervention, which "showed the UK beginning to adopt the Presidency mantle". We'll let you have further reactions as they come in.

# **PMQs**

But it's not all good news. PMQs may be tricky. The Opposition are likely to attack on two fronts:

- our unwillingness to "face up to reality" and accept the Treaty is dead.

  "Which part of no don't we understand" etc etc. And
- our "undeclared plan to sneak bits of the Treaty in through the back door". They are likely to press, as with Jack yesterday, either for an undertaking that no bit of the Treaty will be implemented without a referendum, or for a "list" of those provisions in the Treaty we consider sufficiently uncontroversial to take forward despite the French/Dutch noes.

On the first point, I imagine you'd stick closely to the lines in the Foreign Secretary's statement – not for us alone to declare the Treaty dead etc. The second line of attack is more difficult. Jack got drawn yesterday a little way into commenting on which bits of the Treaty were demonstrably desirable or uncontroversial. (I attach the Hansard extract). Up to you how you handle the issue. You could play it deadpan ie if there's a Constitutional Treaty, there'll be a referendum, but you're not going to get drawn into any comment on individual bits of the Treaty, especially in advance of collective European discussion of the next steps. Alternatively, you could take a more aggressive approach, and challenge the Opposition on whether they are really saying that, for example, if the Commission chose unilaterally to implement the subsidiarity mechanism by consulting national Parliaments on draft Directives before putting them to the

Council, there should be a UK referendum. It's a good argument, because the Opposition position is patently absurd, but it risks leading you into a debate, provision by provision, on which bits would need a referendum and which wouldn't.

The Opposition may also try to claim that the no vote shows a popular mandate for their position on renegotiation of the EU Treaties. PMQs briefing awaits you on your return.

# **Cabinet**

There is at present nothing much on the Cabinet agenda this week – and it's thought that your colleagues will expect some discussion of Europe, given that there was no Cabinet last week after the French and Dutch votes.

If you agree to this, I think it would be good for getting wider Whitehall buy-in if you were to set out for Cabinet essentially the same analysis which you've given to the FT – the reasons for the French and Dutch noes, and the need for a debate about Europe's economic and political direction. The point to add for this audience concerns the Presidency. Recent events make the UK Presidency still more important, but make handling still more delicate. We need to be seen as impartial and efficient, but most importantly as pro-European. We want to take whatever opportunities the Presidency provides to drive forward the reform agenda in Europe. But we mustn't fall into the trap of presenting this as a triumph of Anglo/Saxon values. You are familiar with the script, but if you are content in principle, we'll let you have some notes.

# Meeting with the European Parliament

As you know, on Friday you have a joyous morning with the European Parliament. As indicated in the weekend note, they'll want to hear future of Europe thoughts from you, and the detail of the Presidency agenda from other Ministers. So I think that broadly the same script as for the FT and Cabinet applies. The only question is whether you would like a chunk of words released to the media, to follow up the FT interview. If you did, something could be drafted for you on Wednesday.

# **Future financing**

Finally, on future financing, there is a whiff of plotting and conspiracy in the air. Schroeder has now had two lengthy (two hours plus) sessions with Juncker. Others are also having long meetings with him. Everyone is bringing their budget experts to these events. I'm speculating, and it may not be this bad, but it looks to me possible, if not likely, that Juncker is stitching up a series of individual deals with the other main players in this negotiation, with the intention of leaving us exposed and isolated at the European Council. Given his appalling personal relationship with the Chancellor, he might take a certain pleasure in this.

Two pieces of work are in hand. First, as you requested at the Monday meeting, we are preparing a short paper, for possible distribution to partners at the European Council, setting out the case for (a) the 1% budget; (b) policy reform and (c) the abatement.

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Second, we are looking for a date for a meeting with the Chancellor and Foreign Secretary. And we are preparing for this an agreed and costed table of options on the abatement, should you want to get into a discussion on possible compromises.

KIM DARROCH



# **EU Constitutional Treaty**

3.31 pm

The Secretary of State for Foreign and Commonwealth Affairs (Mr. Jack Straw): With permission, Mr Speaker, I should like to make a statement on the EU constitutional treaty, following the no votes in referendums in France and the Netherlands last week. I shall explain why we have decided to postpone the Second Reading of the European Union Bill.

At the end of 2001, European leaders met at Laeken in Belgium to consider the future of the European Union. Just three months before, the world's sense of order had been shattered by the atrocities of 11 September.

Reviewing the progress made within the European Union over previous decades, European leaders at Laeken said that the Union

"stands at a crossroads, facing twin challenges, one within and the other beyond its borders... Within the Union, European institutions must be brought closer to its citizens; beyond its borders, the Union is confronted with a fast changing, globalised world."

It was that Laeken declaration which led to the Convention on the Future of Europe and to the intergovernmental conference that followed it. Negotiations in that conference were hard fought; but the United Kingdom achieved all its objectives and my right hon. Friend—[Interruption.]

Mr. Speaker: Order. Let the Foreign Secretary speak.

Mr. Straw: The United Kingdom achieved all its objectives, and my right hon. Friend the Prime Minister and I therefore had no hesitation in recommending the new treaty to Parliament and to the country.

We did so not least because the European Union's organisation plainly needed reform the better to cope with the new challenges set out at Laeken, and with the enlargement to 25 member states. So the treaty includes a reduction in the size of the European Commission; a much better voting system, which benefits the UK; an end to the six-month rotating presidency, with replacement by a full-time President of the Council and team presidencies; better arrangements for involving national Parliaments in EU legislation and greater flexibility through "enhanced co-operation", to allow groups of member states to co-operate more intensively while others go at their own pace. And we kept our national veto in all key areas of concern.

On behalf of the United Kingdom, the Prime Minister and I signed the constitutional treaty in Rome on 29 October last; but, like any other EU treaty, it requires ratification by every one of the EU's member states—now 25—before it can come into force. To date, nine countries have approved the treaty through their parliamentary processes, and one—Spain—by referendum. In the last week, however, as the House and the country are very well aware, in referendums the electors in France voted no by 55 per cent. to 45 per cent., and in the Netherlands by 62 per cent. to 38 per cent.

The constitutional treaty is the property of the European Union as a whole. It is now for European leaders to reach conclusions on how to deal with the situation.

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To give effect to the United Kingdom's commitment to ratify the treaty by referendum, we introduced the European Union Bill in the last Parliament, and it was given a Second Reading by the

House by a majority of 215 on 9 February, but the Bill fell on the calling of the general election. It was refore reintroduced in this new Parliament on 24 May—before either the French or Dutch referendums—and it would in normal circumstances have been scheduled for its Second Reading very shortly. However, until the consequences of France and the Netherlands being unable to ratify the treaty are clarified, it would not in our judgment now be sensible to set a date for the Second Reading.

There is also the need for further discussions with EU partners and further decisions from EU Governments. The first opportunity for collective discussion within the EU will take place at the end of next week, when Heads of State and Government meet in the European Council. We shall, of course, keep the situation under review, and ensure that the House is kept fully informed.

I should emphasise that it is <u>not for the United Kingdom alone to decide the future of the treaty</u>, and it remains our view that it represents a sensible new set of rules for the enlarged European Union. We reserve completely the right to bring back for consideration the Bill providing for a UK referendum should circumstances change, but we see no point in doing so at this moment.

As I commented during last week, these referendum results raise profound questions about the future direction of Europe. The EU has to come to terms with the forces of globalisation in a way that maximises prosperity, employment and social welfare. There are other large questions, too. How can we strengthen the force for good of the EU in foreign policy, along with aid to poorer countries and trade? How do we ensure value for money for our citizens and better regulation? And how do we make a reality of the widely agreed concept of subsidiarity, so that decisions are made at the lowest level possible?

All those issues have long been central to the United Kingdom's priorities for the European Union, and will be so for our EU presidency, which begins on 1 July. The continuing objective of enlargement and the issue of future financing will also be on our agenda. At the start of the presidency, I will publish the latest in our series of White Papers on the EU and make an accompanying statement to set out our priorities in more detail.

Let me conclude by saying that the European Union remains a unique and valuable achievement, central to the UK's prosperity and well-being. The world's largest single market has enabled the businesses and people of this country to earn new prosperity by trading freely across borders. European co-operation has broken down barriers to travel, work and leisure. And the EU remains a vital engine of peace, democracy and reform.

The EU does now face a period of difficulty. In working in our interests and in the Union's interests, we must not, however, act in a way that undermines the EU's strengths and the achievements of the past five decades, and we shall not do so.

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Dr. Liam Fox (Woodspring) (Con): I should like to thank the Foreign Secretary for his statement and for his usual courtesy in making a copy available in advance.

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What we would have liked to see from the Government today is a little less spin and little more humility. The idea that the United Kingdom achieved all its key objectives at the intergovernmental conference or kept our national veto in all key areas of concern is a complete fantasy.

This constitution is bad for Britain and bad for Europe, and it has now been comprehensively rejected by the people of France and the Netherlands, yet the political dinosaurs at the helm in France and Germany, and the army of Eurocrats whose careers depend on the gravy train, act as though nothing at all has happened. What is it about "no" that they do not understand? I may no longer practise medicine, but I can tell a corpse when I see one, and this constitution is a case for the morgue if ever I saw one. This is a dead constitution.

What is the response of our Government? Is it to be bold and give a clear direction? No, it is, "We see no point in proceeding at this moment." What does that mean? Do they want to proceed at another moment, or soon, or never? What are they waiting for—a lead from the people of Luxembourg? What it means is that the niceties of EU diplomatic etiquette are being put before sound reason. It is not the hand of history on the Prime Minister's shoulder, but the hand of Peter Mandelson. This complacent, condescending response could have been faxed directly from the offices of Barroso, Chirac or Schröder: "Put your Bill on hold, but don't stop the process. Don't rock the Euro boat."

The Foreign Secretary said in his statement that it is not for the UK alone to decide the future of the treaty. He is wrong. Rejection by the British people would bring an end to this wretched process. The loss of the constitution is not a crisis for the people of Europe; it is an opportunity. The crisis is a crisis of leadership. While our Government dither about what to do, people in boardrooms up and down this country are trying to make investment decisions, and they want clarity and certainty. Those decisions will affect jobs and prosperity in this country, so let the Foreign Secretary give us some clarity.

Will the Government, at next week's summit, be pressing for other Governments to declare the treaty dead and bring the ratification process to an end? If not, what will our position be? What will happen to the accession talks during the period of paralysis, and what will be the status of the Bills preparing for the accession of Bulgaria and Romania? More important, will the Foreign Secretary give the House an assurance that there will be no attempt to introduce any part of this constitution by the back door, and that any further transfer of power away from the British people will result in a referendum? Will he give us an assurance that, following the summit next week, the Prime Minister will come to the House and tell us either that the treaty is dead and the ratification process is over or that we will have a referendum so that the British people can add their voice to the voices of the Dutch and the French in rejecting this dated and dangerous constitution?

Europe is having its "emperor's new clothes" moment, and the voters have seen through the self-

serving agenda of Europe's ruling elite. We now need to get on with building a different Europe—a Europe that works with, not against, the instincts of nation states, and in which sovereign countries co-operate where it is

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in their mutual interests to do so but retain the freedom to act independently when their national interests require it.

Here in the United Kingdom, only a month after the general election, the centrepiece of the Government's foreign policy has been blown apart. This, as the Foreign Secretary pointed out, is the treaty that the Prime Minister has already signed. He negotiated it in our name, and it was at the centre of his last crusade for a continent. But we have had eight years of the Government getting it wrong on Europe. They were wrong on the euro; the Prime Minister said that

"the euro is not just about our economy but our destiny"

—some destiny! They were wrong on the social chapter, wrong to sign away our controls on immigration and asylum and wrong on this constitution. My advice to the Foreign Secretary is, "Have some courage man, and declare this constitution dead".

We should all thank the Dutch and the French for their liberation from the constitution negotiated by the Prime Minister. The game is now up for Europe's political elite. The people of Europe must be the masters now.

Mr. Straw: May I thank the hon. Gentleman for his courtesy at the beginning of his remarks, and take this opportunity—the first I have had—to congratulate him on his appointment as shadow Foreign Secretary?

I listened with very great care to what the hon. Gentleman said, and much of it seemed simply to be rerunning the arguments of the election of six weeks ago, which he lost. The Conservatives made those arguments central to the election campaign in which they were comprehensively defeated. As for investment decisions and jobs, let me just remind the hon. Gentleman that this Government have one of the finest economic records of any Government in the western world and of any Government in British economic history.

Let me deal now with the questions that the hon. Gentleman raised. He asks me about our position at next week's summit. We will make judgments about our position at next week's summit—based on the statement that I have made today—much nearer the time. Meanwhile there will be a meeting of the General Affairs and External Relations Council—of Foreign Ministers—on Sunday and Monday, and an opportunity for the House further to discuss the matter when we discuss the forthcoming European Council next Wednesday, 15 June.

The hon. Gentleman asked me about accession talks during this period. I am pleased to reassure him that these talks will continue. One of the leaders of one of the countries that has expressed publicly in the past some reservations about the possible accession of Turkey, Chancellor Schüssel of Austria, is himself on record as saying that he wishes the negotiations to continue, and I believe that that will be the case.

The hon. Gentleman asked me whether we are intending to introduce any part of the constitution by the back door. The answer to that is no, we are not, but there is a question here—[Hon. Members: "But."] There is a but. There is a real but for serious Members of the House. I understand the points of engagement and of controversy about this constitution. I would have looked forward to that engagement in the country as a

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whole. However, many parts of the constitution were reforms that were widely agreed in all parts of the House. For example, there were the proposals to give real flesh to the idea of subsidiarity, the proposals to give national Parliaments a new and better say over EU legislation, and the proposals to provide for yellow cards.

If the Commission or the Council were themselves to suggest that we should introduce these things by other means, it would be absurd to put such proposals to a referendum. We ought to agree to them straight away.

# Mr. Michael Ancram (Devizes) (Con): Ah.

Mr. Straw: Of course we should. Is it seriously being suggested from the Opposition Front Bench that proposals that happen to be in the constitution but could, I hope, be introduced in any event in a separate way, which would strengthen the role of this national Parliament, must go to a referendum? That is an absurd position, and exposes the vacuity of the Opposition's position.

We are not proposing that this constitutional treaty—the only constitutional treaty before Europe or before this country—should be agreed by this country save by a referendum.

Mr. Robin Cook (Livingston) (Lab): May I congratulate my right hon. Friend on striking the difficult balance of making it clear that the Dutch and French referendums have derailed the constitution without using language that would enable the Dutch and French Governments to blame him for being the obstacle that caused the crash? I believe that my right hon. Friend's statement achieved that balance very well.

This was the fourth major attempt in 15 years to rewrite the treaties. Would we not have had a better chance of getting a yes vote last week if, instead, leaders had focused on delivering the promise of full employment that we gave in Lisbon five years ago? If we really want to reconnect Europe with the peoples, should not the first priority of the forthcoming British presidency be to deliver on that promise rather than attempting a fifth rewriting of the treaties?

Mr. Straw: I fully share my right hon. Friend's central tenet—that the test of the EU has to be its outcomes and not its process. I would say that we wanted the change of process that is contained within the constitution not for its own sake but so that the outcomes could be better and more quickly implemented. In France, for example—and of course no means no; I am not trying to dissect the no vote—the surveys of "no" voters show that their concerns were as much domestic as they were European. Above all, there are concerns about problems of unemployment in France. There were similar but different concerns inside the Netherlands. Delivering on outcomes has always been our top priority in Europe, as it has been in the UK. I entirely agree with my right hon. Friend that ensuring a real delivery throughout Europe on Lisbon—on which we, the UK, have delivered—is essential.

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Sir Menzies Campbell (North-East Fife) (LD): Does the Foreign Secretary accept now that it is necessary for

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the Government to put themselves not only at the heart of Europe but at its head as well, and that UK leadership has never been more important, both at home and throughout the EU, than it is at the moment?

If we accept that there is no chance of the French or Dutch Governments seeking fresh endorsement from their citizens, and if we agree, as many of us do, that it would be at best quixotic to ask the British people to endorse a treaty that will not come into force, will the Foreign Secretary take the opportunity this afternoon to do two things? First, will he reaffirm the Government's belief that issues such as climate change, terrorism, the middle east, Iran and trade with the United States can only be dealt with successfully through a concerted European Union approach? Secondly, will he commit the Government to every available measure to enhance transparency, subsidiarity and access—none of which require treaty changes?

Mr. Straw: I thank the right hon. and learned Gentleman for his comments, which I accept. Of course he is right to say that we are much stronger when we work with our European partners—especially on Iran, but on climate change, Africa, the middle east, terrorism and other issues as well—and weaker when we do not, as we discovered in relation to Iraq.

The principal Opposition party needs to make a choice. Yes, they disagreed with the constitution. However, if we care about the UK's role in the world and our prosperity, it is crucial that we do not use the fact of the rejection of the treaty by France and the Netherlands to undermine the real benefits that the EU as a whole has brought us.

On his second point I agree with the right hon. and learned Gentleman. He knows that, separately from the treaty negotiations, I introduced proposals for consideration and decision by this House, the better to enable it and the other place to scrutinise European legislation properly.

Mr. Jimmy Hood (Lanark and Hamilton, East) (Lab): What surprises me is that some people are surprised by the result of the French referendum. Everyone inside the Elysée palace, including the president's cat, knew that the referendum was heading for the buffers. Does the Foreign Secretary agree with me that the Convention that produced the draft treaty was a French idea, led by a former French president, which has now been summarily dismissed by the French people? The treaty is dead; let us now put it to rest and, as my right hon. Friend suggests, move on. I hope that next week's Heads of State and Government meeting will do just that. We must not start to discuss things that are now behind us. The treaty has failed and we need to go forward.

Mr. Straw: The constitution was generated by the whole Convention, which included a very large number of representatives, including some from this Parliament and the Government. The decisions of the intergovernmental conference were made by the whole IGC and agreed unanimously. It is therefore quite wrong to suggest that responsibility for the constitution lies at the door of any one member state. We are all responsible for it. The Prime Minister and I would not have recommended

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House unless we thought—as we still do—that it would be beneficial to the United Kingdom. None the less, I understand the point that my hon. Friend makes.

Mr. Iain Duncan Smith (Chingford and Woodford Green) (Con): Listening to the Foreign Secretary is like watching a laboratory rat running from one electric probe to another, shocked and dithering all over the place. Will he answer a simple question? His Government extolled the virtues of the treaty—they said that it was right. Now, he must either come to the Dispatch Box and say that the treaty is dead; or, if it is not dead, he should let the British people have their vote and kill it off.

Mr. Straw: Everyone knows the reality after the French and Dutch referendums, but it is not for any one country alone to make a decision on the future of the treaty. That is for the European Council.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): I thank my right hon. Friend for his thoughtful and measured statement. That contrasted with the Opposition spokesman's statement, which was delivered with great passion but had no content whatever. When my right hon. Friend meets his colleagues, will he keep two things in mind? First, what the Dutch and French referendums showed is that the old division between the so-called British Eurosceptics and the Franco-German motor no longer exists. The question is which countries and which economies are fit for Europe. Secondly, Ministers should remember not to spend all their time arguing over the rulebook. At some stage they will have to sit down again and write a rulebook. The one thing they need to consider is whether power is exercised at the appropriate level. I agree with my right hon. Friend's call for greater subsidiarity, but at some stage we must revisit the question whether some of the powers currently exercised in one place would not be more appropriately exercised in another, in the interests of economic efficiency.

Mr. Straw: I thank my hon. Friend too for that thoughtful question. I take note of her first point. She says, and she was a member representing this Parliament on the Convention, that a stage will be reached when the rulebook will have to be revised. I remind the House that it is because the existing rulebook is to be found in four overlapping treaties and was designed for an EU of six initial member states that it had to be revised. At some stage in the future, if the constitution does not go ahead, some of the changes that the Convention and the IGC faced will have to be faced by Europe, if it is to operate effectively and efficiently. But I take my hon. Friend's point about the need for power to be exercised at an appropriate level. There is no doubt about that. The issue of subsidiarity—of decisions being made at the lowest level possible—has been a long-standing concern of the Government and is one that we shall pursue.

Mr. David Heathcoat-Amory (Wells) (Con): The European constitution has been consigned to the political dustbin, but the problem remains of a European Union that is wasteful, remote and bureaucratic and lacks popular support. Why did the Foreign Secretary not tackle those problems before he

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signed the constitution, and will he now apologise for that? Will he transfer his recent enthusiasm for the constitution to searching instead for a simple democratic Europe closer to its citizens, and will he publish his proposals in a White Paper during the British presidency of the European Union?

Mr. Straw: The right hon. Gentleman also sat as one of the House's representatives on the Convention and well understands the document. Part of the purpose of the Laeken declaration and of the constitution was to deal with what he describes as the bureaucracy of the EU. That was why, for

example, far from the constitution recommending an increase in the number of Commissioners to coperate the increase in the number of member states, it proposed and recommended a decrease. It is also why it proposed a much simplified voting system—one in the interests of the whole of the United Kingdom, I may say, without any question—in place of the convoluted formula that was agreed at Nice. To re-emphasise the point, it contains tangible proposals to improve the way in which this national Parliament and every other national Parliament could scrutinise EU-proposed draft laws. All those were beneficial, and in my judgment—and this is why no apology arises—would have been better for the UK and better for Europe, and far from leading to more waste, would have led to less waste, a streamlined organisation, and what my right hon. Friend the Member for Livingston (Mr. Cook) was speaking about—better and more effective outcomes for the citizens of Europe.

Mr. Doug Henderson (Newcastle upon Tyne, North) (Lab): There are many people in this country and throughout Europe who have a fear of competitive nationalism. They remember what happened in the 1930s, when economic and political instability wrecked Europe. I very much welcome the approach that my right hon. Friend announced to the House, and the fact that the British Government will take a measured approach at the Brussels summit. Will my right hon. Friend continue with that approach as we prepare for the British presidency? I look forward to hearing from him next week, when he may give us a greater flavour of some of the proposals that he intends to put forward.

Mr. Straw: I am grateful to my hon. Friend, who is right. When we argue about the constitutional treaty—the argument is perfectly understandable—we should be certain not to damage the progress that the EU has made in securing, above all, peace between continental states whose histories are written in blood rather than words and unparalleled prosperity. We should not lose sight of that point in future discussions.

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Rev. Ian Paisley (North Antrim) (DUP): Does the right hon. Gentleman agree that those who made the test should stand by it? Those who legislated for the way in which the treaty would have been ratified want to change the law now that events have gone against them. How can the people of Europe believe in politicians who do not live up to their promises? Given that the ballot box has spoken loudly in France and even more loudly in the Netherlands, why are some people in Europe

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preaching, "We must obey the law. We must obey the test."? They are trying to undermine what they said was everyone else's duty.

Mr. Straw: I answer for the British Government, not other Governments. In my statement, I spelled out the position on ratification, which is also set out in one of the articles of part IV of the constitution. Each member state must ratify the treaty by their own national procedures. In some cases—nine so far—those national procedures have been parliamentary. In three cases so far—Spain, the Netherlands and France—the national procedures have involved referendums. I have heard a lot of speculation about the future decisions that the European Council might make on the treaty's future, but I have not heard it suggested that Heads of State, Heads of Government or Foreign Ministers are seeking to undermine their own law or EU law.

Mr. Dennis Skinner (Bolsover) (Lab): Does the Foreign Secretary agree that people in the Common Market and, latterly, the European Union have from time to time overreached themselves in trying to sell a package from the top down? For example, they almost went a bridge too far when the then Tory Government signed the Maastricht treaty. I voted against the European Union Bill on Third Reading because, once again, they had stretched the limits. From the moment that Giscard d'Estaing introduced this cock-eyed constitution, I have thought "Perhaps they have gone too far this time." Will the Foreign Secretary tell Chirac and Schröder that we will not go down the road that they are suggesting? Will he send them a copy of Monty Python's dead parrot sketch—it is deceased; it is kaput; it is no more?

Mr. Straw: I understand that this afternoon's proceedings are being followed quite closely across Europe, but, for greater accuracy, I shall ensure that copies of the full proceedings, including my hon. Friend's remarks, are made available to Heads of State and Foreign Ministers.

In this country, we have strongly supported enlargement on a bipartisan basis. In my judgment, EU enlargement was essential, and it is a further achievement of the EU. Without it, those countries in eastern Europe that were not formerly democracies would not have emerged as quickly or as effectively from the shadow of the Soviet bloc and developed into fully operational democracies with the prospect of prosperity. I repeat that we can argue about the constitutional treaty, but in so doing, we should not damage the fabric of the EU.

Mr. Kenneth Clarke (Rushcliffe) (Con): As someone who spoke on Second Reading of the European Union Bill and voted in favour of it, I add my opinion that it is common sense not to reintroduce it to this House or to proceed in any way with ratifying a treaty that is as dead as the hon. Member for Bolsover (Mr. Skinner) has just described it. At the next Council, during their presidency, will the British Government try to persuade other Governments to forget about rule

changes of all kinds for the foreseeable future, to live with the treaties

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of Nice and others, however unsatisfactory, and to get on with the real business of the Union? In particular, will they give priority to economic reform, to completing the single market in services as well as goods, and to trying to get closer to real co-operation on foreign and security affairs after the recent demonstration of how comparatively weak we all are in the world unless we improve the ways in which we collaborate with our partners in all those areas where we really have interests in common?

Mr. Straw: It is the self-evident truth, as I spelled out in the original White Paper on the proposals for the constitutional treaty a year and a half ago, that

"If a new Treaty cannot be agreed, or ratified, then the EU would still carry on under its current arrangements; and it would have the same functions as it has today."

I agree with the right hon. and learned Gentleman, as I have with my right hon. Friend the Member for Livingston (Mr. Cook), that outcomes are crucial and that that is the test by which the European Union will be judged in every member state.

Mr. Frank Field (Birkenhead) (Lab): Although the Prime Minister, in answer to a question from me, said that there would be a vote on the constitution even if other countries defeated it beforehand, may I say that I accept as sensible the position that my right hon. Friend has outlined to the House? However, might I probe him further on the distinction that he made towards the end of his statement and in relation to the Liberal Democrat question—the idea that there is a list of reforms with which everybody agrees and a list of contentious reforms? Would it be possible for him to put a note in the Library of what he believes are the reforms on which we are all agreed and a list of those reforms on which he fears that some of us might take issue with him, so that we can strengthen his position against those who will get this treaty, by hook or by crook, whatever the people of Europe say?

Mr. Straw: I thank my right hon. Friend for that sedulous invitation; I think that it requires a period of reflection. [Laughter.] What I would say to him, again, is this: I know and respect the fact that he had a different emphasis from me about this treaty, but I do not recall him ever, for example, objecting to the proposals to strengthen the role of national Parliaments; his objection was that they did not go far enough.

Mr. Field: What about the list?

Mr. Straw: A second example, since I am asked, concerns the voting system, which is palpably in our interests and in the interests of anybody who wants a transparent system of democracy.

Let me just make this clear. As I said to the Opposition spokesman, there may be some perfectly sensible changes that we could introduce by other means, but there will be no proposals made by this Government that seek to bring in this constitutional treaty, or elements of it, by the back door. That is clear.

Mr. Nicholas Soames (Mid-Sussex) (Con): May I remind the Foreign Secretary that my party is wholly and unswervingly in favour of the enlargement of the

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European Union? Will the right hon. Gentleman therefore encourage the Prime Minister to use this moment of reflection to consider those rules that are not subject to treaty amendment and would

enable the Union to function more effectively and more efficiently along the lines proposed by my right. Friend the Member for Wells (Mr. Heathcoat-Amory), at the same time as genuinely seeking a leadership role in the European Union when we assume the chairmanship and ensuring that it puts forward a plan for economic growth and for lower unemployment that will command the support of the greater number of the countries of the European Union?

Mr. Straw: The simple answer is yes, we are doing that. Indeed, on enlargement, as we flagged up in the Queen's Speech, a Bill will come before this House for ratifying the enlargement to Bulgaria and Romania, and we are not proposing to have a referendum in respect of that Bill.

Kate Hoey (Vauxhall) (Lab): I am sure the Foreign Secretary would agree that among the things that are synonymous with the European Union are back-door and back-room deals. Will he assure me that one matter that he would certainly submit to a referendum is the creation of a Foreign Minister and a European President?

Mr. Straw: Those points are central to the European constitutional treaty, and of course I see no prospect of their being brought into force, save through the vehicle of a constitutional treaty.

Sir Peter Tapsell (Louth and Horncastle) (Con): Does the Foreign Secretary understand that much of continental Europe is now very close to the political, monetary and employment disasters predicted in detail by those of us who spoke and voted against the Maastricht treaty in the House? Why, at a time when hedge fund managers are speculating on whether there is any long-term future for the euro as a currency, does he go on saying that it is in the British interest, and even in the interest of the peoples of western Europe, to allow a continuation of the ever-increasing federal follies that we have seen ever since Maastricht?

Mr. Straw: I did not say anything of the kind. The hon. Gentleman speaks of certain problems relating to the euro. I did not mention the word "euro" at any point in my statement, and the constitutional treaty is not about that. We have always made it clear that should there come a moment when we judge the economic tests to have been satisfied, there will be a referendum on the euro before the United Kingdom joins.

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Mr. Mark Hendrick (Preston) (Lab/Co-op): May I put it to my right hon. Friend that the tactic of using referendums to defer very difficult and important decisions on Europe is the equivalent of kicking the ball into the long grass? May I put it to him that if Blackburn Rovers adopted the same tactic, they would be playing alongside Preston in the football league rather than in the premiership, and would certainly have no chance of qualifying for Europe?

Mr. Straw: I do not quite follow my hon. Friend's point about Lancashire football teams, but I can say

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this. We have not used referendums very often in this country, but we have used them in respect of constitutional changes. For that reason, we listened carefully to the representations made about a referendum on the constitutional treaty and decided last Easter to recommend such a move to the House. I think that that was sensible, but it does not follow—and I do not think it is the Opposition's policy—that we should have referendums to ratify all EU treaties.

Angus Robertson (Moray) (SNP): I accept that the European constitution is indeed as dead as the Monty Python parrot. Does the Foreign Secretary agree that we need to reform European Union policies that undermine Europe? May we perhaps start with the common agricultural policy, which hurts developing countries, and indeed the common fisheries policy, which damages our coastal communities?

Mr. Straw: I agree with both points, but the British Government have been in the lead in reforming the common agricultural policy, to take one example. We have been able to make the reforms we have made so far only because of qualified majority voting, and because some of the countries that benefit unjustifiably from the CAP have not been able to exercise a veto. So yes, reform of the CAP and the CFP are priorities for this Government.

Sir Stuart Bell (Middlesbrough) (Lab): The House should welcome my right hon. Friend's statement that he reserves the right to bring the referendum Bill back to the House if circumstances change. Is it not a fact that Europe has been built on the principle of stopping the clock at five minutes to 12 so that negotiations can continue beyond the deadline? Is my right hon. Friend not entirely right to extol the virtues of the treaty that is on the table now, and will be on the table for many a year to come?

In the context of the point made by my right hon. Friend the Member for Livingston (Mr. Cook), can my right hon. Friend assure the House that during our presidency, beginning on 1 July, we will not be deflected from seeking to enhance and advance the Lisbon agenda entered into in 2000?

Mr. Straw: I take note of what my hon. Friend said in the first part of his question. Yes is the answer to the second part: achieving outcomes and tangible objectives for the British people as well as for Europe's other citizens is central to our presidency.

Angela Browning (Tiverton and Honiton) (Con): On 13 May, the Prime Minister told the editor of *The Sun* that even if the French voted no, this country would still have a referendum on the new EU

constitutional treaty; he said that that was a Government promise. The French and Dutch national interest have been served; even the Spanish national interest has been served. Is it not incumbent on the Prime Minister and other Ministers who stand at the Dispatch Box to serve the British national interest? Should not they now give the British people the same rights as the French, the Dutch and the Spanish?

Mr. Straw: I spelled out the Government's position very clearly in my statement. The simple fact is that there

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is no point in proceeding with the Bill at the moment, because of the uncertainty about the consequences of the clear decisions in France and the Netherlands—[Interruption.]

Mr. Speaker: Order. The Secretary of State must be allowed to answer. Does he wish to continue?

Mr. Straw: Anyway, there is no point.

**Dr. Phyllis Starkey (Milton Keynes, South-West) (Lab):** Does the Foreign Secretary agree that the priority for the European Union must now be to address the underlying concerns of the French and Dutch people, and many others across the European Union, and to come forward with positive, practical ways of dealing with the economic problems in Europe and strengthening Europe's voice internationally to deal with the issues that are important to European citizens? Would not that cooperation be put at risk by the kind of visceral Europhobia that we have heard from those on the Conservative Front Bench?

Mr. Straw: I entirely agree with my hon. Friend.

Mr. Richard Shepherd (Aldridge-Brownhills) (Con): The British people have not had an opportunity to express an opinion on what was then the Common Market for 30 years. We applaud the fact that France, the Netherlands and even Spain have given expression to their views, but the British Government must understand that the British people may have severe reservations about the institutional architecture of the existing treaties: Maastricht, Nice and Amsterdam. These are the issues on which the British people need to express their views, and that is the justification for our having a referendum. We need to express our view on the position at which Europe has arrived.

Mr. Straw: The hon. Gentleman is right to say that the British people have not had a chance to vote on EU treaties for 30 years. It was the arguments that he and many others put forward that led us to the view that we should provide for a referendum on this constitutional treaty, and that is what we proposed in the Bill. He cannot have it both ways, however. The constitutional treaty is designed to amend the existing treaties, but as I understand it, the Conservatives are not proposing a total change in the Maastricht and Nice treaties, the Single European Act or the treaty of Rome. If they are, let them come forward with their proposals.

Mr. Ian Davidson (Glasgow, South-West) (Lab/Co-op): I congratulate the Foreign Secretary on making the best of a bad job. As I understand it, he accepts that the treaty is dead, but cannot say so in case he gets the blame. In those circumstances, I accept that there is no need for a referendum at this stage. However, I want to ask him about his little list of issues that he believes would be accepted by all. How does that differ from a "constitution lite", and does it represent an attempt by him to slip through a number of items from the constitution without the promised referendum? Will he

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also clarify whether he intends, as part of the negotiation process in Europe, to concede the British budge beate?

Mr. Straw: I thank my hon. Friend for his compliment, and I take it in the spirit in which it was intended. Let me make it clear that there is no plan, proposal or intention to slip elements of the constitution through by the back door, to pick up my hon. Friend's phrase. I was making the separate and prosaic point that there are some things—to do with strengthening the role of national Parliaments, for example—that could be done separately. I think that even my hon. Friend would find it difficult to argue with those measures, as they are aimed at strengthening the role of national Parliaments, not weakening them.

So far as future financing is concerned, that was discussed two weeks ago by Foreign Ministers, and will be discussed again this coming Sunday and Monday. Our position on future financing and the UK's abatement has been made clear: we believe that the abatement is fully justified, and we will not hesitate to use the veto if necessary.

David Howarth (Cambridge) (LD): May I bring the Foreign Secretary back to the issue of transparency raised by my right hon. and learned Friend the Member for North-East Fife (Sir Menzies Campbell)? In particular, might his list of non-contentious issues include the proposal in article I-24 of the treaty that the Council of Ministers should meet in public when discussing legislative issues? Would he further accept that that reform can be achieved without a treaty change?

Mr. Straw: As far as I recall, those proposals have already been agreed and could come into force at a political level without a need for any treaty change.

Keith Vaz (Leicester, East) (Lab): In welcoming the decision by the Foreign Secretary to postpone the referendum, which is only sensible after the outcome of the French and Dutch votes, he will know that in 24 days' time Britain will be in the leadership as far as these issues are concerned. It is worth reminding the House that it is not a question of having or not having a list—Britain's commitment to the reform agenda goes back eight years, and it is set out in part in the letter from Chancellor Schröder and the Prime Minister on how the European Council can be reformed. When we take over the presidency, will the Foreign Secretary ensure that the reform agenda will be pursued and that, if there are sensible statements and policies that can be implemented with the agreement of all concerned, they will be implemented.

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Mr. Straw: Yes, I will do so. I made that point in my statement earlier today.

Mr. Bernard Jenkin (North Essex) (Con): May I put it to the right hon. Gentleman that we are listening to a Foreign Secretary and a Government in denial? What he must do to live up to his assurances is demand the sacking of Javier Solana, who is a Foreign Minister in all but name, dismantle the European Defence Agency, which was a central provision of the constitution, and

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turn back the jurisprudence of the European Court of Justice, which is implementing the charter of fundamental rights through European Community law. Otherwise, he is co-operating with our European partners in implementing this constitution by stealth, against the wishes of the French and Dutch people who have voted against it.

Mr. Straw: I am more than grateful to the hon. Gentleman for what he has asked me, as he has exposed his overwhelming hostility not to the constitutional treaty but to the institution of the European Union itself. He says that we should sack Javier Solana. Javier Solana, the high representative of the European Union, was appointed not under the constitutional treaty but under the treaty of Maastricht, recommended by the Conservative party when it was in power. The defence agency, again, is not in the constitutional treaty, but was established under the existing treaty base of Maastricht. All that he has done is expose his unremitting hostility to the EU, which Labour Members, and apparently many Conservative Members, do not share.

Jeremy Corbyn (Islington, North) (Lab): Does the Foreign Secretary acknowledge that a large number of people voted no in the French referendum because they did not want to see free market, global economics imposed on their country or others in Europe, which would lead to yet higher rates of unemployment and further attacks on the welfare state throughout the continent? Does he accept that if he is to propose any new constitution, it must meet those real, legitimate concerns and promote something called a social Europe rather than a market Europe?

Mr. Straw: I am happy to engage in an ideological debate with my hon. Friend about this matter, but I happen to believe that the way that we achieve a social Europe is by harnessing the forces of the market so that they work in people's interests, not against them. I do not happen to believe, however, that a social Europe and social welfare is antithetical to a market economy—it depends how the two are harnessed in the interests of each. As for the reasons why people in France and the Netherlands voted no, they are many and various. In France, however, what is clear is that many people voted no because they believed that we had won too much in the achievement of the constitutional treaty—a point made persistently by Laurent Fabius, one of the leaders of the no campaign.

Mr. Speaker: Order. We now move on to the main business.

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Orders of the Day

# REACTIONS IN OTHER MEMBERS STATES TO FOREIGN SECRETARY'S STATEMENT

<u>Austria</u> - Government - no public comment. Media - Report the UK statement as a blow to the Treaty.

<u>Belgium -</u> Government - No public reaction, privately a positive response to parliamentary handling by FCS. <u>Media - mainly factual reporting.</u>

<u>Czech Republic</u> - Government - A carefully drafted text that avoided the UK being isolated. The Czechs understand UK position and may support UK line at the Council. **Media** - accurately report the UK decision to postpone and emphasise that the FCS' statement that it for whole EU to decide on future of CT

Cyprus - Government - No reaction. Media - mainly factual reporting

<u>Denmark</u> - Government - PM and Foreign Minister highlight the similarities between the UK and Danish position and support the line taken by the UK. Danes will make a decision on their referendum after the Council. Media - Flag possible France/Germany v UK spat at the Council.

<u>Dutch</u> - Government - no response. Media - widely seen as understandable and sensible, although one paper does include the full text of the "Yes Minister" sketch on how to divide and rule in Europe.

Estonia - Government - minimal reaction, they had expected UK to suspend ratification, but they still felt ratification in other Member States should continue. Media - limited factual reporting.

<u>Finland</u> - Government - no official reaction, but privately the PM's office say a period of reflections is inevitable. Media - low key accurate reporting.

<u>France</u> - Government - The French are not thrilled, although slightly relieved that the UK has not closed off all options. In addition there was positive reaction to the FT interview. But overall the French are not happy with us. **Media** - there was a mixed reaction, Figaro and Liberation comment on the careful wording, whilst other headlines read

"London throws in the towel". Many report that the UK has killed off the Treaty and we are preparing to use our presidency to take the EU in an Anglo-Saxon direction.

<u>Germany</u> - Government - Chancellery and Foreign Ministry relieved and pleased with the tone of statement, and the Prime Ministers' FT interview seen as positive. Media - less negative than feared, some welcome British pragmatism.

<u>Greece</u> - Government - No official reaction. Media - Highlight that UK angers France and Germany and portrays UK as Eurosceptic.

<u>Hungary</u> - Government - officials happy with statement. Media - unfocused.

<u>Ireland</u> - Government - Continue to prepare for a referendum but will look to the European Council to clarify the position. They will not take unilateral action before the Council. **Media** - Largely factual reporting, but many see the FCS statement as killing off the Treaty. The Irish Independent argues that UK action will frustrate the Luxembourg Presidency efforts to save the Treaty.

<u>Italy -</u> Government - Welcomes appropriate and "very prudent" response from UK, noting particularly the possibility of re-introducing the Bill at a later date. **Media -** factual coverage of the PM's FT interview. Most papers refer to UK freezing or blocking the referendum.

<u>Latvia</u> - Government - FM respects the UK position but thinks that the EU should move forward. The Europe Department sees that statement as a measured and sensible approach to avoid worsening the crisis.

Media - Mixed, some factual reporting, but others see the UK as deepening the crisis and ignoring other Member States and freezing the Treaty.

<u>Lithuania</u> - Government - In private understand and are comfortable with our position. Emerging position close to ours that no single MS has the right to determine the way forward. Next steps should be decided at European Council. Media - some coverage.

Luxembourg - Government - Junker says statement does not mean that ratification is dead. Media - Factual reporting, but editorials are more negative referring to the "Death certificate" for the Treaty.

Malta - Government - No comment. Media - mixed coverage.

<u>Poland</u> - Government - Continue to press for ratification and state Poland will make its own decision. Media - Reasonable and accurate reporting, but downbeat.

<u>Portugal</u> - Government - Ratification should continue, but likely to follow consensus at the European Council. No official reaction. Media - Reports refer to a deepening crisis.

<u>Spain - Government -</u> no official reaction, but privately the MFA recognised the statement was as pro-European as it could be given opinions in the UK. Spain whilst advocating that ratification should continue recognise that further no votes would be extremely damaging. The Spanish expect the European Council to suspend the process.

Media - Accurate reporting, noting that UK was suspending not cancelling, but also reporting that the UK has ignored the pleas of the EU and OMS to continue with ratification.

<u>Sweden - Government - British decision was expected and will put</u> pressure on France and Netherlands to clarify their intentions, there is also speculation (privately) that Poland, Ireland and Denmark will follow suit. **Media -** conclude that there will be no referendum in the UK and that the Treaty is dead.

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SUBJECT: :EU CONSTITUTIONAL TREATY: FOREIGN SECRETARY'S STATEMENT: GERMAN REACTION

### SUMMARY

Chancellery and Foreign Ministry relieved. Describe statement as "not at all bad" and have kept public reaction measured. Little wider political reaction. Prime Minister's FT interview seen as positive. Media reaction less negative than we feared. Some reports distinguish between postponement and cancellation and surprising number of commentators welcome British pragmatism. Media talking up prospects of British leadership, talking down Chirac-Schroder.

NO 10 FOR DARROCH, SHEINWALD, POWELL, PHILIPSON, QUARREY, ROGERS, MORRIS CABINET OFFICE FOR WILLIAMS, HALL, ROSE, CAVE, CRABTREE, MANCHESTER, ROBSON, LYONS, MAY HMT FOR CUNLIFFE, DAWES, OWEN, SCICLUNA, LJUNGERUD, LKEIDT-GORTON HOME OFFICE FOR BAIRD, STORR, NEALE, HARRISS DTI FOR MCMILLAN, GIBSON, ALTY, SAUNDERS DEFRA FOR DERWENT, MARQUARD, LEBRECHT, HUNTER DFT FOR STEVENS DWP FOR WELLS, RICHARDSON DFES FOR TUCKER BANK OF ENGLAND FOR BAUMANN MOD FOR POLICY DIRECTOR

EU CONSTITUTIONAL TREATY: FOREIGN SECRETARY'S STATEMENT: GERMAN REACTION

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- 2. The Kanzleramt (Lubkemeier, Deputy DG Europe) were pleased with the tone of the Foreign Secretary's statement. The central message had come out "not so bad" and the additional points about the importance of the Treaty were positive. Some, though not all, newspapers had referred to postponement. but the overall impression was clear the UK had not written off the treaty. The Chancellery was making no formal statement. If asked in the daily press conference, Schroder's spokesman would react in a measured way. Lubkemeier had not read the Prime Minister's FT interview in full but said the exerts he had seen were well balanced. There was a clear sense that the UK was already stepping in to Presidency mode.
- 3. Foreign Minister Fischer said on TV last night "this is not an end, rather an interruption" and said that the decision did not come as a surprise to him. Papers quote him as saying he had been in recent telephone contact with his friend "Jack Straw". Several dailies repeat his summary of the situation. Fischer's office (Ackermann, PS) told us this morning that Fischer had felt well prepared for the statement and had deliberately taken a low-key approach. Ackermann felt that the media had been rather too critical, seeing the statement as a third strike against the Constitution following the two Nos. He found this surprising, since the situations were not comparable. He remarked that the UK now faced a heavy burden during its Presidency. Since the Prime Minister had just won an election, the UK could be well placed to play a key role as rescuers of the EU. This would be widely welcomed.
- 4. There was surprisingly little reaction from German politician in the press this morning. Nearly all papers quote Fischer's helpful comment. The only one directly critical of the UK is CDU's European policy spokesman Hintzer who claims that putting the ratification on hold "beaches the rules of fair play". The EU Presidency entailed a special duty to be prudent, which had been put aside by this statement. The EU could not afford a "period of standstill". Hintzer encouraged other EU countries to continue with ratification.

# Media Reaction

- 5. Some, but by no means all, of the media grasped the distinction between postponing Parliamentary process and abandoning ratification. Today's headlines divide between the helpfully ambiguous "putting on ice" (Berliner Zeitung) "referendum not sensible at present" (FAZ) and the unhelpfully definite "Britoins cancel referendum", "Blair stops the Constitution" (FT-Deutschland). Yesterday's ARD TV news talked of postponement. Despite the headlines, the Foreign Secretary's actual words are widely and fairly quoted, including the point that the option for ratification is kept open. The media also got the message that others had decided not to over-react. In an interview on last night's ARD TV news Verheugen did his best to be positive, saying that this was a pause, Britain was not burying the Treaty. Many reports interpret the decision as a challenge to Schroeder and Chirac.
- 6. Commentary has come out surprisingly well. Most journalists suspect our game that we are playing it long, in the hope that others will bury the Constitution. One or two commentaries are overtly cynical, claiming that "postponement means cancellation", and resurrect old canards about the British just wanting a free trade zone. But a surprising number gave a guarded welcome to what Handelsblatt called "a dose of British pragmatism". Even some critical commentators, such as last night's ARD TV commentary, said the decision was right: another no would not help Europe. Meanwhile, as scepticism grows about the Franco-German motor, more commentators are talking up prospects for British leadership and the virtues of British economic success. The Prime Minister's FT interview was top item on this morning's Today programme equivalent.
- 7. We are pushing out messages hard, with briefing, radio interviews and opinion pieces on the need for economic reform. Ben Bradshaw and I gave radio interviews on both national radio networks this morning, defending inter alia the British rebate. So far the German media is not really running with Franco-German attempts to put us in a corner on the budget. When

it is for example in a series of articles in Die Welt, we are rebutting including, thanks to UKRep, with German journalists in Brussels.

## Comment

- 8. The preparation paid off well. Officials were almost relaxed about the way the statement came out. They feel that a potentially difficult moment has passed and we can now focus on the European Council. There seems to be a growing sense that the UK could play a positive role in its Presidency; many officials remark that the Prime Minister is in a relatively strong domestic position following the election, compared to Schroder and particularly Chirac.
- 9. But nearly all official contacts are raising the rebate issue, echoing the line "the spotlight is on you".
- 10. Contact: pamela.major@fco.gov.uk, FTN 8340 3301, Tel: 0049 30 20457 301

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BORDEAUX, LILLE, LYONS

SUBJECT: NOSEC:EU CONSTITUTIONAL TREATY: FRENCH REACTIONS TO FOREIGN SECRETARY'S STATEMENT

# SUMMARY

The French government are not thrilled by our position but at least relieved that the UK has not closed off options. Their position remains that ratification should continue. Your statement is widely reported in the media. Headlined as "Blair buries the Treaty", and seen as cynical opportunism to get rid of an unwinnable referendum by most commentators, your actual words are nevertheless reasonably widely covered. The focus is now shifting to preparations for the European Council, a possible Franco-German move to put the heat on the UK over future financing, and our supposed attempts to lead the EU in our neoliberal, "just a big free trade zone" direction.

NO 10 FOR POWELL, SHEINWALD, DARROCH, PHILLIPSON, MORRIS CABINET OFFICE FOR WILLIAMS, HALL, THOMPSON TREASURY FOR CUNLIFFE, DAWES, SCICLUNA

EU CONSTITUTIONAL TREATY: FRENCH REACTIONS TO FOREIGN SECRETARY'S STATEMENT

# SUMMARY

1. The French government are not thrilled by our position but at least relieved that the UK has not closed off options. Their position remains that ratification should continue. Your statement is widely reported in the media. Headlined as "Blair buries the Treaty", and seen as cynical opportunism to get rid of an unwinnable referendum by most commentators, your actual words are nevertheless reasonably widely covered. The focus is now shifting to preparations for the European Council, a possible Franco-German move to put the heat on the UK over future financing, and our supposed attempts to lead the EU in our neoliberal, "just a big free trade zone" direction.

- 2. Following my contacts over the weekend (e-gram 5953/05) and your telephone conversation with new French Foreign Minister Douste-Blazy yesterday, we passed copies of your statement in advance to Douste-Blazy's cabinet and to the Elysee. We will follow up with the full Hansard exchanges. We stressed that, although the UK was not continuing the Parliamentary procedure until the consequences of the French and Netherlands votes were clarified, the decision on the future of the Treaty was not for us to take. I made the same points in radio and TV interviews last night.
- 3. New Europe Minister Catherine Colonna commented after your statement that the UK decision did not change the French position that the ratification process should continue in other countries. A period of deep reflection lasting several months was needed. Reactions to the no votes in France and the Netherlands had not been unanimous but we should not draw definitive conclusions from this too soon. Her comment that it was not for one country to halt the process, interpreted in the British press as referring to the UK, is more a restatement of the French position following their own and the Netherlands' no-votes.
- 4. If anything, we are picking up a sense of relief in government circles that the UK has not closed off options as definitively as had been feared. That was certainly the line taken with me by Vimont, Douste-Blazy's Directeur du Cabinet, when I spoke to him this morning. He was also positive about the Prime Minister's FT interview. But we should not kid ourselves. The French are pretty fed up with us, even if they can see why we have taken the step we have.
- 5. Media reporting has been mixed. Articles in the Figaro and Liberation quote key points from the statement and comment on its careful wording. The radio and TV also carried key extracts, often as their lead item. But the headlines "Europe: Blair suspends the process", "London throws in the towel" and so on leave readers with a more negative impression. This reflects the general view here, inspired by all the material in the British press over the past week, that, whatever we may say publicly, we have now in effect delivered the coup de grace to the Treaty. Most commentators continue to give prominence to the idea that perfidious Albion, (not very) secretly rejoicing at the French no and at France's discomfiture, is preparing to use the Presidency to take Europe further in an Anglo-Saxon direction. As in the British press, the simultaneous Paris-London struggle for the Olympics makes a convenient parallel.
- 6. With the exception of leading no campaigners, no one in the mainstream media has yet pronounced the Treaty definitively dead, although some editorials and commentators have come increasingly close to it. And although yesterday's papers were full of photographs of Chirac and Schroeder clinging together like survivors of a shipwreck, and the Franco-German motor is widely seen as weakened by the troubles of both sides, no-one here is seriously questioning either the continuing need for the Franco-German partnership. Schroeder's suggestion that Germany is ready to show concessions in the future financing negotiations, and that the British rebate is now a joint Franco-German target, is still being picked up in the media here.
- 7. Villepin's first formal policy statement to the National Assembly on Wednesday afternoon is likely to focus on internal

issues. Europe will be back on the agenda on Thursday (9 June), when Chirac is to lunch with Juncker in Luxembourg, and Fischer will be in Paris for a meeting with Douste-Blazy. Chirac has a second meeting and press conference with Schroeder on Friday morning 10 June, this time in Paris as part of the regular Franco-German Blasheim series.

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# **HOLMES**

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INFO IMMEDIATE BANK OF ENGLAND, WASHINGTON

SUBJECT: :FOREIGN SECRETARY STATEMENT ON CONSTITUTION: LUXEMBOURG REACTION

## SUMMARY

1. Measured Government comment reflects our briefing. Juncker says statement does not mean process of ratification is dead. Blanket press coverage: factual reporting of the statement itself (chunks of it verbatim); comment and analysis more downbeat in tone, one paper seeing it as the Treaty's "death certificate",

another as a "blow below the belt". Luxembourg's complacency over the prospects for its own 10 July referendum shaken, with the "yes" vote continuing to fall. An exhausted Juncker gearing himself up for 10 days of hard campaigning after the European Council.

### DETAIL

# FOREIGN SECRETARY'S STATEMENT

- 2. Following the Foreign Secretary's statement to the Commons on 6 June, Prime Minister Juncker said that the process of ratifying the European Constitution "is not dead". "It would have been dead if the British Government had abandoned the process, but that was not the case." In briefing contacts in the Prime Minister's office and the MFA before the announcement, we had a similar measured reaction.
- 3. Most papers pick up Juncker's comments, but also see the Foreign Secretary's announcement as a further blow to ratification. The story was on all the front pages. The headlines "EU constitution referendum put on ice" (authoritative Luxemburger

Wort) was repeated with variations in other papers, along with "Not Yes, Not No" (Wort's sister paper La Voix). The left-leaning Quotidien was negative, with the headline "Tony Blair's

punch below the belt". The Wort's gloss on its headline is: "EU crisis made worse because of British Government".

- 4. All papers quote passages from the Foreign Secretary's statement verbatim, in particular "until the consequences of France and the Netherlands being unable to ratify the Treaty are clarified, it would not in our judgement now be sensible to set a date for a second reading"; and "the need for further discussions with EU partners".
- 5. Exploring the background and consequences of the announcement in more depth on inside pages, most papers saw the French and Dutch No votes coming as a relief to the Government, given the increasing strength of UK eurosceptics. The Wort sees the announcement as issuing the "death certificate" to the Constitution; in the UK, writes the Wort, there is laughter over the calls by Chirac and Schroeder for the ratification process to continue; the atmosphere between the UK and the other 24 Member States is poisoned, not least because the Chancellor "stubbornly" says the UK rebate is non-negotiable. Many on the Continent are asking, is Britain finally dropping its mask in blocking ratification and aiming to reduce the EU to a trading club.
- 6. But the Government's perception remains closer to our briefing. Foreign Minister Asselborn speaking to EU HoMS today said he'd been grateful to the Foreign Secretary for calling him before he made his statement and talking it through. Reviewing it afterwards, he'd found it very clear and careful (although he noted that some of the comments made in the subsequent debate had a harder edge). He emphasised however that it remained the Presidency's position that the ratification process should continue, and the Council should take stock of the situation after that as per the Treaty. If the result was that France and the Netherlands were alone in voting "no", this isolation might create the circumstances for fresh votes in those countries.

# LUXEMBOURG REFERENDUM: 10 JULY

- 7. Meanwhile the No votes in France and the Netherlands have shaken Luxembourg complacency over their own referendum on 10 July (the next referendum to take place). Prime Minister Juncker has pledged to thrown himself "body and soul" in support of a Yes in the ten days leading up to the referendum on 10 July. Juncker has over the last year said he would resign if there was a "No" vote; however, following rumours last week that he was backtracking he has reaffirmed "If Luxembourgers vote No, I quit". This has led to grumbles about blackmail, and some denting of Juncker's popularity. But in general it remains the case as confirmed to DHM today by the MFA's constitution expert (Fabien Raum) that each time Juncker intervenes visibly in the campaign, the yes camp receives a boost.
- 8. This is against a background of a slide in the Yes vote. An Ilres poll in May put the Yes vote at 49% (down 7% on the previous month), with 32% No. Since then the No votes in France and the Netherlands have reduced the Yes vote in Luxembourg: Raum was unwilling to give unpublished figures, but conceded the Yes vote was down (probably to around 45%). Raum expected the Foreign Secretary's announcement to further increase the Nos. (The Yes vote in April was 66%.)
- 9. So far, discussion on the Referendum had not been enmeshed with Turkey's accession, but Raum fears contamination from the German election campaign: Luxembourgers habitually watch German TV and are influenced by the German Sunday press.
- 10. Press comment (encapsulated in a Quotidien leader) generally sees Juncker as right to be putting in his all to achieve a "yes"

vote: if Luxembourg, a third member of the Founding Six were to vote No, the Constitution would indeed be dead ("much to the delight of the British and their US allies").

1. However a commentary in Tageblatt cautions that holding a referendum, even in Luxembourg, is a tricky bet: Luxembourg has an expensive but ineffective referendum campaign, but "input from top politicians has been zero". Juncker is confusing the picture by making the referendum a vote of confidence in him; even a yes victory with 40% No would weaken Juncker.

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- 1. You asked for reactions from around Europe to the FS statement by lunchtime today. There is not a huge amount yet here in Brussels. This email covers **Barroso's statement** and doorstep comment of yesterday afternoon, some contacts I have had with Commission officials and officials from other PermReps. John Grant is in Lux today and will of course be talking to colleagues there, so we will be able to feed in more of a flavour of their views tomorrow morning; we'll also have to see what comes out of the Commission briefing today (which will be their first 'official' opportunity for comment since the statement).
- 2. As instructed yesterday, we shared the statement with Barroso and Solana, and we also briefed a number of Commission officials, as well as the Presidency. Barroso issued a statement yesterday afternoon, saying **he understood the need for some Member States to pause and reflect.** Statement attached below.

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- 3. He also did a short doorstep in which, in answer to questions, he said that he wasn't aware of a definitive decision by any government on ratification. What was needed was a discussion at 25 at European Council. All Member States, including the UK, wanted this.
- 4. Juncker made a series of comments last night too in Luxembourg. BE Lux are I understand reporting these. He is bound to have his own referendum very much in mind and so any comments he makes are couched in those terms.
- 5. Commission officials I spoke to yesterday seemed to think the statement had gone down well. It was handled in such a way as to avoid anyone being able to overtly claim we were killing off the Treaty, but many would still think privately at least that that was exactly what we were doing. I'm taking lots of calls from other MS and from odd sources like the US, Philippine and Australian missions here about what this all means and how we plan to use our Presidency to steer a way through.
- 6. There is also still, of course, lots of press interest.



4 June 2005

London SW1A 2AH

From the Foreign Secretary

PRIME MINISTER

### EUROPEAN UNION CONSTITUTIONAL TREATY: MONDAY'S STATEMENT

- 1. We discussed the earlier officials' draft this morning. I've now recast it. As you will see I've made Laeken the common thread. I think this
  - (a) helps with our EU audience (and I'm very conscious that every word of mine will be sensationalised on the continent), as Laeken is *acquis*;
  - (b) helps deal with the arguments here in the UK that all this was an expensive diversion.
- 2. I'm out this evening but apart from church at 11.00 tomorrow morning I'm around.
- 3. Your point about our EU Bill preceding the Dutch and French referenda (and our election ) has been made to our Posts, to brief their press.

JACK STRAW

### **EU CONSTITUTIONAL TREATY**

## STATEMENT BY THE FOREIGN SECRETARY 6 JUNE 2005

### **CHECK AGAINST DELIVERY**

[FS draft 17:00 4 June 05]

With permission, Mr Speaker, I should like to make a statement on the EU Constitutional Treaty, following the "no" votes in the referenda in France and the Netherlands last week.

At the end of 2001 European leaders met in the European Council at Laeken to consider the future of the EU. Just three months before the world's sense of order had been shattered by the atrocity of 11<sup>th</sup> September.

Reviewing the progress made within the EU over previous decades, European leaders said that the union "stands at a crossroads, facing twin challenges, one within and the other beyond its borders". "Within the union, European institutions must be brought closer to its citizens, beyond its borders, the union is confronted with a fast changing, globalised world.

It was this Laeken Declaration which led in turn to the Convention on the Future of Europe and to the Intergovernmental Conference which followed it. Negotiations in the IGC were hard fought; but the IGC achieved all the key objections set for it and endorsed by this House.

My RHF the Prime Minister and I therefore had no hesitation in recommending the new Treaty to Parliament and to the country.

And we did so because the EU's organisation needed reform better to cope with the new challenges set out at Laeken, and with the enlargement to 25 member States. So, the Treaty includes:-

- a slimmed down Brussels Commission,
- a much clearer voting system (which benefits the UK),
- an end to the six-month rotating Presidency with replacement by a full time President of the council and team Presidencies,
- much better arrangements for involving national Parliaments in EU legislation, and at an earlier stage,
- and greater flexibility by "enhanced cooperation" so that groups of countries could cooperate more intensively whilst others went at their own pace.

We kept our national veto in all key areas of concern.

Overall, the Treaty was a good deal for Britain, and that remains our judgement.

Mr Speaker

The Prime Minister and I signed the Constitutional Treaty in Rome on 29 October last. But, like any other EU Treaty it required ratification by each of the EU's members States – now twenty five - before it could come into force. Up to a week ago, eight countries had ratified the Treaty through their Parliamentary processes, and one - Spain – by referendum. In the last week however, as the House and the country are well aware, in referenda the electors in France voted "no" by 55% to 45%, and in Netherlands by 63% to 37%.

### Mr Speaker,

The Constitutional Treaty was agreed by an Inter Governmental Conference, effectively the European Council. The Treaty is the property of the European Union as a whole, and it is for the European Council collectively to reach conclusions on the way forward. It is paradoxically the very clarity of the decisions in France and the Netherlands which in turn has currently created a situation of deep uncertainty about the likely way forward.

### Mr Speaker,

To give effect to our commitment to ratify the Treaty by referendum, the House gave the European Union Bill a second reading (by a majority of 215) on 9 February. The Bill fell on the calling of the General Election. It was reintroduced in the new Parliament on 24 May – before the Whitsun break and either the French or Dutch referendum – and would in normal circumstances have been scheduled for its Second Reading very shortly. But the current circumstances are not normal. Given all

this, it would not in our judgement be sensible now to set a date for the Second Reading. We will consider the matter [again after European Council] [once the situation becomes clearer] [drafting note: PM: I think you were hesitant about tying ourselves too closely to the European Council, so the second alternative may be better]. But let me make it clear that the decision to postpone consideration of the next stages of the Bill does not mean that we are abandoning the Bill, nor that we are making a unilateral decision on the future of the Treaty, which we are not.

### Mr Speaker,

The changes in the constitutional Treaty were overwhelmingly about process rather than outcomes. About the "how" of decision making, rather than the "what" of the decisions themselves. In all organisations, effective process is vital and improvements in process are urgently needed in the EU. But the Laeken declaration itself raised profound questions about the future outcomes of EU policies for European citizens, and so too do the results in the French and Dutch referenda. Globalisation is itself neither a problem or a solution; just a fact. The questions for Europe are first - how best to come to terms with the forces of globalisation in a way which maximises prosperity, employment and social welfare; how do we maximise the force for good of the EU in foreign policy, aid to poorer Countries and trade: And how we improve the way the European Union itself operates; how we ensure value for money of our citizens, better regulation and how we make a reality of the widely agreed concept of "subsidiarity" so that – to quote my colleague and friend the Dutch Foreign Minister Ben Bot, the EU practices "self – restraint", whilst "we look at those parts of common policy for which

member States could take responsibility again" [Berlin Speech 2 June 04].

All these practical issues have long been key to our priorities for our EU Presidency which begins in 1<sup>st</sup> July. At the start of the Presidency I will publish the latest in our series of White Papers on the EU, and make an accompanying statement, to set out our priorities in more detail.

### Mr Speaker,

Let me conclude by saying this; the European Union remains a unique and valuable achievement, and an organisation central to the UK's prosperity and well-being. The world's largest international single market has enabled the businesses and people of this country to earn new prosperity by trading freely across borders. European co-operation has broken down barriers to travel, work and leisure. And the EU remains a vital engine of democracy and reform, entrenching our values and the stability they underpin beyond its borders.

The United Kingdom needs to be at the centre of European decision-making, to maximise those benefits. Under this Government, we will remain so – both in the debate about Europe's institutional future, and in the other European business which will and must go on so as to deliver on the issues which most matter to people's lives.

### Hana Hopkins

From:

Chris.Skilton@fco.x.gsi.gov.uk

Sent:

04 June 2005 23:34

To:

**Duty Clerks** 

Subject:

FW: ACTION REQUIRED: EU CONSTITUTIONAL TREATY

Importance:

High

AP DK Pers

cc 60

FOR THE ATTENTION OF THE DUTY CLERK

For information: Following discussions between the Prime Minister and Foreign Secretary earlier today, we sent out the instructions below to EU posts.

Chris

Chris Skilton Duty Manager

FCO Response Centre Tel: 0207 008 3350/1/2 Fax: 0207 008 3823

> Tel: 0207 008 3350/1/2 > Fax: 0207 008 3823

```
> ----Original Message----
            Chris Skilton
> From:
            04 June 2005 21:15
> Sent:
> To: EU DHMs at 25 (Unclassified); EU - PPAOs
> Cc: Geoffrey Adams; David Frost (London); 'Dghfrost@tiscali.co.uk'; FCO
> Response Centre
> Subject: ACTION REQUIRED: EU CONSTITUTIONAL TREATY
> Importance:
                  High
> MESSAGE FROM DAVID FROST, ASSISTANT DIRECTOR EU-I
> FOR ACTION IN BERLIN, COPENHAGEN, DUBLIN, THE HAGUE, LUXEMBOURG, MADRID,
> PARIS, PRAGUE, ROME, WARSAW. INFO OTHER EU POSTS.
> 1. Please refer to the email below. The Prime Minister and Foreign
> Secretary have now made clear that they would like the message in
> this earlier email on past handling of the EU Bill (ie the first and
> second tirets) to be put across to press and governmental contacts before
> the Foreign Secretary's statement to Parliament at 1530 UK time on Monday
 > 6 June.
> 2. Grateful if you would do so in a way which, taking into account local
> circumstances, seems most suitable. This may well mean taking action on
> Sunday if you think this is important to preparing the media and policy
> ground for Monday.
> 3. If, as is likely, you are asked about the terms of the Foreign
> Secretary's statement (ie the ground covered in the third tiret of the
 > email below), please say that: precise terms are still under discussion;
> it is right that the UK parliament should hear them first; but it seems
> clear that we will not be talking about abandoning or suspending the bill,
> simply not progressing it, or not, for now, setting a date for further
> stages until the situation is clarified.
> 4. If you wish to discuss any of this, please feel free to contact David
> Frost on +44 1727 866 739.
> Chris Skilton
> Duty Manager
> FCO Response Centre
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> ----Original Message---> From: Chris Skilton
> Sent: 04 June 2005 14:27

> To: EU - PPAOs

> Cc: EU - Directors; EU - Heads; David Frost (London); Geoffrey Adams

> Subject: EU CONSTITUTIONAL TREATY

> MESSAGE FROM DAVID FROST, ASSISTANT DIRECTOR EU-I

> FOR ACTION IN BERLIN, COPENHAGEN, DUBLIN, THE HAGUE, LUXEMBOURG, MADRID, > PARIS, PRAGUE, ROME, WARSAW. INFO OTHER EU POSTS.

> 1. This is confirmation of the message being relayed today to duty > officers in the above posts. It follows discussions between David and > Geoffrey Adams today. The message is:

> A follow-up to James Bryce's email of Friday giving instructions to > posts on reporting host governments' reactions to the referendum result.

> In any contacts you have over the weekend or on Monday morning, the > Prime Minister and the Foreign Secretary would like you to make a point of > underlining the pace of progress on the EU Bill hitherto. The point is to > do all we can to ensure that we are not fingered as wanting the demise of > the Bill and Treaty.

You might say in particular:

- > We took the Bill forward and had a successful vote on a second
  > reading in a congested pre-electoral period;
- > We re-introduced the bill before the French referendum as a vote > of confidence in the process.
- > (As necessary) The terms of the statement on Monday are still > being discussed, but doubt very much it will talk about suspending the > process, more about "postponing" or "not progressing" until we have > clarity from France and the Netherlands. But this is still being > discussed amongst Ministers.

> There is no need to initiate contact specifically to make these points.
> But please make them in any contacts you would naturally be having at the > weekend or on Monday.

> If you wish to clarify any aspects, please feel free to phone David Frost > on 00 44 1727 866 739. The action posts listed above are those thought > most likely to be involved over the weekend.

> Chris Skilton
> Duty Manager
> FCO Response Centre

>

> > >

> Tel: 0207 008 3350/1/2 > Fax: 0207 008 3823

2

PRIME MINISTER

As dismosted.

From: Kim Darroch Date: 3 June 2005

cc: Jonathan Powell

Ivan Rogers
Nigel Sheinwald

Tom Kelly
David Hill
Ian Gleeson
Steve Morris

Antony Phillipson Sir Andrew Turnbull

### THE FRENCH AND DUTCH REFERENDA: FOREIGN SECRETARY'S STATEMENT TO THE HOUSE

Jack is intending to telephone you over the weekend. He will want to know if you are happy with his draft statement to the House on Monday. The latest FCO draft is attached.

Before you look at the draft, some comments on context. It feels as if the mood is changing somewhat. In the College of Commissioners discussion on Wednesday – the record of which has leaked to the FT – it appears that several Commissioners, including Verheugen and Mandelson, called for the ratification process to be suspended. An opinion poll in Denmark today shows a dramatic reversal; before the French and Dutch votes, "yes" was comfortably ahead. As of today, "no" has a four point lead – a 50% rise over the last week. Hence Rasmussen's worried "help me find a way out" telephone call to you today. Every other country with a referendum scheduled – Luxembourg, Poland, Ireland, the Czech Republic, and Portugal – will have noticed the "French effect" on Danish poll figures and must be wondering about the wisdom of continuing. And most tellingly, Balkenende's EU adviser spoke to me today to

### CONFIDENTIAL

-2-

say that "we are now in a Treaty-killing mood"! Balkenende wants to talk to you in the next week or so about concerting tactics for the European Council. In short, the argument is starting to move in our direction.

<u>But</u> – it's therefore still more important that we don't blow it by misjudging the tone and content of our public statements. It's clear from reporting from Berlin, Paris and Brussels (examples attached) that the French and Germans are briefing against us and that they and their allies are poised to blame us for pulling the plug on the Treaty. And it's striking how much our friends, are pressing us not to fall into this trap: the likes of Barroso, the Irish and the Swedes are saying privately "don't do it". The Danes are telling me, disarmingly, that, were we to announce that we were abandoning the Parliamentary process, they would be able to follow, blaming us!

All of which means considerable care is needed over Jack's statement. As you know, his inclination has been rather to shrug off worries about consequences on the Continent and set out a definitive position for Parliament and the media. We have been trying to pull this back during the week, but there has been quite a lot of pre-emptive briefing to the press. The FCO draft that is attached tries to strike a balance between what they think Jack wants, and what John Grant and I have been suggesting. I don't think it's yet right. But FCO officials guess that Jack will in any case want to rewrite, taking it in the opposite direction. In short, by the time you speak to him, we don't really know what language he will have in mind.

John Grant and I have therefore worked out what we think the optimum text might be, trying to interpret your ideas. It's attached. On the FCO draft, it

would replace paragraphs 3-7. If you agree, it's the sort of language you might recommend to Jack. We can supply precise words to his office on Monday morning if you don't want to get into drafting with him.

KIM DARROCH

"Mr Speaker. It follows from our support for this Treaty that we would like to see it enter into force. But the fact is that, for this to happen, as with other EU Treaties in the past, it must be ratified by all 25 of the EU's Member States. The "no" votes in the referenda in France and the Netherlands have therefore created a situation of deep uncertainty. We cannot pretend that nothing has changed, and simply carry on as before.

Nor, however, is it possible, just a few days after the votes, to reach any definitive conclusions about what will happen to the Treaty. There are real uncertainties, and none of the potential options has been ruled out. And in any case, it is not for any single country alone to pronounce on this issue. But the central point is that, following these votes, we need to know from the governments directly concerned how they intend to take forward their ratification processes. The first opportunity for collective discussion on this issue will be the European Council on 16/17 June. But I would warn the House against expecting decisions at that meeting. We have to expect that the process of reflection in these countries is going to take some time.

Meanwhile, as far as the business of this House is concerned, a First Reading of the European Union Bill was held on 24 May. For the reasons I have explained, it would not be right to withdraw or abandon the Bill. But equally, nor is it sensible at this stage to set a date for Second Reading. We will consider the matter again when these circumstances change."

### EU CONSTITUTIONAL TREATY

# STATEMENT BY THE FOREIGN SECRETARY 6 JUNE 2005

### CHECK AGAINST DELIVERY

### [draft for box on 3 June]

- 1. With permission, Mr Speaker, I should like to make a statement on the EU Constitutional Treaty, following the negative votes in the referendums in France, on 29 May, and the Netherlands, on 1 June.
- 2. I have set out to the House on many occasions the British Government's view on the Constitutional Treaty. That view remains unchanged: it is a good Treaty for Britain and for Europe. The text sets out better rules for decision-making; strengthens the EU's member nations; and gives national parliaments a role for the first time. We would like to see it enter into force.
- 3. To enter into force, however as with other EU treaties in the past the Constitutional Treaty must be ratified by all of the EU's Member States. The heavy "no" votes in France and the Netherlands therefore leave the Treaty in serious difficulty, and open a period of uncertainty in respect of its ratification. We cannot pretend that nothing has changed, and simply carry on as before.
- 4. Nor, is it possible, just a few days after the votes, and before there has been adequate time for reflection, to reach any definitive conclusions

about the next steps. As in the similar situations following the Danish No on the Treaty of Maastricht and the Irish No on the Treaty of Nice, the first step now must be to hear from the French and Dutch governments how they intend to pursue their ratification processes. This will have to be discussed at the European Council in ten days time.

As far as the business of this House is concerned, the House will recall that I introduced on 24 May a Bill making provision for the Treaty in UK law and providing for that ratification to be subject to a positive vote of the British people in a referendum. For the reasons which I have explained, the Government will not be withdrawing or abandoning the Bill. But equally, nor is it sensible at this stage, given the current uncertainty, to set a date for Second Reading. We will consider the matter again after the European Council.

Mr Speaker,

- 6. The Dutch and French "no" votes raise profound questions for the EU as a whole which go beyond the Constitutional Treaty itself. The Laeken Declaration of December 2001 the origin of what became the Constitutional Treaty spoke of the "democratic challenge" for Europe. We now need a renewed debate on that challenge on bringing the EU closer to Europe's citizens, and ensuring that it better delivers on issues such as security, fairness and prosperity which directly affect our lives. As part of that, we have to consider how the EU can better compete in the global economy, while protecting jobs and delivering social justice.
- 7. The UK will be fully engaged in that debate, both for our own part and as EU Presidency from next month. As EU Presidency, we will

continue to work with our partners to make progress on jobs and growth; to push for greater liberalisation of world trade; and to combat poverty and climate change. And we will seek to improve the environment for business across the EU, through better regulation. At the start of our Presidency, I will publish the latest in our series of White Papers on the EU and make an accompanying statement setting out our priorities in more detail.

### Mr Speaker,

- 8. The European Union remains a unique and valuable achievement, and an organisation central to the UK's prosperity and well-being. The world's largest international single market has enabled the businesses and people of this country to earn new prosperity by trading freely across borders. European co-operation has broken down barriers to travel, work and leisure. And the EU remains a vital engine of democracy and reform, entrenching our values and the stability they underpin beyond its borders.
- 9. The United Kingdom needs to be at the centre of European decision-making, to maximise those benefits. Under this Government, we will remain so both in the debate about Europe's institutional future, and in the other European business which will and must go on so as to deliver on the issues which most matter to people's lives.

[670 words]



### Private Office Despatch

From:

May Susanna - European Secretariat- [Susanna.May@cabinet-office.x.gsi.gov.uk]

Sent:

03 June 2005 10:45

To:

Kim Darroch

Cc:

Hall Philip - European Secretariat -

Subject: FW: CONF & PERS: Wallstrom cabinet call: referendum

Kim

Depressing.

Susanna

----Original Message----

From: Victoria.Courtney@fco.x.gsi.gov.uk [mailto:Victoria.Courtney@fco.x.gsi.gov.uk]

Sent: 03 June 2005 10:17

To: Matthew.Hedges@fco.gov.uk

Cc: priya.guha@fco.gov.uk; Jonathan.Allen@conf.fco.gov.uk; David.Frost@fco.gov.uk; james.bryce@fco.gov.uk; John.Grant@fco.gov.uk; May Susanna - European Secretariat-

Subject: CONF & PERS: Wallstrom cabinet call: referendum

Matthew,

- 1. I had a long conversation with Mark Gray from the Wallstrom cabinet last night. He was very concerned about the UK line on ratification and how it was playing out. He said it was all over Brussels (as it is in the press this morning) that we planned to pause our ratification process on Monday, and there was no doubt this would be seen here as killing off the Treaty. I asked if there was really no way it could be seen as a sensible, internal, domestic step to wait a little longer before Parliamentary debate, i.e. to wait until we had discussed this situation with our European partners. He said forget it.
- 2. Gray said Barroso was taking quite a lot of flak within the Commission for quietly supporting the UK line of a pause for reflection. Barroso, Wallstrom and Mandelson were all advocating this but others were unhappy. The Brussels press corps had got wind of it too. If the UK were seen to be declaring death of the Treaty on Monday morning, this would damage Barroso.
- 3. Gray could not understand how the UK had got itself to a position where we were taking the flak for killing of a Treaty when in fact the French and the Dutch ought to be taking it. Instead, everyone was tip-toeing around them and pointing the finger at us.
- 4. Finally he said that an announcement on Monday which was seen as killing off the Treaty would cause huge problems for our Presy. (He basically said we could write it off now!) He thought enlargement would be the first victim of all of this. He was already hearing rumours not just about Turkey but also about Romania and Bulgaria (comment: I, perhaps naively, thought this was all done and dusted?)
- 5. He told me privately that most officials in the Commission accepted that the Treaty was dead, finished. Handling that process though was what mattered.

Vikki

Victoria Courtney

First Secretary - Institutional Issues UK Permanent Representation to the EU

Dir Tel: +32 2 287 8248 Mobile: +32 486 09 00 50 Fax: +32 2 287 8392



The Cabinet Office computer systems may be monitored and communications carried on them recorded, to secure the effective operation of the system and for other lawful purposes.



### **Private Office Despatch**

From: Paul.Heardman@fco.x.gsi.gov.uk

Sent: 02 June 2005 11:52

To: Nicola.Brewer@fco.gov.uk; David.Frost@fco.gov.uk; James.Bryce@fco.gov.uk;

Priya.Guha@fco.gov.uk; Matthew.Hedges@fco.gov.uk; Robbie.Bulloch@fco.gov.uk; Katy.Reid@fco.gov.uk; Kim Darroch; Williams Katrina - European Secretariat -; Hall Philip - European Secretariat -; May Susanna - European Secretariat-; Hobbs Daniel - European

Secretariat -; Victoria.Courtney@fco.gov.uk; Damian.Nussbaum@fco.gov.uk;

Andrew.Price@fco.gov.uk; Martin Sheehan; Steve Morris

Subject: Confirmation copy: NOSEC: GERMANY/EU: DUTCH NO VOTE: GERMAN

REACTIONS:Id=0606612

Importance: Low Flag Status: Flagged

Advance copy of our egram on Dutch reactions

Paul

----Original Message----From: eGram Gateway

Sent: Thursday, June 02, 2005 11:49 AM

To: Paul Heardman Berlin -Conf

Subject: Confirmation copy: NOSEC: GERMANY/EU: DUTCH NO VOTE: GERMAN REACTIONS:Id=0606612

Importance: Low

NO 10 FOR DARROCH, SHEINWALD, PHILLIPSON, MORRIS, SHEEHAN CABINET OFFICE FOR WILLIAMS, ROSE, MAY, CAVE, HOBBS, HALPERN HMT FOR GRAY, CUNLIFFE, DAWES, JOICEY HOME OFFICE FOR PRINCE DTI FOR MCMILLAN, FARRELL DWP FOR TUCKER

#### **SUMMARY**

1. Schroeder maintains ratification must continue. Clear sharpening of rhetoric that all Member States have duty to ratify. Officials brief against UK. CDU attack Schroeder and Chirac's "arrogance" and accept treaty is all but dead. Media starting to make link to need for more economic reform. Schroeder will be working hard against us in run up to June summit. German popular support for Constitution nose-diving.

#### DETAIL

### Political reactions

- 2. Unsurprisingly Schroeder is calling for ratification to continue despite the Dutch no. In his statement last night, he respected the result, which he noted with "great regret". But he remained convinced that Europe needed this constitution if we wanted a democratic, social and strong Europe. Ratification should continue out of respect for both the nine Member States (comment: including Germany of course) who had already ratified and those who had not yet had the chance to do so. Every Member State had the right and the duty to give its vote.
- 3. Schroeder continued that the crisis in the ratification process should not lead to a more general

crists in Europe. We needed a clear recognition of the goals and principles of European integration. That was the basis for peace, freedom and prosperity in Europe. There was no sensible alternative. Equally we had to recognise that people had doubts about whether Europe was able to respond to the pressing issues of our time. Schroeder did not share these doubts, but we had to take people's fears seriously. He would discuss this intensively with EU partners at the June European Council.

- 4. "Government sources" have briefed the German press that the UK has sought to convince several Member States to agree ratification should be abandoned. These sources claim Poland and the Czech Republic declined to agree, but they expect Bertie Ahern (who coincidentally meets Schroeder in Berlin today) to concur. German officials have briefed that they are annoyed by the UK's actions. The Financial Times Deutschland quotes one as saying, "it is one thing to lose a referendum with your head held high, and another to sneak off and avoid a referendum". Sadly no one takes this as a reference to Germany. The source is probably Schroeder's EU advisor, Silberberg, as this is more less what he told me direct earlier this week (Berlin egram 5612/05).
- 5. Privately officials are sticking closely to the public line: we should consider at the European Council the reasons for the No votes and how to react, but we should continue ratification. When pressed on the credibility of holding to this line (a point the German press are making), the Auswaertiges Amt (Berg, Deputy EU Director) asked what other possibilities there were. We could not simply give the treaty up. Renegotiating it or calling a new IGC were out. Berg's biggest worry was what the UK would say in the House of Commons on Monday and at the European Council. The Kanzleramt (Luebkemeier, Deputy EU Director) were struck by the size of the Dutch turn-out and No vote. But in neither the French nor Dutch case was it a vote against the EU. They repeated Silberberg's line that each Member State had a right and responsibility to ratify. The Council would have to discuss damage limitation but we could not stop the process. The important thing was to reverse the No momentum, hopefully with the Luxembourg vote and then the summer break.
- 6. The official CDU position remains that ratification should continue. But the CDU's Foreign Affairs spokesman, Schaeuble has said the likelihood it would come into force was "extremely small". The CDU chair of the Bundestag's Foreign Affairs Committee, Pflueger, told me yesterday the treaty was dead and that this was also Schaeuble's private view. Schaeuble has already begun to speculate about prospects for re-negotiation, suggesting that amending Part III of the treaty to return more powers to Member States (eg tourism, regional aid and competition) would help counter popular fears of an over-bearing EU. Our contacts also underline that the CDU would still want to save institutional changes such as the Charter, subsidiarity mechanisms, European Foreign Minister and QMV extensions (comment: and doubtless double majority voting as well). Schaeuble has blamed the French and Dutch no votes on excessive EU regulation. Schroeder and Chirac's "arrogant insensitivity" on Turkey had also contributed.

### Media reactions

7. The Dutch result produced a much smaller shock wave than the French. But the pessimism is deepening. 'Worries for the future of the European Union' was the headline in today's Sueddeutsche. A rash of separate stories about the Euro's viability (on which we are reporting separately) has added to a sense of nervousness. Commentary remains muddled. Helpfully for us, reference to the need for economic reform in Europe doing less are entering the debate. Less helpfully, parts of German media - always ready to blame us rather than France - will be happy to put us in the dock if we abandon the referendum.

### COMMENT

8. We can expect anti-UK briefing to increase in the run-up to the June European Council. UK Ministers' line that it is not for one country to declare the Constitution dead prevents the Germans from attacking us directly. But I expect they will engage in heavy lobbying to erode support for the

position. In parallel, they (and allies such as Juncker) may see a June deal on the EU budget as a way of forcing us onto the back-foot on the two key issues for the European Council. So bumpy two weeks ahead.

- 9. Finally, popular support for the treaty in Germany has declined dramatically. Last summer polls suggested 70-80% Germans were in favour. Only a few weeks ago 54% were in favour and 17% against. This has now fallen to 43% in favour, with 35% against. This confirms the predictions of many here that Germany would lose a referendum if it had been forced to hold one.
- 10. Contact: paul.heardman@fco.gov.uk

002



To: PRIME MINISTER

From: ROGER LIDDLE

Copy: Jonathan Powell; Kim Darroch; Steve Morris

I have been framing some arguments for Peter about where we go postreferenda. I have written them as article /speech material on which you can draw.

My basic argument is that the British Presidency should now take a lead in establishing a fresh consensus around "what Europe is for". That the key to that is economic reform PLUS a modernised social model that seeks to offer new forms of security and opportunity for all.

That Europe should not abandon the need for institutional reform (as contained in the Constitutional Treaty) but that the EU should now, in the light of the French and Dutch no votes, put this project on ice until the more fundamental question of what Europe is for, is resolved.

But I also believe that Blairite advocacy of a new vision for Europe across Europe will only carry conviction if first we recognise that New Labour has found some but not all of the answers to the "economic dynamism with social justice" challenge; and that the Government shows its commitment to make a new case for Europe by campaigning vigorously for this new vision of Europe within the UK.

Roger

So France and Holland have voted No to the Constitutional Treaty. Where does this leave pro Europeanism in Britain? I want to argue that we should turn despair into opportunity. The forthcoming British Presidency of the European Union should now be judged on how far it succeeds in turning the French and Dutch No into the makings of a positive Yes to a New Europe.

Much as the British anti- Europeans may wish to delude themselves otherwise, these referenda results are not votes against the idea of European integration. In the French case, the No was a vote against a Europe whose direction the French no longer feel comfortable with. Europe no longer seems simply an extension of France: an enlarged Europe has strengthened economic competition and with the negotiations on eventual Turkish membership about to open, may result in more unwelcome migration. Many French people voted "yes to Europe, no to the Constitution" because they falsely saw the Treaty as embodying a "liberal" Europe. The Constitution was portrayed as representing the triumph of Anglo Saxon economics and a recipe for "delocalisation" and job losses in a France where some estimate 30% of society is touched in some way or other by persistently high unemployment.

In the Netherlands, the reasons for the "No" are both similar and different. As the dramatic Pim Fortuyn revolt three years ago against the Dutch political establishment revealed, support for Europe has suffered as fears of migration and Islam have grown. Economically after a period of almost golden success, the Dutch economy has been going through an extremely difficult patch. Its timing coincided with the arrival of the Euro, but was not created by it. Dissatisfaction with Dutch economic performance has not been made easier by resentment that while the Dutch have stuck loyally to the Stability Pact rules,

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the French and Germans have chosen to disregard them, despite their self appointed role as guardians of the European flame.

Pro Europeanism is today under sharp attack from a populism of the Right that blames foreigners for every woe, and a populism of the Left that is the child of economic insecurity, unemployment and fear of globalisation. This phenomenon is widespread, not just in France and the Netherlands, but across much of the rest of Europe, including Britain when one reflects on the role that asylum and immigration played in the last General Election.

Of course I do not want to convey the impression that everything is to blame except the European Union itself. Europe presents too many easy and highly visible targets to its enemies: from the failure of MEPs to control their expenses to a culture of overly prescriptive regulation in the Brussels system. But this only produces a vicious circle in which national politicians, who claim to be pro European, seek to win popularity by making populist attacks on Brussels which only exaggerate the public's sense of alienation.

Jacques Chirac made the mistake of behaving too much like the average British politician: to think one can win votes for Europe by painting Brussels as public enemy number one, in his case on issues like the Services Directive. If political leaders want their electorates to support the idea of Europe, they have got to be prepared to take a lead in explaining why, despite the inevitable frustrations of Brussels, Europe is an immensely good thing.

What distressed me most about the French vote was the decisive No vote amongst the younger generation. The old European project of "an end to war" has inevitably lost resonance with time. The rich freedoms of Europe - the

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historic victory of democracy and human rights across our continent, the freedom to travel, study, work and settle in different European countries - are simply taken for granted and seen as little to do with the institutions of Brussels and the EU, when in fact without them they would be as nothing.

How can Tony Blair, in July to assume the Presidency of the European Council, make a start on addressing this fundamental malaise? The immediate issue for June is the enormous pressure in London, from all political quarters, to kill of the Constitutional Treaty once and for all. But the Prime Minister is surely right to insist on a period of genuine reflection.

To think however, as is still the hope of some Member States and large sections of the Brussels beltway, that the rest of Europe can proceed willy-nilly to ratify a Treaty rejected by the Dutch and French people is a dangerous delusion. Advocates of this position enhance neither their reputation for political realism nor the sense that Brussels is for once listening to the voice of the people.

On the other hand the institutional changes that the Treaty contains are vitally necessary to make an enlarged Europe function in a more effective, transparent and accountable way. British Eurosceptics are equally deluded if they think that the Constitutional Treaty was rejected because of its moves to establish a Permanent President of the European Council and European Foreign Minister, give more powers to the European Parliament, extend majority voting where vital national interests are not at stake, and incorporate a legally binding Charter of Fundamental Rights. There is not a shred of evidence that opposition to necessary institutional reforms was the reason that moved the decisions of French and Dutch voters.

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So it is self evident that we cannot go ahead with a British referendum until the French and Dutch Governments have explained whether they think there is any basis on which ratification of this Treaty in their countries could now be resuscitated. Otherwise we have no meaningful proposition in Britain to vote upon. France and the Netherlands should now be asked to clarify their position. If the answer is that they are unable to ratify the existing Treaty on any basis in the foreseeable future, the logic would be to put the ratification process on ice throughout the rest of the EU. But Europe would be mad to scrap the consensus that was painfully established on institutional questions. The hope must be that at some stage in future, when Europe has established a clearer sense of overall direction, that popular support could be mobilised to implement those reforms, perhaps in a different form but without seeking to bypass the will of the people. All this suggests the British Government should take no final decision on UK ratification - either the Parliamentary process or the referendum - until at least the June European Council.

The real debate however should be on the future of Europe. The problem we have to deal with is a lack of consensus at the heart of Europe on what Europe is seen to stand for and where it is going, not how its institutions operate. Essentially this is a debate about how we establish a new social consensus for necessary and unavoidable economic reform in Europe.

The need to accept the inevitability of change and reform is fundamental. Europe cannot stop the world and get off. We cannot pull the blankets over our heads and hide from the shifts taking place in the global economy.

Take China's emergence as a world economic power. Ten years ago, Chinese exports to Europe amounted to roughly a fifth of those of the United States.

Today they amount to about three quarters. Over the last five years they have expanded at 23% a year - an estimated 38% in 2004.

The issues Europe faces in textiles today will affect other sectors tomorrow. Intensifying competition exists in all the traditional industrial sectors: footwear, machine tools, consumer electronics, and cars. You name it: we're going to experience it and the impact will be severe, not just in France and southern Europe where the volume of demands for action in textiles has been heard loudest, but across the EU as a whole.

Of course the temptation is to cry foul. To denounce competition as unfair; to complain of artificial exchange rates; to protest that goods are being sold below long run sustainable costs; and to argue that wage levels reflect forced labour and the absence of trade union rights.

As the responsible political authorities in Europe, the Commission and the Member States have a duty to listen to these arguments, not dismiss them as a fantasy. We must, and will, be prepared to act where a well founded case can be made about unfair trading and we will pick up the appropriate instruments of defence. But let us not deceive ourselves and not face realities. As a result of globalisation and new competitive challenges, Europe is faced with a fundamental choice of directions.

If as a result of these no votes, Europe gives in to the populism of either the Left or the Right, and opts for the voices that want to erect new barriers between ourselves and world markets, it will have chosen a protectionist dead end, a cul de sac that may save a few jobs in the short term but will result in declining competitiveness and the year by year erosion of the European Social Model.

Europe must press ahead with painful reforms to open markets, make labour markets more flexible and reform welfare systems. But this is not a strategy to Americanise Europe. There are political choices open to us in how we meet the challenge of globalisation. Reform is for a purpose: to make our European model of society sustainable for generations to come. It's about making a credible social justice case for economic reform, for example rejecting a labour market with rigid divisions between insiders and outsiders. It is about recognising the need for public investment whether in science or childcare. It is about building a new concept of a modern and reformed Social Europe for a Global Economy that offers genuine security and fresh opportunity throughout the life cycle.

However the Social Europe we build should be modern and forward looking, rather than stuck in the past, defensive and protectionist. Its driving purpose should be to provide security by advancing opportunity rather than fruitlessly attempting to block change.

For many on the Left and trade unionists, the use of phrases like 'reform and modernisation' is seen as code for more labour market flexibility, less job security, a weakening of employment rights, and welfare reforms that reduce social benefits and/or make entitlement to them 'conditional'. And reform may indeed involve tough and unpalatable choices. But the larger failure of economic reformers - and I accept the collective self-criticism - has been in not offering a strong enough vision of a new and appealing Social Model for Europe within which the short term pain can at least be understandable and justified, even when it still hurts.

The Single Market was never conceived an end in itself. Jacques Delors basic concept of Social Europe - that market liberalisation and the drive for competitiveness have to be matched by flanking measures to promote social cohesion and environmental sustainability is - still valid. The right social and environmental policies strengthen competitiveness and at the same time make reform more acceptable. But the achievements of Social Europe have in truth been too limited. True we have put in place a set of minimum social standards, which for all the furore they have aroused and still arouse, have improved millions of people's lives, from the right to paid holidays to a comprehensive outlawing of all forms of discrimination at work. But beyond a minimum floor, Social Europe can make more progress.

Social Europe has been constrained because it was seen as a bid for competence over social policy by the European institutions, rather than a shared endeavour with the Member States in a spirit of "unterritorial" partnership. Creating a modern Social Model for Europe is not a question of harmonising diverse social systems; it is instead a question of building on common values to face up to and tackle the consequences of economic change.

The challenge of today is to equip every citizen of Europe, from whatever social background, nationality, colour or religion, to fulfil their own individual potential in a rapidly changing world. The essence of our European cultural and religious tradition is this recognition of the uniqueness and equal worth of the individual. We then combine this essential insight of the Enlightenment with recognition of the need for a strong society, particularly in both the social catholic and social democratic traditions, to enable the individual to achieve fulfilment within a stable social framework.

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The situation today is that these essential insights of our Europeanness remain valid. But the collective institutions and systems we built in the last century to underpin them have outlived their time - in particular, the social consensus corporatism, the social insurance welfare state and centralised universal public services that played such a crucial role in the era of mass industrial society.

The ends remain - but the means require modernisation and reform. What we need today are new approaches and new institutions to tackle the new social challenges of extending opportunity throughout the lifecycle- tackling inherited disadvantage by investing in the social support and education of young children and their mothers; providing high standards of schooling in ethnically diverse and socially fractured communities; promoting skills and lifelong learning for those who missed out at school; reaching for world class standards of excellence in higher education and research; opening access to retraining and help with adjustment for the victims of economic change; helping older workers reintegrate to the labour market and abolishing the traditional concept of retirement.

These are examples of the common challenges a modern Social Model should be addressing. And only when we have better defined them should we then address the second order question of the role of the European Union and its member States in tackling them successfully. The European Union collectively should find a way of addressing these issues in the months ahead.

These questions and dilemmas go to the heart of the New Labour project, but we ourselves have so far only found part of the answers. This is why it is fortunate indeed that Tony Blair assumes the leadership of the European Council at this time, alongside the Commission President, Jose Manuel Barroso, 02/05/2005

who shares this philosophical outlook, though not his Socialist affiliation. They should spend the British Presidency both driving forward the economic reforms contained in the Commission's Growth and Jobs Programme but also formulating a social programme for both the Member States and European institutions in substance as well as presentation that makes economic change, socially acceptable.

This need to make a new case for Europe presents pro Europeans in Britain with a tremendous opportunity. We have to put on the backburner the old argument that Britain has no alternative to Europe. The fact is that with our present economic success, there is an alternative - but the fact is that it is not as good as the alternative of being fully committed members of a reformed European Union. For a more successful Europe is the key to enhancing our own prospects of achieving higher growth with social justice and of being part of a strong grouping of nation states that can advance our shared interests and values in a world of globalisation. The time is ripe for Tony Blair to move to the fore in making at home a modern British pro European case and by so doing, lead the way forward to a new consensus on a vision of a New Europe that all 25 Member States can share.



### ARTICLE FOR OBSERVER BY PETER MANDELSON

The people of France and Holland have spoken. Politicians across Europe now need to listen and think.

There were multifarious motives for the No but the message is stark. People are disenchanted with the European Union. They are confused about its direction or they think it's speeding ahead too fast in the wrong one. They feel it lacks connection with their real concerns.

Europe presents too many visible targets to its enemies: from the failure of MEPs to control their expenses to a culture of over prescriptive regulation. This produces a vicious circle in which national politicians, claiming to be pro Europeans, make populist attacks on Brussels which only nurture public alienation. In this, Jacques Chirac made the mistake of behaving like the average British politician. If political leaders are to persuade their electorates to support the idea of Europe, they have to explain clearly why, despite the inevitable frustrations of Brussels, Europe is a good thing from which we gain many benefits.

This is all grist to the mill of Britain's anti-Europeans. But only a minority voted against the principle of European integration, for withdrawal or an EU break-up. British Eurosceptics are wrong to think that the Treaty was rejected because of its institutional proposals.

The decisive No vote amongst the younger generation was distressing. The old European project of "an end to war" has inevitably lost resonance. The freedoms Europe offers – democracy and human rights across our continent, the

freedom to travel, study, work and settle in different European countries – are taken for granted - though they should not be.

So where does this leave the Treaty? The immediate issue is the pressure in London, from some quarters, to kill it off. But the Prime Minister is surely right to insist on proper reflection. Ratification needs the support of all 25 EU members. It is difficult to think of the circumstances in which the French and Dutch votes could easily be reversed and ratification in these countries resuscitated. That leaves Britain for now with no meaningful proposition to vote upon. But Europe's Member States should decide on the next steps together. It is much the best that Member States resolve these collectively in the European Council in two weeks' time, rather than unilaterally.

The Treaty's institutional reforms would make the EU more effective, transparent and accountable. Europe would be mad to scrap a painfully established consensus. If ratification is put on ice, the hope must be that in future, popular support could be mobilised to implement those reforms, perhaps in a different form but without seeking to bypass the people's will.

So what is the future for pro Europeanism in Britain, deprived of a decisive referendum battle? I believe we should turn despair into opportunity, by concentrating on Europe's policy and direction, making it easier later to answer the institutional questions. The forthcoming British presidency of the European Union should be judged on how far it succeeds in turning the French and Dutch No into the makings of a positive Yes to a New Europe.

I do not under-estimate the challenge. Pro Europeanism is today under sharp attack from a populism of the Right that blames foreigners (and the prospect of

Turkish membership) for every woe, and a populism of the Left that feeds on fear of globalisation, Anglo Saxon "liberalism", job losses and "delocalisation". This phenomenon is widespread, not just in France and the Netherlands but across Europe, including Britain where immigration was a powerful issue in the election.

If Europe gives in to this populism, and opts for the voices that want to erect new barriers between ourselves and "foreigners" and world markets, it will have chosen a protectionist dead end: a cul de sac that may save a few jobs short term but will result in declining competitiveness and steady erosion of Europe's social model.

The real problem is a lack of popular consensus on what Europe stands for and where it is going. Europe must press ahead with painful economic reforms. But reform is for a purpose: not to Americanise Europe but to make our European model of society sustainable for generations to come. Essentially we need a new social consensus for economic reform as New Labour has advocated in Britain, based on a social justice argument, which is capable of uniting mainstream opinion in France and Germany, as well as Britain and Holland and the rest of the EU25.

Hitherto, Britain has offered only some of the answers to Europe's problems. This is why it is opportune that Tony Blair assumes the leadership of the European Council at this time. He should spend the British Presidency helping to drive forward the economic reforms contained in the Barroso Commission's Growth and Jobs Programme, but also formulating a new concept of a modern, reformed social Europe that offers genuine security and opportunity for all.

Making this new case for Europe can galvanise British pro Europeans. We have to put on the backburner the old argument that Britain has no alternative to Europe. The fact is that with our present economic success, there is an alternative – but one that it is not as good as being fully committed members of a reformed European Union and its vast Single Market. A more successful Europe is critical to enhancing British prospects of achieving greater prosperity with social justice, and of being part of a strong grouping of nation states that can advance shared interests and values in a world of globalisation. The time is ripe for the government to go on to the front foot in Europe but not in a divisive way. At home the Prime Minister and his colleagues should make a modern pro European case and in so doing, lead the way forward to a vision of a New Europe that all 25 Member States can share.

**ENDS** 



From the Private Secretary

2 June 2005

Dear Caroline

# PRIME MINISTER'S DISCUSSION WITH PRIME MINISTER BELKA: 2 JUNE

The Prime Minister spoke to Prime Minister Belka of Poland this morning.

Belka said that he was seeing Juncker this afternoon. They would obviously discuss the fall out from the French and Dutch votes. The fear in Poland was that he UK would call for the process to be halted. The <a href="Prime">Prime</a> Minister said there were two separate issues. The ratification process in Europe, and handling the UK referendum. He was about to introduce legislation for a referendum with the UK, but this was clearly not logical now. He would need to say that there could be no referendum for now because we needed to wait for clarity from France and The Netherlands on how they were going to resolve this situation. We were not saying it was dead. Others could go on.

Belka said that he hoped the Council would agree a joint statement that would make clear the Constitution was not dead, and that countries could proceed as they planned. Would the Prime Minister support this? The Prime Minister said that was fine, as long as no one forced the UK to have a referendum until it was the right time to have one. He was certainly not trying to impose the UK's view on others, but the fact was the French and Dutch votes had been conclusive 'nos'. They were two founding fathers of the Union. It reflected a deep feeling of unease within the EU and a European body politic that was out of touch with the people. We had to steer a course between the two extremes of declaring the Treaty to be dead, and saying that the French and Dutch votes had no implications at all. This required a profound debate about policy and direction of Europe. It was simply not possible to win a referendum in the UK until the French and Dutch positions had been resolved.

<u>Belka</u> said the concern in Poland was that the votes were seen as a vote against enlargement. It might well be the case that the Constitution could never be ratified now. Europe was suffering from a real lack of leadership. Schroeder looked damaged, as did Chirac. He suggested that perhaps only the Prime

Minister was in a position to steer the debate he was talking about. He noted that there was also a special situation in Poland, where there was overwhelming public support for Europe. This was partly why they had decided to combine the referendum with their elections.

The <u>Prime Minister</u> said that we would have a good chance as Presidency in the second half of the year to try and lead the debate on the direction of Europe. We would need to address concerns about enlargement and economic reform. We firmly believed in an open liberalised economy, and had welcomed Eastern European workers, including from Poland. He understood why Poland would want to push on with its referendum. That was a matter for Poland to decide. But he repeated that we needed a proper debate about the direction of Europe. Otherwise people would continue to see their leaders as out of touch.

Belka said that these elements all needed to be part of the June Conclusions. He noted that a final decision on the timing of the Polish referendum would need to be taken by the end of June. He hoped there would not be language that did not allow them to move forward. The <a href="Prime Minister">Prime Minister</a> agreed, and said they should keep in touch. Finally, <a href="Belka">Belka</a> asked if there was a possibility of a deal on future financing at the Council. The <a href="Prime Minister">Prime Minister</a> said it was not clear agreement could be reached.

I am copying this letter to Sir Andrew Turnbull and Katrina Williams (CO), Peter Betts (ODPM), James Bowler (HMT), Sir Colin Budd (The Hague), James Clark (Luxembourg), Sir John Holmes (Paris), Sir Peter Torry (Berlin), Charles Crawford (Warsaw) and Sir John Grant (UKREP Brussels).

Yours,

ANTONY PHILLIPSON

Art 7

Caroline Wilson FCO



From the Private Secretary

2 June 2005

Dear Caroline

# PRIME MINISTER'S CONVERSATION WITH PERSSON: 2 JUNE 2005

The Prime Minister spoke with Swedish Prime Minister Goran Persson this morning.

The <u>Prime Minister</u> said that the Dutch vote created a very difficult situation. It had been a comprehensive rejection. We now had to find a way to steer between the two extremes of saying that the Constitution was dead, or that the votes meant nothing. We couldn't just carry on. <u>Persson</u> agreed. The Swedes were taking the first step in their ratification process today. They would have to go on, but he was not happy about it.

The <u>Prime Minister</u> said the real problem was that there were two debates in Europe. One was on the rules for governing an enlarged Europe, the second was about the future political direction. At the moment it was hard to see how the first debate could go forward, or at least not until we made progress on the second. We could not save the Constitution if we simply carried on, but we could revive it later if we provided answers to the concerns that people really had. That meant we needed to manage the Constitutional process in the meantime. Some would want to push on. But for the UK there would be no point in proceeding until the French and Dutch positions were resolved. We would lose a vote in such circumstances. He noted that he had spoken earlier to Prime Minister Belka of Poland, who had wanted to carry on. We therefore needed to find a way at the Council to manage this situation, and to give people the flexibility to carry on if they wanted. But at the same time we needed to start the wider debate.

<u>Persson</u> asked if he believed that ratification by 1 November 2006 was possible. The <u>Prime Minister</u> said that was a very difficult question. It would depend entirely on how long it took the French and Dutch to resolve their problems. It was hard to see how that would be done. Re-negotiation was impossible, as was asking people to vote again on the same text. <u>Persson</u> agreed,

but noted this is not what the French and Dutch governments were saying. They wanted others to carry on, not least because if others got 'no' votes they would share the burden. He noted a growing movement within his party for a referendum. But if there was one in Sweden today it would be a clear 'no'. Therefore his clear preference was for some form of suspension of the process, while we waited for clarification of the French and Dutch positions.

The Prime Minister said there were two options. We could have an explicit statement of suspension, which would be the Prime Minister's preference, but it would be very difficult to get agreement at the Council. Or we could have a de facto suspension under cover of a call for reflection. For either we would need a separate process to change the context in which we consider the Constitution. Persson agreed, but felt the Prime Minister might be being a little too "romantic" if he believed that we could have such a wider debate. He did not believe the media, among others, would allow it. We would also have to state whether we were for or against the Constitution. He believed the key was to make ratification an open-ended process. Some countries might frankly need new governments before they could ratify. The Prime Minister agreed, but said he did not know if we could reach agreement on this. The fact was we all supported the Constitution and had all signed it. The debate in Europe was now not about the Constitution, which most people didn't know anything about. Pushing ahead on the Constitution would look silly. But we could not make suspension explicit.

<u>Persson</u> asked what the Prime Minister would say about the UK referendum. The <u>Prime Minister</u> said he would not say it wouldn't happen, but that we couldn't fix the timing until the implication of the French and Dutch votes had been clarified and their positions resolved. So we would say that we would hold a referendum when the time was right. If we went now, it would just add to the list of those who had voted 'no'. <u>Persson</u> agreed. He wanted a delay for as long as possible.

The <u>Prime Minister</u> agreed. He said that he and <u>Persson</u> should speak again before the Council. The UK Government would make a statement on Monday that was likely to say there would be no Bill providing for a referendum until the French and Dutch positions were resolved. Persson welcomed this, as that would then give him room for manoeuvre.

I am copying this letter to Sir Andrew Turnbull and Katrina Williams (CO), Peter Betts (ODPM), James Bowler (HMT), Anthony Cary (Stockholm),

Sir Colin Budd (The Hague), James Clark (Luxembourg), Sir John Holmes (Paris), Sir Peter Torry (Berlin) and Sir John Grant (UKREP Brussels).

Yours,

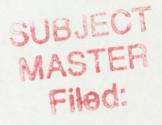
ANTONY PHILLIPSON

Alle.

Caroline Wilson FCO



From the Private Secretary



2 June 2005

Dear Caroline

# PRIME MINISTER'S DISCUSSION WITH BALKENENDE, 1 JUNE

The Prime Minister spoke to Dutch Prime Minister Jan Peter Balkenende last night, shortly after the Dutch referendum results were known.

<u>Balkenende</u> said this was a really bad result. The vote had clearly been influenced by the French 'no'. The key question was what to do next. Balkenende believed ratification should go on. He hoped this would be the conclusion of the Council on 16/17 June. What the UK did and said would be very important. He hoped we would not pronounce the Constitution dead, but we should stress the need for a period of reflection.

The <u>Prime Minister</u> said he would certainly not say it was dead. But the fact was we could not have a referendum in the UK until it was clear what the French and Dutch would do to resolve their problems. Our referendum was not due until next year anyway. We had recently introduced legislation to provide for a referendum, and may have to delay this while we reflected. But he repeated that we would not say the Constitution was dead. <u>Balkenende</u> cautioned against saying anything that would impact on those still planning to ratify. The <u>Prime Minister</u> said he accepted this. But we had to steer between the two extremes of saying it was dead, and saying that the French and Dutch votes had no impact.

<u>Balkenende</u> said he believed all Member States should make up their own mind. Some had of course already ratified it. In many places the establishment supported it, so it was not a political issue that divided the parties, but we clearly needed to consider the consequences. There would be a debate in the Dutch Parliament today. The <u>Prime Minister</u> said that people were focussed on jobs, globalistion, security, immigration and crime. But the Constitution didn't address these, very emotional, issues. Balkenende agreed. Most people had no

idea what was in the Constitution, and were voting on the basis of fear. We had to address this. The Dutch Government had tried – and failed.

The <u>Prime Minister</u> said the result should not be seen as a reflection on Balkenende or the campaign he had run. But leaders had to have respect for what the people said. He believed we could get agreement to the Treaty if, in parallel, we began a debate about the real concerns people had. We needed to set a clear political direction for Europe. <u>Balkenende</u> agreed. He noted that in some countries there had been moves towards referenda, eg Belgium, but they had then backed off because of concerns about issues like Turkish enlargement. There was a clear advantage in those countries where ratification was solely by the Parliament. Things had started to look better in the days before the Dutch vote until the French vote. After that the 'yes' vote had simply crumbled.

The <u>Prime Minister</u> concluded by repeating that we needed a proper debate about the future political direction of Europe. We could not ignore the result of the 'no' votes, but we had to find a way of keeping the Treaty if possible. He repeated that Balkenende should be proud of the effort he had put in. He suggested they speak again before the Council.

I am copying this letter to Sir Andrew Turnbull and Katrina Williams (CO), Peter Betts (ODPM), James Bowler (HMT), Sir Colin Budd (The Hague), James Clark (Luxembourg), Sir John Holmes (Paris), Sir Peter Torry (Berlin) and Sir John Grant (UKREP Brussels).

Yours,

ANTONY PHILLIPSON

Art 7

Caroline Wilson FCO



From: Kim Darroch Date: 2 June 2005

PRIME MINISTER

cc: Jonathan Powell

Ivan Rogers
David Hill
Ian Gleeson
Tom Kelly
Steve Morris
Antony Phillipson

# EUROPEAN CONSTITUTIONAL ISSUES AND PHONE CALL FROM JACK STRAW

I understand that Jack Straw will be trying to telephone you later this afternoon. If he gets through, he is going to ask you whether you are happy for him to copy around Cabinet, for collective briefing purposes, a note addressed to you about the aftermath to the French and Dutch "noes".

I attach the Straw draft. I imagine you won't want to get into detailed drafting discussions with him. I think the note is broadly OK, but needs to be changed at four points:

- Paragraph 2 isn't right, because it doesn't reflect properly your view that we need to base our arguments primarily on the "uncertainty" principle. It ought to say something like "I propose to say that it is not sensible to proceed with the next stage of the Parliamentary Bill until the uncertainty caused by the French and Dutch votes has been resolved".
- There needs to be consequential changes on the same lines in paragraph 5.
- Paragraph 6 contains some questionable assertions about the thinking behind this policy. It doesn't look to me to reflect quite where you are. And I don't see it as necessary in a note designed primarily to brief Cabinet colleagues. So I think para 6 could simply be dropped.
- Finally, paragraph 10 is effectively an invitation to the whole Cabinet to ask for, and then debate about, the terms of the Monday statement. I think

it would be better for the note not to mention this draft: it should be sorted out between No 10 and Foreign Office rather than more widely.

So the straightforward way of handling this with Jack would be for you to say that you are broadly content, but that you have doubts about paras 2, 5, 6 and 10, and that I will sort out the detail with his PS.

# Three other snippets:

- a) Berlusconi's office have passed on a message from him. He wants you to know that he had been invited by Schroeder to a "private meeting" of the Founding Six in Berlin next weekend. He had declined the invitation, because he thought it would embarrass you, since you would have been excluded. He had heard that the Dutch had also declined, so the meeting now wasn't happening. (Comment: my guess is that the Germans would have tried to get the Founding Six to call for ratification to continue regardless: precisely the sort of manoeuvring we had been expecting from them.)
- b) I've talked to Bertie Ahern's advisor. He tells me that Bertie would be keen to talk to you soon, but doesn't want to break into your holiday perhaps the weekend? On where the Irish are, they have precisely the same concerns as us about going into a referendum without clarity about French and Dutch intentions. They are under a touch less pressure because they haven't yet scheduled the Parliamentary process, let alone their referendum. But they are nevertheless being asked by Parliament if and when this will all now happen. So they too are edging towards the argument that there has to be clarity on French and Dutch intentions before any of these decisions can be taken.
- c) And I've talked to my Danish counterpart. They are in a real bind, because their referendum is already in the calendar for 27 September. Although their opinion polls are currently favourable, they are extremely worried about a French/Dutch effect dragging them down. So ideally, they would like to find an excuse for postponement. But they think that excuse has to be a collective European Council decision. And typically Danish they hope we will lead the argument on this at the European Council. I made all the obvious points about European partners pointing in different directions, and the difficulty of getting agreement on suspension. The Danes understand this, but are desperate for a way out

which doesn't put them in the spotlight. You are seeing Rasmussen on 9 June. But his advisors made it clear that, while he doesn't want to disturb your holiday, he would welcome an earlier talk with you on the telephone.

KIM DARROCH

## DRAFT MINUTE FROM FOREIGN SECRETARY TO PRIME MINISTER

### **SUMMARY**

- 1. As we have discussed, I will make a statement to the Commons on Monday 6

  June. This minute sets out my suggested approach and, in the absence of a

  Cabinet meeting this week, asks for colleagues to let you know whether they
  are content with this.
- 2. In brief, I propose to say that we will postpone proceedings on the EU Referendum Bill until the future of the Constitutional Treaty as a whole is clearer. This does not mean we are declaring the Treaty dead. This decision could only be taken by the European Council as a whole. The aim would be to signal the conclusion we had drawn from the Referenda, while not preempting collective EU discussion, and leaving us well placed to lead a future consensus.

### DETAIL

- 3. The result of the French Referendum on 29 May was a clear rejection of the EU Constitutional Treaty, by 55% to 45%, on a convincing (70%) turnout. [To update: It also seems highly likely that the Dutch will also reject the Treaty in their Referendum on 1 June.] This minute sets out what I see as the implications for us, and in particular what I propose to say in my statement to the Commons on 6 June.
- 4. Our public reaction so far has been set out by you, in your statement on 30 May, and by me the previous evening. It has been that the EU needs time to digest and reflect upon the result; that it is too soon to reach a decision on the UK ratification process; and that the EU needs a wider debate on how to reconnect with its citizens and deliver them prosperity, security and social justice. The initial reaction across Europe has been that the ratification process should continue, though we know

there are private doubts about the sustainability of this line. I expect those doubts will be reinforced after the Dutch Referendum.

- 5. The European Council will discuss the future of the Treaty and the ratification process on 16-17 June. It will not be credible for us to wait for the outcome of those discussions before we announce what the French and Dutch results mean for our domestic ratification procedure. I propose on Monday therefore to make a Commons statement and announce that the Parliamentary proceedings on the EU Bill are to be postponed, pending clarity on the way forward, and in particular on how the French and Dutch plan to achieve ratification. This will forestall Second Reading of the Bill, currently planned for 21 June. However, I will make it clear that we still regard the Constitutional Treaty as a good deal for Britain, and that postponing our parliamentary stage of ratification does not in itself mean that we will never bring the Bill back, still less amount to a pronouncement that the Treaty is dead. That decision, if it were ever to be taken, could only be taken by the European Council as a whole, nine of whose members have already ratified the Treaty. We should certainly not be the first to say it.
- 6. The advantages of making this clear now are two-fold. First, we would pre-empt domestic (Opposition and other) demands for clarity in the run-up to the European Council, by putting our view firmly on record early on. Second, we should influence the wider EU process. Our decision will be recognised as making a completed ratification process still less likely, and thus, before the European Council, should strengthen the hands of those other Member States who might also prefer to put their processes on hold pending wider discussion. This in turn might nudge along the reflection process in other Member States about whether continued ratification was really sustainable. We shall have to judge very soon what conclusions it is realistic to seek from the European Council on this point. It would be good if we could achieve consensus that some sort of 'time out' for the Treaty was inevitable. But, as of now at least, that looks unrealistic, and so we may be looking at a formula under which we collectively accept that it will be for each

member state to decide the pace of its own ratification process in the light of its domestic circumstances.

- 7. Meanwhile, there will inevitably have to be a discussion within the EU about the more fundamental reasons for the disaffection towards the EU manifested by the French [and Dutch] referenda and how the EU should respond to them. We are well placed to lead that, or at least kick it off, during our Presidency. Whether we can sensibly signal this in the June European Council conclusions (rather than provoking a sterile drafting exercise) remains to be seen. But we should certainly test the market, and draw on the Laeken Declaration which on re-reading is remarkably prescient about the wider challenges facing the European Union.
- 8. In any event, we could launch something in, for example, your speech to the European Parliament on 23 June (though we could also leave it till later), by outlining a vision to which others would start to respond. It would of course require some discussion with other Heads beforehand. We will need to decide soon how we want to take this forward, and in particular whether we want to use this debate to build a new consensus or to open up the argument between liberalisers and protectionist. If the former, your meeting with Chirac on 14 June could be important in trying to find common ground with the French on a debate about the challenges of globalisation, in the context of economic reform/social justice, security and stability, and development/environment/European values.
- 9. We will also need to spell out to EU partners that trying to press ahead with the UK's ratification in current circumstances would, in the British political context, be unmanageable (apart from almost guaranteeing the opposite result from that desired).
- 10. Assuming colleagues have no objection, I will circulate my statement to you and colleagues directly involved by, or during, the weekend.

11. I am copying this minute to Cabinet colleagues and to Sir John Grant.

(JACK STRAW)

### CONFIDENTIAL



PRIME MINISTER

From: Steven Morris
Date: 1 June 2005

cc: Jonathan Powell

Ivan Rogers
David Hill
John McTernan
Ruth Turner
Matthew Taylor
Kim Darroch
Godric Smith
Antony Phillipson

Martin Sheehan Ian Gleeson

## **EUROPE: WINNING THE DEBATE**

I promised some ideas on how we change gear on Europe, following the French and Dutch votes. Kim Darroch has provided separate advice on handling the European Council / ratification issue. This note concentrates on the wider European debate you have called for. It looks at the domestic politics as well as the EU side of the debate.

It is a first sketch of a strategy for a) how we explain and describe our European agenda, and b) how practically we advance it, starting immediately.

# 1. WHERE DO WE STAND?

An opportunity in Europe. I am optimistic about this: we have a big chance. Obviously there are risks to manage, but we should not lose sight of the fundamentals: Schroeder and Chirac have lost crushing votes; you have won a General Election. France and Germany are gripped by economic failure and

national pessimism; our economy is robust and we are Europe's most optimistic nation. This is our best EU outlook for a long time.

An opportunity in Britain. This is also a turning point in the domestic debate. First the euro, now the Constitution, have come and (?) gone. The prospect of a referendum has receded, probably out of sight. On reform, the bulk of the press is behind you. Editorial and comment in the like of the *Times* and *Telegraph* have been quite sympathetic to your call for a major debate. And objectively, Britain's position in the EU has never been stronger. The argument that Britain should disengage now looks out of date. We have a chance to regain lost ground.

A tricky paradox. Europe needs reform and liberalisation – but people in France and Germany have rejected Anglo-Saxon economics. We are clear about what is needed: a realistic approach to globalisation, more open markets, modernised welfare states and flexible labour markets. The challenge is to explain the change, and to build consent for it, Europe-wide.

A timely platform. The need for new leadership is a major theme of the European debate. Our EU Presidency is an immediate and natural platform to provide it. You will have extensive contact with the key figures in Europe, starting next week, with some set-piece occasions to set out your vision. Of course we must respect the obligations of neutrality and consensus-building, but we should be able to combine this with some clear steering of the debate.

## 2. THE DOMESTIC DEBATE

Beginning at home, we have an opportunity to rebuild on two fronts.

<u>Firstly</u>, we have a chance to renew our European policy, the focus of which has progressively narrowed to securing our red lines and winning the referendum. The new circumstances create space to flesh out a broader reform agenda, shifting the focus from the euro and the institutions to policy.

We need to put substance on this. Whitehall has neglected it while preoccupied with the referendum and now the Presidency. We need to divert some capacity on the policy and political side to work up our ideas.

<u>Secondly</u>, we have an opportunity to build a broader consensus behind strong British engagement in Europe. In practice, this means three things:

- i) giving pro-Europeans a new tune. Pro-Europeans have long been sounding forlorn. As you have said, there is a contradiction between singing the benefits of Europe and fighting battles on WTD or the rebate. Many pro-Europeans have lost faith in the euro and were always tepid about the Constitution. Pro-E commentators have been stuck in a rut of depression, recrimination and navel-gazing. We need a new narrative to enthuse them.
- ii) reaching out to moderate eurosceptics. On the Constitution and the euro, we lost the support of moderate sceptics the John Major / Economist / CBI / David Owen type. There is an opening to re-engage with soft sceptics like these, re-building a bigger tent on Europe. This is apparent even in the Telegraph: "A chance for a more realistic view of Europe ... it gives Tony Blair the opportunity to stand as a champion of a free-trading, outward-looking Europe".

are not "sceptical" in the proper sense at all: they are rejectionists. They have an ideological objection to supranational institutions. They want a free trade zone and nothing else. Their bottom line is the sovereignty of the British Parliament and the British Courts. This fundamentally clashes with QMV and the primacy of European law. For too long they have made common cause with the moderate eurosceptics – allied against the euro and the constitution. We should now try aggressively to split the two groups again: one is pragmatic and accepts the status quo; the other is ideological and wants a massive shift towards withdrawal.

We need a strategy to unite pro-Europeans and soft sceptics behind a common cause: not the euro or the Constitution, but <u>British engagement for reform</u>. And we need to set out a clear reform agenda from a pro-European standpoint.

The starting point must be agreement not to waste energy <u>fighting the system</u> <u>itself</u> (the Brussels institutions, the ECJ etc), but to <u>work within the EU system</u>, and with the new Commission, pushing the policy agenda the right direction.

Our overall case is strong: there is a big debate in Europe; it is vital Britain plays its full part; we are now stronger within Europe than ever; we can win the debate; it would be madness to turn away.

But within this, as Tom Kelly says, we need to develop a better understanding of what we mean by "economic reform". It is in danger of sounding like an empty slogan. We need to develop language which is understandable, and give ideas like "de-regulation" some definition.

## 3. THE DEBATE IN EUROPE

# i) How do we win the argument in Europe?

You have called for a big debate. We need to build support for economic and social modernisation, in the face of public anxiety, even active hostility, to anglosaxon liberalism. How?

Our greatest weakness in this task is suspicion of our agenda and our motives.

Negative images of Britain are well established in France and Germany: the belief that our social model means unacceptable inequality between rich and poor; that our working culture means long hours, low pay and "McJobs"; that privatisation has destroyed public services like the railways and Post Office.

For many in Europe, Britain is not a model to emulate but a cautionary tale of where Thatcherite excess leads. We need to change this view of Britain.

Alongside this, <u>our tendency to boast and lecture</u> others about our performance irritates people. And bearing in mind their mixed views about Britain, they take our strictures with a pinch of salt: they don't want our railways or health service. They consider their societies altogether more fair, enlightened and humane. And some also out-perform us economically. We need to find some humility.

The other great suspicion we encounter is about <u>our European credentials</u>. People are always ready to cast us as the villains of the European project, seeking any opportunity to distract from Europe integration with an alternative which, in the end, always amounts to "more free trade". We need to Europeanise our agenda.

On the European front, our challenge is to make economic reform – creating jobs and growth – a proud vocation, just as "European" as creating the euro or writing a European Constitution. We cannot lead with the chin, repeating "now we need Lisbon more than ever". We need a new angle – preserving social Europe for the future. We must argue that modernising Europe's economy is the only way to maintain the European dream.

In other words, a crucial challenge for us is to find the right language to appeal across the EU (what Timothy Garton Ash calls "talking European").

To a large extent, I think this can be done by taking Blairism on tour: picking out greatest hits from New Labour's back catalogue – "the best route out of poverty is a job", "not abandoning our values, but modernising the means of achieving them", "high welfare bills are not a badge of social achievement but a mark of social failure", etc. – and producing cover versions for the europop market.

I also think we should assert our pro-European credentials more assertively. We must challenge the assumption that those who want "more Europe" are "going ahead" while those who don't are foot-draggers. We should underline that something fundamental has changed, that the new agenda of Atlanticism, economic liberalism, and fairness for all Member States is the future, and that deeper integration and hard cores are the past.

Finally, we need to emphasise common values and highlight our other priorities – fair trade, Africa, security etc. A focus on economics alone will look too antagonistic and unattractive.

# ii) Putting this into practice

The bad news is, this will be very labour intensive. I think the prospects for making progress are good, but with 25 countries, 3 EU institutions, 600+ MEPs, and legions of European *chatterati* to win over, there are a lot of people to convince. And a lot of them are either hard work, third rate, or both.

Luckily for you, you are going to be seeing a lot of them – starting next Friday 10 June with the European Parliament visitors.

Speeches: You are considering a speech before the June Council. In any case, you have a speech to the European Parliament on June 23. These will be important occasions to set the right tone and content for this debate. We should start work immediately with a steer from you. And (unlike your Cardiff and Warsaw speeches) we need a handling plan to get full value out of them. This should involve briefings for the British and European press, and early finalisation of the text so we can issue French and German translations. This is simple, but makes a real difference.

A charm offensive: For understandable reasons, we tend to do the minimum when it comes to the European Parliament, the European media etc. To signal that we are serious, we should look again at your engagements for the period ahead and try to go the extra mile. In particular, you should consider:

 spending a day in Brussels, not stuck in the usual European Council fortress, but getting around other opinion-formers: eg. COREPER members, the European Commission in its new home, key Commission and Council officials, the Brussels great and good. There are a lot of very influential people in this small town, and they "do Europe" full time.

- inviting key European journalists to London - the likes of Serge July,

Jean-Marie Columbani and Alain Duhamel are revered figures in France
but never get top level access here. They would be impressed.

The intellectual foundations. We need to engage more actively in the battle of ideas. We need to re-invigorate the British European think-tanks like the Foreign Policy Centre and the CER. And we should mobilise the Progressive Governance, Policy Network etc. behind this agenda. We have plenty to build on here. A good start would be a session with key EU thinkers: the likes of Dominique Moisi and Francois Heisbourg. Again, we have done little to cultivate these people to date.

In conclusion, the debate is there to be had. You will need to engage intensively, but there will be no better moment than this.

STEVEN MORRIS

Fere Monis



From: Kim Darroch Date: 1 June 2005

cc: Jonathan Powell

Ivan Rogers Nigel Sheinwald

David Hill
Tom Kelly
Ian Gleeson
Steve Morris
Antony Phillipson

Sir Andrew Turnbull

# CONSTITUTIONAL TREATY: ARRANGEMENTS FOR DUTCH RESULT AND GERMAN REACTIONS TO FRENCH NO

On arrangements for the Dutch result this evening, the polls close at 9.00pm local time. Counting is electronic so ought to be rapid – and there will be exit polls. So we should be able to telephone the result through to you before 9.30pm your time.

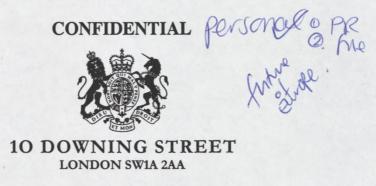
On predictions, the last government private polling showed "no" as 10 points ahead, but with the gap narrowing from previous polls. Colin Budd's prediction, on the assumption that the trend towards "yes" continues, is a win for "no" of 5-7%.

Separately, you ought to see the attached telegram from Peter Torry in Berlin about German reactions to the French "no". The Germans are strongly in the "the show must go on" camp. They of course have the most to lose if the Treaty founders, given how good the double majority voting system is for them.

KIM DARROCH

PRIME MINISTER

SUBJECT MASTER Filed:



100 500 100

1 June 2005

Dear Caroline

## EU CONSTITUTIONAL TREATY: PM-BARROSO TELEPHONE CALL

The Prime Minister and the President of the Commission, Jose Manuel Barroso, spoke on the telephone earlier today. Given the nature of the discussion, I should be grateful if you would restrict circulation to those with a real need to know.

Barroso said that matters were developing in the way he had predicted in their last conversation. He had been in touch with most EU heads of government; and had just come from a useful discussion in the College of Commissioners. Everyone anticipated a "no" in the Netherlands. But no one wanted to encourage the interpretation that this second "no" meant the death of the Treaty. Most were saying that ratification in other Member States should proceed. He personally suspected that, in time, a more realistic view would develop. But that wasn't the mood now. Indeed, Joschka Fischer was saying that no Member State should be allowed to put the Constitutional Treaty in doubt.

Barroso continued that, all that said, it was clear that some Member States shared the UK's doubts about putting the Treaty to a referendum when they couldn't answer the question of what a "yes" meant. So at the European Council discussion, the UK would not be the only Member State call for clarity on French and Dutch intentions. There ought to be a real discussion of these issues at the European Council. But for this to happen, in the right atmosphere, it was essential that no one should declare the Treaty dead, or even suspend ratification, before the Council discussion. He was worried that whatever the UK might say between now and the European Council would fall into this trap. As a supporter of the PM, he wanted to warn strongly against the UK getting itself into a position where it, rather than France, was accused of "killing" the Treaty.

The PM said that he was grateful for this analysis. He would reflect carefully. The problem was that we had launched the UK Parliamentary

ratification process before the French referendum, and would have to say something in Parliament on Monday about what was happening on the next, Second Reading, stage, which was imminent. It wouldn't be possible to avoid this. And it wouldn't make sense to carry on as if nothing had happened. But he was strongly conscious of the need not to be the first to declare the Treaty dead. Barroso interjected that this would be bad for the UK Presidency too. The PM agreed.

Barroso reiterated that, provided the UK didn't say anything before the Council which could be interpreted as abandoning the Treaty, it ought to be possible to have a rational discussion around the Council table, at which a degree of realism might dawn. Some of the Scandinavians, for example, were privately close to the UK position. He thought it still conceivable that Balkenende, if not Chirac, could be persuaded actually to propose suspension of the ratification process in those Member States where it hadn't been completed. Moreover, he, like the PM, was keen to shift the debate onto the broader economic and political direction of Europe – how to generate growth and jobs, prosperity and security. But all this depended on careful handling of the period between now and the Council. The Prime Minister said that he took the point completely.

Barroso added that he also expected a strong push at the European Council for a future financing deal. This might mean a lot of pressure on the UK over the abatement.

The Prime Minister concluded that this had been a valuable conversation. He entirely understood the risks for the UK of not taking forward ratification. This had to be balanced with telling Parliament what was going to happen on the Referendum Bill. It would be difficult to argue that the Bill should proceed while there was such uncertainty in the aftermath of the French and Dutch votes. The government would need to explain clearly that it still supported the Treaty; that the Treaty wasn't dead; that it made no sense to proceed to the next Parliamentary stage until the uncertainty was resolved. He hoped he could speak again to Barroso once the Dutch result was clear.

I am copying this letter to Sir Andrew Turnbull and Katrina Williams (Cabinet Office), Sir John Grant (UKRep), Sir John Holmes (Paris), Sir Colin Budd (The Hague), Sir Peter Torry (Berlin), James Bowler (HMT) and Lucy Bell (ODPM).

Yours,

KIM DARROCH

Caroline Wilson Private Secretary FCO

Se

From: Kim Darroch Date: 1 June 2005

cc:

Jonathan Powell

Ivan Rogers

Nigel Sheinwald

David Hill
Tom Kelly
Ian Gleeson
Steve Morris
Antony Phillipson

Sir Andrew Turnbull

# CONSTITUTIONAL TREATY: ARRANGEMENTS FOR DUTCH RESULT AND GERMAN REACTIONS TO FRENCH NO

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KIM DARROCH

PRIME MINISTER

NO 10 FOR DARROCH, SHEINWALD, PHILLIPSON, MORRIS, SHEEHAN CABINET OFFICE FOR WILLIAMS, ROSE, MAY, CAVE, HOBBS, HALPERN HMT FOR GRAY, CUNLIFFE, DAWES, JOICEY HOME OFFICE FOR PRINCE DTI FOR MCMILLAN, FARRELL DWP FOR TUCKER

### **SUMMARY**

1. Germans digging in on need for ratification continuing. Implicit warnings about impact of abandoning ratification for UK. Caution against raising prospect of renegotiation. Kanzleramt warns France will be unpredictable in coming weeks, including on Turkey. Merkel latches on to PM's comments about Europe's economic challenges. Germans will try to isolate us at June summit. Any threats will be largely sabre-rattling, though we need to watch for risks on future financing.

#### **DETAIL**

- 2. The Germans are toughening their line that ratification should continue. Schroeder's EU advisor, Silberberg, told me this afternoon that this would be Schroeder's pitch at the June European Council. All Member States were committed to ratification following the 29 October Rome signing ceremony. It was not possible to agree ratification should be suspended. Frantic European Conclusions should be avoided. We should reflect calmly the best way forward once the dust had settled later in the year.
- 3. Silberberg hoped the UK would not unilaterally announce our referendum would not go ahead. There would be a huge difference in how Member States who had lost a referendum would be seen vis-à-vis ones which had abandoned a commitment to ratify. The Kanzleramt desk officer also noted separately that all Member States apart from the UK were saying ratification should continue.
- 4. The Auswaertiges Amt (Meyer-Landrut) pushed even more strongly for continuation. We all had obligations under international law to ratify the treaty. It would be "completely wrong" for the European Council to abandon this. The treaty contained essential improvements on democracy and efficiency. Only at the end of the process should we then draw conclusions on how to bring the treaty into force (ie depending on how many had voted no). Cuntz (EU director) told us headlines such as in today's FT that the UK was "poised to ditch the treaty" were very damaging: we needed to correct such impressions. Meyer Landrut said there would be knock-on effects to other dossiers important to the UK, like Turkey and future financing, if we abandoned ratification.
- 5. On how to overcome a French (and Dutch) no vote, only the country in question could answer that. Meyer-Landrut stressed the reasons in France had been very diffuse, but had little to do with the treaty itself. We should make no rash assumptions. A new French President could hold a second vote. Concrete fears needed to be addressed, along with a much better information campaign.
- 6. Silberberg said it made no sense to consider re-negotiation. How could we find a text more acceptable to France which the UK could live with? Speculation on which

institutional measures might be saved was also pointless: each would want something different. He cautioned great care in anyone raising this. But he supported the Prime Minister's comments that we need a more fundamental debate about what type of Europe we wanted.

7. Silberberg warned that France was likely to behave quite unpredictably over the coming weeks. The mood in Paris was extremely down-beat. French colleagues recognised they had made mistakes in the campaign. Silberberg was especially scathing about how the Toulouse rally which Schroeder attended last Friday had been managed. Overall the fall-out was likely to affect France's stance on a range of issues, including WTO, market opening and, possibly, Turkey. Silberberg said Franco/German co-operation would of course continue, but any joint proposals would have little credibility at this stage. And the new mood in France meant there would be an increasing number of issues on which the two would not be able to agree.

### Opposition views

- 8. CDU leader Merkel has said ratification should continue, but Europe needed a new culture of listening. We needed to combat excess bureaucracy. Europe also needed to define more clearly its borders and have a "sincere discussion" on Turkey. Merkel's EU desk officer, Goehs, told us many outstanding referenda would probably succeed. The French could vote again under Chirac's successor. So we should not give up. But Goehs stressed Merkel agreed with the Prime Minister's comments that a key priority was to address Europe's major economic challenges in the face of global competition.
- 9. FDP parliamentary leader Gerhardt (and possible future Foreign Minister under Merkel) has also said ratification should continue.

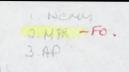
#### **COMMENT**

- 10. Continuing ratification has broad support across the political spectrum here (although the German media is much less convinced). The Germans will be working hard ahead of the June summit to establish consensus that ratification should continue. The Germans expect we will say at, or before, the June European Council that the process should be suspended. They will try to isolate us. Schroeder meets Juncker on 10 June (replacing their planned meeting yesterday). Schroeder sees Chirac the same day.
- 11. Despite Silberberg's denials, the Germans are doubtless thinking privately about which elements could be save from a slimmed-down treaty. But they will not give us any real inkling on this unless it is clear that the current text really is dead and buried.
- 12. In the meantime, we can expect the Germans might well toughen their language on what collateral damage our stance on ratification might cause us. But this is largely sabre-rattling. Schroeder and Fischer will be distracted by the German election campaign. Schroeder's line on Turkey will not change, regardless of what Chirac does. But two risks to watch: they would not hesitate to shaft us on the rebate if a deal suited Schroeder's interests. Secondly, we need to ensure that German

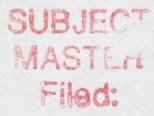
support on Working Time (which Silberberg assured me today remains rock solid) is not contaminated.

- 13. On a more positive note, it is very welcome that Merkel's team have seized on the Prime Minister's comments about a fundamental debate on the direction of the European economy. This should be a central topic for their next meeting.
- 14. Contact: paul.heardman@fco.gov.uk

## AMBASSADE DE FRANCE LONDRES



Le Ministre Conseiller



London, 9 June 2005.

Dear Mr Rogers

I have just received the original of a letter addressed by Mr Jean-Pierre Raffarin, Former French Prime Minister, to the Rt Hon. Tony Blair.

I would be grateful if you could place it before to the Prime Minister.

Yours sincerely,

Jacques Audibert

Ivan Rogers, Esq.
Principal Private Secretary
and Head of Policy Directorate
Prime Minister's Office
10 Downing Street
London SW1A 2AA

L. Premier Ministre

République Française

Paris, le [3,1 MAI 2005 nº 4089

Monsieur le Premier ministre,

Jon chen Tony,

A l'heure où je quitte l'hôtel de Matignon, je souhaite vous redire tout le plaisir que j'ai eu à travailler avec vous et ma satisfaction devant les liens étroits noués entre nos deux Gouvernements.

Nos deux pays se sont profondément rapprochés au cours de ces années de travail en commun au service d'une relation bilatérale toujours plus dense et d'une Europe plus forte. Vous connaissez mon attachement sincère, aujourd'hui comme hier, à la construction européenne et ma foi profonde dans la poursuite de son développement.

En vous souhaitant un plein succès dans la poursuite de votre mission et pour la prochaine présidence britannique, je vous prie d'agréer, Monsieur le Premier ministre, l'expression de ma haute considération et de mon fidèle souvenir.

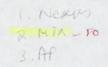
Avec use ruette consideration pour ton action chem propude amitic' pour to

persone. Take com.

Jean-Pierre RAFFARIN

Son Excellence M. Tony BLAIR,

Premier ministre du Royaume-Uni de Grande-Bretagne et d'Irlande du Nord



AMBASSADE DE FRANCE

LONDRES SUBJECT

MASTEM

Filed:

Le Ministre Conseiller

London, 9 June 2005.

Dear Mr Rogers

I have just received the original of a letter addressed by Mr Jacques Chirac, President of the French Republic, to the Rt Hon. Tony Blair.

The text of this letter has already been forwarded to the Prime Minister.

Yours sincerely,

Jacques Audibert

Ivan Rogers, Esq.
Principal Private Secretary
and Head of Policy Directorate
Prime Minister's Office
10 Downing Street
London SW1A 2AA

Monsieur le Premier Ministre,

Cha Tony,

Dimanche 29 mai, le peuple français s'est démocratiquement exprimé et a majoritairement rejeté le Traité constitutionnel européen.

Au-delà de ce que cette décision implique pour mon pays, j'ai bien conscience des conséquences que cette situation entraîne pour les partenaires de la France et pour l'Union européenne elle-même.

Mais elle ne remet nullement en cause l'engagement historique et profond de la France dans la construction européenne. La France est un pays fondateur de l'Union. Elle continuera à y tenir toute sa place, dans le respect de ses engagements, et j'y veillerai personnellement.

Alors que neuf pays l'ont déjà approuvé, il appartient maintenant à tous les autres Etats membres de s'exprimer à leur tour sur ce Traité.

Il conviendra de prendre le temps nécessaire pour bien analyser les conséquences pour l'Union du vote intervenu en France. C'est une réflexion que nous devrons commencer lors du Conseil européen des 16 et 17 juin.

Dès à présent, je tiens à vous réaffirmer mon souhait le plus vif de continuer à travailler étroitement avec vous, au service de l'Europe et de son avenir, et à renforcer la concertation entre nos deux pays.

Je vous prie d'agréer, Monsieur le Premier Ministre, l'expression de ma haute considération.

Bieg auicalegeur,

acques CHIRAC

Son Excellence Monsieur Tony BLAIR Premier Ministre du Royaume-Uni de Grande-Bretagne et d'Irlande du Nord **LONDON SW1A 2AA** 



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From the Private Secretary

30 May 2005

Dear Caroline,

# FRENCH REFERENDUM: PRIME MINISTER'S DISCUSSIONS WITH CHIRAC AND BARROSO, 30 MAY 2005

The Prime Minister spoke to Chirac and Barroso today.

## Chirac

Chirac said that there should be no definitive response to the French vote until the European Council on 16/17 June by which time we would also know how the Dutch had voted. The Prime Minister agreed. He noted that, as he had said in his public comments today, the Constitutional Treaty was an essential set of rules for the governance of an enlarged Europe, but at the same time we needed a debate about the future direction of Europe. Chirac agreed – he suggested that he and the Prime Minister should have a further discussion about this before the Council. The Prime Minister welcomed this. He asked what Chirac's sense of the mood in France at present. There seemed to be lots of different reasons for the no vote, and a general sense of unease across Europe. Chirac said that the mood in France was the opposite of that in the UK. The French people had rejected the Treaty in part because it was not social enough. It was too liberal. The UK view seemed to be that it was not liberal enough. The Prime Minister said this was why we needed to have a debate about the future of Europe.

Chirac said that his preferred way forward would be for all Member States to complete their attempts to ratify the Treaty and we could then take stock at the end of the process to see where things stood. The Prime Minister said that it would be very difficult for us to have a referendum in the light of a French no, and a probable Dutch no, without clarity on what it meant for the Treaty. Chirac said he appreciated this, but it was not for France and the Netherlands to dictate to the rest of the EU. This would be "impolite", not least to those who had already ratified. The Prime Minister said that was why we needed a discussion at the Council to agree a consensus on a way forward. Until then we needed to steer a careful path between the two extremes of calling the Treaty dead and acting as if the French, and maybe Dutch, "no's" meant nothing. Chirac agreed. He repeated that he and the Prime Minister should discuss this privately before the Council, with their advisers meeting before that. The Prime Minister agreed.

<u>Comment</u>: Kim Darroch will meet Maurice Gordault Montagne in Paris on 8 June and will take this forward then ahead of the Prime Minister's bilateral with Chirac on 14 June – we will finalise the timing of the latter this week.

### Barroso

Barroso said we were in a very difficult situation. We needed to stay calm. It was not wise to call a halt to the ratification process before the Council met on 16 June. Member States had taken on an obligation to ratify the Treaty and they should honour it unless there was a consensus in the Council to change that position. It was hard to see what the alternatives might be. A second French referendum seemed impossible, as was renegotiation. Stopping the clock was not without problems. At the same time there was a deep divide within the EU about the social model that we should be pursuing. We could end up turning a debate about institutions into a political and ideological argument if we were not careful. Barroso said that he and Juncker had tried hard to keep their comments after the French no balanced. He was very worried that Chirac would seek to blame the Commission for what had happened.

The Prime Minister said we had to avoid looking ridiculous by pretending that the French vote had no impact on the Treaty. If the French, and then Dutch, were to vote no but the political establishment were to say that there was no impact then they would look totally out of touch. The reality was that alongside the debate on the Treaty there were serious concerns about the European economy and how Europe was going to respond to a range of challenges including crime, globalisation and security. This is what the citizens of Europe were concerned about. We would only be able to get the Treaty back on track if we addressed these issues as well. The Treaty that we had already agreed might well be the right one – but it was being condemned as irrelevant. The Prime Minister added that in the aftermath of French and Dutch no votes it would be impossible to hold a vote in the UK until the situation was clarified. That required a separate, parallel, debate about the future direction of Europe.

Barroso questioned whether the conditions were right for that type of debate. The Prime Minister said that it was already underway. We had to manage it or we risked paralysis in decision making in Europe. Barroso agreed, but repeated that we had to be able to manage it or we would simply add to our problems by fostering the divide in the EU. That said, he noted that the Prime Minister, with the UK assuming the Presidency, would have the best chance to lead the debate and bridge differences. He assured the Prime Minister of his full support. But we would have to be clear that we could win the argument. In particular he wondered what the French and German reaction would be. Would they allow this to be a "civilised" debate? He cautioned the Prime Minister against declaring the Treaty dead. There were many who were watching to see if the UK would use this as a way out of our referendum problems. There were also some who wanted to keep going.

The Prime Minister said he would not declare it dead. He believed a sensible debate could be conducted. In any case, he repeated, we had no choice but to take it forward.

Barroso said that the Council discussion would be of critical importance. It was possible that the French and Dutch might say that there was a need to pause the process. The Prime Minister's views on a wider debate could play into this. He urged him to speak to Chirac beforehand. The Prime Minister said he would do so. He added that as well as the votes on the Treaty we had to take account of the electoral situation in Germany. The fact was that this was clearly not a time for "business as usual" and we could not pretend that it was.

Barroso agreed. But we needed to think carefully about the next steps. His general rule was that Europe worked best when the UK and France were in accord. Perhaps there was an opportunity here.

Barroso concluded by noting, as he did when he and the Prime Minister met on 20 May, that the French no made it even more important that we reached agreement on future financing at the June Council. He believed that the budget could be fixed at between 1-1.1% if some concessions were made. The Prime Minister said our position was very clear.

I am copying this letter to Sir Andrew Turnbull and Katrina Williams (Cabinet Office), James Bowler (HMT), Sir John Holmes (Paris), Sir Colin Budd (The Hague), Sir Peter Torry (Berlin), James Clark (Luxembourg) and John Grant (UKRep).

Yours,

ANTONY PHILLIPSON

AL-7

Caroline Wilson Private Secretary FCO





From: Sent: Debbie Chilcott 25 May 2005 12:38

To:

Jonathan Powell; Kim Darroch

Cc: Subject: Ivan Rogers; David Hill; PS Sir Andrew Turnbull; Steve Morris
PRIME MINISTER'S MEETING WITH CHANCELLOR AND FOREIGN SECRETARY, 24

MAY

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#### Jonathan

I thought I should record briefly, for internal consumption, the main conclusions of yesterday's informal Ministerial.

## French and Dutch referenda

It was agreed that:

- In France, the result could still go either way, though the last eight opinion polls had put "No" slightly ahead; in the Netherlands, a "No" looked highly probable.
- On media handling, the polls closed in France at 8.00pm UK time. There would be instant, and probably accurate, exit polls. Since the other political parties in the UK would be commenting instantly, the Foreign Secretary and Minister for Europe might need to be available that evening. A statement from the PM could follow the next morning.
- There should be a pre-emptive offer of a statement to the House by the Foreign Secretary on Monday 6 June.
- As for policy on the UK referendum, it would make no sense to hold one until it was clear
  how the French intended to reverse their "No". We would need to be cautious in public
  statement until the Dutch had held their referendum. But thereafter, the line would have to
  be that (a) there was an absolute commitment to hold a referendum in the UK before
  ratification of any Constitutional Treaty; but (b) it made no sense to ask people to vote until
  it was clear what they were voting on, and for in other words, until the French "No" had
  been resolved.
- Finally, the Foreign Secretary said that the Foreign Office would do some work on what uncontroversial elements might be salvaged from the Constitutional Treaty and taken forward, even if the bulk of the Treaty were to be abandoned. But none of this should be surfaced yet.

# Future financing

It was agreed that:

- There was little chance of a deal in June. And while there would be heavy pressure on the UK over the abatement, it wasn't the only issue unresolved. There was also the question of the generalised correction mechanism, wanted by Germany and the Netherlands because of their excessive net contributions; and the debate over the overall size of the budget - whether 1%, 1.24%, or something in between.
- Apart from preserving the abatement, it was essential to keep the overall size of the budget at or close to 1%; the Commission's proposals involved a 30% increase in the

EU budget - inconceivable for any national Finance Minister.

- A principled UK position would involve: (a) insistence on a 1% budget; (b) insistence
  that the bulk of structural and cohesion money should go to the new Member States;
  and (c) the 2003 CAP deal should be reopened, because too much of the EU budget
  was being spent on agriculture. On the other hand, it was hard to imagine this sort of
  approach getting much support from other Member States.
- As for the abatement, the weakest element of the UK argument was the fact that the
  central European new Member States with a GDP per capita at 30/40% of the UK's contributed towards it. There was a case for offering, as an end-game concession, to
  "self-finance" these contributions. But the timing of any such concession needed
  further consideration.
- There should be three pieces of further work. The Cabinet Office and Treasury should produce agreed figures for net contributions by the major Member States, and for the various options for compromise deals. The Chancellor thought the Treasury might produce a paper on the principles which should underlie the UK position in the final stages of negotiations. And the PM, Chancellor and the Foreign Secretary should meet again to discuss these issues in about 10 days.

Kim

Debbie

Debbie Chilcott PA/Kim Darroch Tel: 020 7930 4433

Fax: 020 7930 4433

From: Kim Darroch Date: 23 May 2005

PRIME MINISTER

cc: Jonathan Powell

Ivan Rogers
David Hill
Tom Kelly
Ian Gleeson
Sally Morgan
John McTernan

**Sir Andrew Turnbull** 

MEETING WITH THE CHANCELLOR AND THE FOREIGN SECRETARY ON THE FRENCH/DUTCH REFERENDA AND FUTURE FINANCING: TUESDAY 24 MAY

You are seeing the Chancellor and the Foreign Secretary at 1130 tomorrow to talk about the French referendum and future financing. I am sending you a separate paper about a possible approach on future financing, reflecting the thinking in your weekend minute. This note sets out a suggested agenda for the discussion.

# French and Dutch referenda

- a) Latest assessment: you might ask the Foreign Secretary. In France, the last six opinion polls have all had "no" ahead, at between 51% and 54%. The opinion polls in the Netherlands are at similar levels, but also predicting a small turnout. John Holmes, however, continues to predict a narrow French yes: Colin Budd in The Hague is more pessimistic about the Dutch vote.
- b) **UK reaction**: you might set out your thoughts on what should happen in the event of a no vote in France i.e. that we remain committed to a

referendum in the UK before the ratification of a constitutional treaty, but we need to have clarity about French intentions, and the fate of this treaty text, before we can take the referendum forward. You need in particular to clarify with the Chancellor and the Foreign Secretary that (i) they agree with this; (ii) they agree this means also suspending the parliamentary process and (iii) whether you think the same logic applies to a Dutch no, after a French yes (see separate note).

c) Public handling: you might discuss who does what with the media after the French vote. You thought that, whatever the result, you would need to do something from Italy. Thereafter it is presumably for the Foreign Secretary and Minister for Europe.

# **Future Financing**

- a) You might begin by asking the Foreign Secretary to report on Sunday night's discussion at the Foreign Ministers' conclave (Ukrep reporting telegram attached).
- b) You could then ask the Chancellor for his views on the prospects for the negotiation. In particular, does he think it likely/possible that there will be a deal in June?
- c) You might then ask the Chancellor and Foreign Secretary whether we are better off looking for a deal in June or subsequently, given the implications for the Presidency and an eventual UK referendum.

- 3 -

d) It is then for your judgement whether you float with them the package described in the separate paper – a two stage process, principles in June, figures later, abatement retained, but self financing of "contributions" from accession countries and an adjustment mechanism if France/Italy start paying substantially more than us.

Signed 23 May

KIM DARROCH

From: Steven Morris Date: 20 May 2005

cc:

Jonathan Powell

**Baroness Sally Morgan** 

**David Hill** 

John McTernan Kim Darroch Godric Smith Martin Sheehan Antony Phillipson

Ian Gleeson

IF THE FRENCH VOTE YES - REFERENDUM FIRST STEPS

Next week's Europe meeting

PRIME MINISTER

You have a meeting with Gordon Brown, Jack Straw and Douglas Alexander next Tuesday. This needs to agree plans for handling the French and Dutch results. If there is a French Yes, it must include both media activity and getting a proper Yes campaign going. This note sets out some thoughts on both fronts.

If the French vote Yes, we have a massive task on our hands. Even if a French Yes is followed by a Dutch No, the Constitution will have gained critical mass. The general conclusion will still be: our referendum is on.

The days that follow will inevitably be seen as the start of our referendum campaign. The media will go into orbit, writing it up as the ultimate test of your legacy; are you condemned to an un-winnable fight; is Europe again the defining issue in British politics; is the clock ticking - etc. etc. ad nauseam.

-2-

The pressure will be on to answer all the obvious questions: When does the government start campaigning? Where is the Yes campaign? Who is in charge? When will you engage? What is the Chancellor's role? Can we really win? What's the plan? How will the PLP respond...? Signs are that the No campaign will unleash immediate activity.

As you have said, there is also a wider choice to be made about our approach to this issue: "Europe's not so bad: let's make it work" or "Europe needs change – let's fight for it". Finally, there is a tension between the need for strong political leadership and the "Presidential" behaviour expected when we take the EU chair. You need to decide how to pitch our overall Europe message in this context.

## **Timeline**

The period from the French referendum to the start of our EU Presidency looks like this:

(Whit break)

Sunday 29 May

French referendum

Wednesday 1 June

Dutch referendum

(PM returns Chequers)

Sunday 5 June

30th anniversary of Britain's 1975 referendum

Tuesday 7 June

PM US visit

Wednesday 8 June

**PMOs** 

Friday 10 June

European Parliament visit to London

Sunday-Monday 11-12

PM Moscow

W/o 13<sup>th</sup> June (tbc)

EU Referendum Bill 2<sup>nd</sup> reading in Commons

- 3 -

Thursday 16<sup>th</sup> June European Council

Thursday 23 June PM speech to European Parliament in Brussels

Friday 24 June PM Paris / Berlin

Friday 1 July European Commission visit – UK Presidency starts

## Activity following a French Yes

You need to decide how and when to engage, and how to frame the debate on the right terms. The big risk is that we appear at the mercy of events – pitched into a referendum by the French vote, unprepared, the Yes campaign nowhere, getting hit by No campaign attacks, with confusion and rebellion behind our own lines. We need to demonstrate grip and confidence. The challenge will be to seize control of the agenda and establish the debate on our terms - with the No campaign and the eurosceptic media determined to keep us on a back foot.

#### Who does what

We do not have a Yes campaign that is equal to this job. Despite all our efforts, and theirs, *Britain in Europe* remains on life support. Unless things change, they will run out of money again in June (if France votes No, they might just fold).

This makes the idea of a people's Yes campaign launch, without politicians, hard to achieve until the right political conditions are created. My judgement, and that of *BiE* themselves, is that the first steps must be clear signals from the government and other key pro-Europeans that all are fully committed to the campaign. This is the prerequisite for convincing business people, donors and the media that the Yes campaign deserves to be taken seriously.

If we can establish that quickly, we could be ready for a "people's"Yes campaign launch by late June or July. But there will be a time lag between firing the starting pistol and getting money and staff into a new organisation. We could not have a really serious campaign until September. Meanwhile, the government will have to take the strain, acting as midwife to the campaign and stopping the No campaign dominating the agenda. BiE can contribute by providing audiences and back-up until they are ready to take the strain properly.

## Other political parties

You discussed before the election what roles Ken Clarke and Charles Kennedy should play. Circumstances have changed since, and the Tory leadership campaign may take Ken Clarke out of the picture. This needs to be addressed again – as does the Chancellor's role: people in the Yes camp are looking for a signal that he too is committed to winning the referendum.

# Suggested activity – first few days

The circumstances argue for an early, set piece intervention by you, with choreographed roles for the other key players, including GB.

It makes sense to wait until after the Dutch vote on 1 June – but after that we risk losing control of the agenda if we delay much longer.

We should aim to seize the initiative by fielding senior figures in the media every day, building momentum and conviction that this game is on. This would provide the impetus for a popular Yes campaign to emerge.

- 5 -

The 30<sup>th</sup> anniversary of Britain's 1975 referendum, falling on the weekend after the French and Dutch votes, is an obvious opportunity to set out the big picture historical and political case for Britain in Europe.

If you want to use this date, there are various options - a speech, a set-piece interview at Chequers, or a Sunday newspaper article. You could speak in advance to CK and KC, to make sure they knew about this plan and would respond properly.

If you want to engage <u>earlier</u>, you would need to do a bigger interview in Italy – say after the Dutch vote (in addition to the short clip planned for after the French vote).

If you want to hold off, we need to decide who should occupy the space meanwhile: GB, JS or others. Your first appearances on the issue would then be before the media in the US on 7<sup>th</sup> or at PMQs on 8<sup>th</sup> June (not ideal events).

There are other potential set pieces for you already planned in the weeks ahead – mainly your speech at the European Parliament on 23 June, and the start of our EU presidency / Barroso's visit on 1 July. These are big events, but as the month draws on, the pressure to be neutral and "Presidential" will grow. And the longer people judge that the referendum is on, but you are not engaged, the more you will be accused of drift / running scared.

Once we establish where you want to be, we can organise others around you.

-6-

### Behind the scenes

Private efforts, as well as public steps, will be needed to galvanise our coalition if the French vote Yes. We should not under-estimate the scepticism about whether the government is serious about winning a referendum.

To dispel these doubts, and to get the money and engagement we need, you will need to see yourself – perhaps along with the Chancellor – the senior Tories and Lib Dems, business figures, David Sainsbury, Anthony Nelson, other donors etc. There is no point setting these meetings up yet, but it will be a big demand on your diary if June does prove to be the start of our referendum campaign.

What are your thoughts on handling this period, and your own engagement?

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**STEVEN MORRIS** 

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From: Kim Darroch

Date: 13 May 2005

PRIME MINISTER cc: Jonathan Powell

Ivan Rogers Sally Morgan John McTernan

David Hill Tom Kelly Ian Gleeson

Antony Phillipson Katrina Williams

**Steve Morris** 

Sir Andrew Turnbull

## **DUTCH REFERENDUM**

You asked for a note on prospects for the Dutch referendum.

The poll will be held on 1 June. The Government has said that it will proceed whatever happens in France on 29 May. This will be the first ever national referendum in the Netherlands. It is advisory, but the Parliament has said that it will respect the outcome providing turnout is at least 30% (the current polling suggests a turnout of 35-40%).

The results of a government poll are carried in the Dutch Press today. This puts the "No" vote at 40% and the "Yes" vote at 39%. This is the first time that "No" has been ahead in government polls since the process started in January. But it's consistent with the trend over the last month of the "Yes" vote crumbling. Two other, independent and reliable, polls this week also had the No campaign ahead.

The government campaign is stepping up a gear, with Ministers increasingly visible, and a new emphasis on the economic case for membership, and the consequences of a "No" vote. But this has an unprepared, last minute, feel to it, so is collecting plenty of criticism. Moreover, the government isn't popular – so there's a public appetite to give it a kicking. And there is a growing mood of despondency and defeatism among officials, academics and politicians that the outcome will be a "No."

I attach a telegram from the Embassy in The Hague setting this out in more detail.

You'll recall that, in the margins of the March European Council, Balkenende asked you to help with the campaign. The Dutch government thinks would help get the Dutch Labour Party on board. According to Balkenende's people, you were positive in response, if dates could be found. They have been chasing us for an answer over the last few weeks. We have been putting them off until after the election. But we don't have this excuse now, and need to respond, one way or the other. Their proposal is a joint Balkenende/Blair rally on Thursday 26 May. You have Cabinet that day, and are going to Rome the next day, but it doesn't look in diary terms self-evidently impossible.

There are, however, risks. This would be two days before the French referendum. It's tricky to put across messages about the Constitutional Treaty, and the direction of Europe, which play well to Dutch and British audiences but don't play badly in France. So all other things being equal, I'd probably recommend against your doing this. On the other hand,

Balkenende clearly badly wants your help and is looking increasingly desperate.

Grateful for your views on whether you would wish to do this. If not, the best way of breaking it to Balkenende would be a personal telephone call. But if you would rather not, I will speak to his advisers.

KIM DARROCH

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INFO ROUTINE DEPARTMENT OF TRADE AND INDUSTRY, DFID
INFO ROUTINE EU ENLARGEMENT POSTS, EU POSTS, HM TREASURY
INFO ROUTINE HOME OFFICE, SECRETARY OF STATE FOREIGN AFFAIRS
INFO ROUTINE UKREP BRUSSELS, WASHINGTON

Number 10 for Darroch and Morris Cabinet Office for Williams, Hall and May

SUBJECT: DUTCH REFERENDUM: "NO" VOTE IN THE LEAD, IT'S OFFICIAL

#### SUMMARY

1. Dutch referendum now less than three weeks away. Two reliable independent polls in the past week suggest a 35-40% turnout and reinforce recent evidence of a NO lead. Government has just released headline figures of its May opinion poll which also suggest a NO lead (albeit a narrow one). Government admits it now has a real fight on its hands. Its campaign has stepped up a gear with Ministers more visible and focusing more on the economic case and the negative implications for the Netherlands of saying NO. But is anyone listening?

#### DETAIL

#### Latest Polls

- 2. There have been just two reliable private opinion polls over the past week. Both put the NO campaign ahead. One suggested the NO vote was only slightly ahead but holding firm. The other suggested the NO lead had increased. The poll conducted by Interview-NSS received most attention. Its first two polls had showed a YES lead and its third poll (3 May) a narrow NO lead. Its fourth poll (10 May) suggested a comfortable NO lead (62/38%), though 41% of those intending to vote were still undecided.
- 3. The other poll was conducted by the Maurice de Hond organisation. Like its last poll a week ago, it suggested a small NO lead (53/47%). The ongoing poll (now based on 35,000 website hits) conducted by an independent public body gives the NO campaign a healthy but slightly reduced lead (57/43%). Another poll for television (self-selecting respondents) suggested a turnout of 60% and (implausibly) a landslide NO victory (75/25%).

4. The full results of the MFA's much awaited May opinion poll have still not been published. But the MFA has just announced the headline results: 40% NO, 39% YES and 21% Don't know. This is the first of the government's four polls showing a NO lead. The previous poll in April had shown a narrow YES lead and the March figures had shown a comfortable YES lead. So the government's own polling research has confirmed the significant downward trend in support for the Constitution. Balkenende's spokesman was quoted as saying "we have a real fight on our hands".

#### Yes campaign

- 5. Balkenende has continued to bang the Constitution drum. President Bush visited the Netherlands over the weekend for a Second World War commemorative event. Balkenende took the opportunity in his speech at the US Military Cemetery in Margraten to talk up the Constitution. He said "European co-operation has brought us sixty years of peace, progress and security. The EU is about to take the next step, ratification of the European Constitution." His comments were widely reported in the media
- 6. The government's campaign is increasingly focused on the adverse implications for the Netherlands of rejecting the Treaty (rather than on the merits of the Treaty itself). In a TV interview, Balkenende talked about the negative implications for the country's international reputation and for Dutch business. He also gave an interview to the Haagsche Courant in which he argued that rejecting the Treaty would not, as the NO campaign says, allow the Dutch to renegotiate a better Treaty: "We have negotiated this Constitution on a thorough basis. You can't just repeat the whole process. Those who think we can are naïve". He added that EU partners believed the Netherlands had got a good deal and would tell the Netherlands to "suffer the consequences" of a NO outcome.
- 7. Balkenende also drew a link between the need, 60 years ago, for Europe to work together to prevent further wars and the need now to work together to combat external threats such as terrorism. He argued that voting NO would be to turn back the clock and be very "un-Dutch". It would also be bad for the country's credibility in the rest of Europe. He argued that the Constitution was necessary for the EU to work at 25 and to bring improvements in employment and security.
- 8. Foreign Minister Bot has been setting out the economic case. In a speech in Maastricht on 11 May on "Airbus, Europe and the Netherlands" he highlighted the advantages of European co-operation (witness Airbus) and the benefits to producers and consumers of the single market. He argued that the Constitution would create a better economic climate (less regulation, more coherent external policy, clearer division of competences) and would promote science and technology and co-operation in education and research. He called upon business leaders to make clear that many Dutch businesses and jobs were dependent upon Europe. Bot also set out the economic cost of rejecting the Treaty in an interview with the Telegraaf and in an article in the Volkskrant.
- 9. Whilst in Maastricht Bot told the press that Parliament was not doing enough to promote the Constitution. Parliament had

insisted on having a referendum, against the government's wishes, but was now silent even though 85% of MPs supported the Constitution. He also refuted accusations (eg from Dutch Commissioner Kroes) that the government had waited too long to start its campaign. Bot was also asked about the recent string of negative opinion polls. He reacted in a typically phlegmatic fashion. He was counting on the "good sense" of the Dutch people who, once they get in the polling both, "would know which side their bread was buttered".

- 10. Economics Minister Brinkhorst has now entered the fray. In an interview with the Telegraaf on 10 May he accused the NO campaign of deceiving the public and playing on the insecurities of citizens. He warned of the "catastrophe" of voting NO "The lights will go out in the Netherlands " and in particular the negative economic consequences. He also rejected the idea that EU partners would get round the table with the Dutch to renegotiate the Treaty if they rejected it. Finance Minister Zalm has also been on TV to challenge assertions by the NO campaign relating to the Euro and the Dutch net contribution.
- 11. Commissioner Frattini and John Monks have both made helpful contributions. Frattini told the Dutch press in very clear terms that the Constitution would not require the Dutch to give up any sovereignty in respect of their drugs and asylum policies (sensitive issues here) but that it would promote greater co-operation between member states, strengthen human rights and promote integration. The Financieel Dagblad reported an interview with John Monks who argued in favour of the Treaty which he saw as neither a social Treaty nor a neo-liberal one, but rather a technical improvement on the existing one.

#### COMMENT

- 12. There is no question that the NO vote has strengthened considerably over the past two months and in the last fortnight in particular. The growing realisation here that the Netherlands might reject the Treaty is plain for all to see.
- 13. The government finds itself in a hole. Key members of the Cabinet are making more speeches, getting more articles into the press and appearing more on TV. But this is an unpopular government. And it seems the people are not listening to it or do not believe what it says. So the government is desperate for help from others to get its message across. But the opposition parties which support the Treaty are keeping their distance and delivering different messages. And there is growing tension between the Parliament and the government, with each blaming the other for the weakness of the YES vote.
- 14. We can expect a strong rearguard action from the government in the next couple of weeks. But my previous analysis stands. To win this referendum the government will need more support than it has got so far and a very effective public diplomacy campaign, of which we have so far seen very little sign.
- 15. There are various theories doing the rounds on the link between the French and Dutch referendums. One such theory is that a French YES will deliver a Dutch YES since it will concentrate

Dutch minds on the cost to them of being the first (and perhaps only) Member State to reject the Treaty. I can see the logic. But we should not underestimate the strength of anti-establishment feeling here. The Dutch electorate might still be willing to cut off its nose to spite its face.

Contact: Andrew Price (00 31 70 4270 0205).

DARBY

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Foreign & Commonwealth Office

11 May 2005

London SW1A 2AH

Minister for Europe

Jack Straw Foreign and Commonwealth Office King Charles Street London SW1A 2AH



Dear Jack

I have seen Lord McIntosh's letter to you of 22 April seeking agreement on the DCMS-proposed approach to the forthcoming round of negotiations on the draft UNESCO Convention on Cultural Diversity.

I broadly agree with the negotiating position set out by Lord McIntosh. We need to bear in mind that, as EU Presidency, we will be representing the whole of the EU and as 1 July approaches, we will need to adopt a more presidential and consensus-based approach and our ability to pursue UK objectives will be constrained.

There is a diversity of opinion within the EU as regards the aim of this Convention. We therefore need to ensure that there is sufficient flexibility in our negotiating position to allow us to fulfil our presidential obligations and represent all of the EU25. During our Presidency, we should aim to pursue a Convention which meets the terms of the EU's mandate, rather than agree something in haste. Furthermore, where we have particular objectives that we wish to pursue during our Presidency, we need to think now about how we manage this, for example, by getting like-minded partners to speak on our behalf.

Given that the Convention will be a legally binding document, we need to ensure that any language agreed conforms to our existing positions on human rights. In particular we could not accept language granting collective rights, and references to the rights of indigenous peoples (in the plural). This would cut across difficult negotiations underway in Geneva on these issues. My officials will be in contact with DCMS officials to discuss these issues further.

I am copying this letter to the Prime Minister, members of EP Committee, Sir Andrew Turnbull, Sir John Grant and Kim Darroch.

Yours sincerely

Douglas Alexander