The politics of Europe 2003: differences and disagreements

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ABSTRACT

The European Union (EU) was supposed to make a great leap forward in 2003. In many ways, it did. The European Convention presented its draft constitutional treaty. The 10 candidate countries signed and ratified their treaties of accession, and the EU and the North Atlantic Treaty Organisation (NATO) agreed to share institutional resources. However, the year was marked more by division than by achievement. A series of crises over Iraq, the Stability and Growth Pact and the intergovernmental conference together shook confidence in the future of Europe. This essay examines what the implications of these crises are for Europe’s future. It argues that they represent important disagreements—but not lasting differences—between the member states. The politics of Europe remains on track at the intergovernmental level. If there are problems in Europe’s future, they are more likely to arise between elites and voters than between the member states.

INTRODUCTION

Europe made a number of decisive steps towards continental integration in 2003. The European Union (EU) and the North Atlantic Treaty Organisation (NATO) finally reached agreement on how to share military assets between the two organisations. Both the EU and NATO prepared to expand ever further into Central and Eastern Europe. The European Convention delivered its draft of a constitutional treaty, and the European Council initiated an intergovernmental conference that included representatives from 25 countries—both those already participating in the EU and those about to join.

Despite these moves towards closer integration, however, the politics of 2003 was marked more by discord than by unity. The countries of Europe disagreed over a wide range of issues, from war in Iraq to voting in the Council of Ministers, from money to faith, and from an encompassing Europe to an exclusive one. These disagreements played out within countries as well as between them. During the year, virtually every national capital experienced bouts of popular protest. While political leaders tried to curry favour with the electorate on some issues, they invariably lost ground elsewhere. As a result, Europe was not only deeply divided, but it was also increasingly moribund.
Faced with mounting popular disaffection, national elites quickly lost the room for manoeuvre that is essential to forge compromises at the European level.

A year that started with such promise for the future of Europe—and that resulted in so many major advances down the path towards integration—ended with the most acrimonious and least successful European Council summit in history. Understanding why this is so is only part of the problem. Anticipating what this experience of division suggests for the future is more important. Was this an unfortunate conjuncture of disagreements between otherwise cooperative and well-intentioned groups, or were more fundamental differences at play that could forestall further progress towards integration?

It is argued that the politics of Europe in 2003 reveals the existence of important disagreements between the member states but not lasting differences. Moreover, although we can identify political cleavages between countries or groups of countries in Europe, such cleavages tend to cut across one another rather than overlap. In this way, different coalitions of member states are possible on different issues, and no one country or group of countries is likely to find itself permanently relegated to an unsuccessful minority.

The argument is made in six sections. The first section deals with Iraq. The second focuses primarily on the European Convention but brings in issues relating to economic reform and enlargement as well. The third looks at security policy. The fourth deals with economics. The fifth section analyses the December European Council and the intergovernmental conference (IGC). The sixth section concludes by drawing attention to common factors.

IRAQ

For many observers, the politics of 2003 was dominated by the controversy over Iraq; therefore, it goes without saying that Iraq was a major source of disagreement. The problem began brewing during the summer and autumn of 2002. German Chancellor Gerhard Schröder declared his opposition to any US-led military campaign in the run-up to the September elections. Once Schröder emerged victorious at the polls, French President Jacques Chirac joined the German chancellor in opposing military intervention. The French President also set to work patching up the Franco-German relationship in anticipation of the 30th anniversary of the Franco-German Treaty of Friendship that had been agreed between French President Charles De Gaulle and German Chancellor Konrad Adenauer in January 1963. Meanwhile, British Prime Minister Tony Blair moved ever more staunchly behind the foreign policy of US President George W. Bush. The coincidence of events was reminiscent of the great transatlantic schism of the early 1960s.

Nevertheless, it would be a mistake to overestimate the importance of Iraq already in 2002. Blair did part company from Chirac and Schröder in October of that year, but he did so over agricultural policy and not over foreign policy (Jones, 2003: 375). If anything, European disagreements over Iraq eased with the passage of United Nations Security Council Resolution (UNSCR) 1441 on 8 November. The resolution seemed to offer a reasonable compromise between the German (and French) desires to avoid a military conflict and US (and British) desires to increase pressure on Iraqi President Saddam Hussein to eliminate his country’s capabilities to produce weapons of mass destruction. Paragraph 12 of the resolution implies that the UN Security
Council would ‘convene immediately’ to authorise any additional action that might prove necessary, or to sanction any non-compliance. Meanwhile, paragraph 13 warns Iraq ‘that it will face serious consequences as a result of its continued violations of its obligations’ (United Nations, 2002).

Certainly, both sides of this combination were acceptable to French Foreign Minister Dominique de Villepin. In successive interviews given in the weeks following the adoption of UNSCR 1441, de Villepin insisted that ‘there is no question of putting up with the status quo’; that ‘if [Saddam Hussein] doesn’t comply, doesn’t fulfill his obligations, the recourse to force will be triggered’; and that ‘we would have to go back to the Security Council and consider all the options’. The December European Council meeting in Copenhagen took a similar view. In a declaration appended to the presidency conclusions, ‘the European Council [underlined] its full and unequivocal support’ for UNSCR 1441, and it underscored that ‘the role of the Security Council in maintaining international peace and security must be respected’ (Council of the European Union, 2003a: 16). This final phrase is rich with diplomatic ambiguity and can be read to apply to Bush, as well as to Saddam. Nevertheless, the fact that Europe’s member states were able to arrive at a compromise position is significant.

From this standpoint, the full-blown diplomatic crisis that erupted in January 2003 came as a surprise. On 20 January 2003, de Villepin emerged from a Security Council meeting on international terrorism to announce to journalists that ‘we believe nothing today justifies envisaging military action’ in Iraq. Moreover, ‘if there’s a decision to change tack, if the US decided at some point to envision unilateral military action, the first question that we would ask would be about the legitimacy of this action’. Finally, de Villepin suggested that France would act to prevent the USA from taking military action through the UN: ‘From that point on, you discuss the right of veto. France, as a permanent member of the Security Council, will assume all its responsibilities, faithful to its principles . . .’. Within a day, Schröder took these sentiments even further, insisting: ‘do not reckon with Germany approving a resolution authorizing war. Do not reckon with that’ (Tagliabue, 2003).

These pronouncements caught both the British and the Americans off guard. Blair announced that he was preparing to send some 30,000 troops to the Middle East on the same day that de Villepin gave his press conference at the UN. Meanwhile, US Secretary of State Colin Powell, present at the UN for the same meeting on terrorism, had no forewarning that de Villepin would raise the prospect of a French veto in the Security Council in conversation with reporters just outside the Security Council chambers. For both Blair and Powell, the Franco-German position put an end to any aspirations to achieve a second UN Security Council resolution authorising the use of force. By implication, it also put an end to a compromise position that could be accepted by all EU member states.

It was the reaction of US Defence Secretary Donald Rumsfeld, however, that underscored the importance of the divisions in Europe surrounding the question of Iraq. When asked in a press conference on 22 January about European opposition to US policy, Rumsfeld opted to challenge the reporter’s fundamental assumptions:

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1 For transcripts of Mr de Villepin’s interviews, see the various French embassy websites. The citations included here are from interviews given on 9 and 11 December 2002, shortly before the Copenhagen European Council summit.


'Now you're thinking of Europe as Germany and France. I don't. I think that's old Europe'.

Coming on the heels of the Franco-German demarche, the rhetorical distinction between 'old' and 'new' European solidified divisions over Iraq. On 30 January 2003, the president of the Czech Republic and the prime ministers of Denmark, Italy, Hungary, Portugal, Poland, Spain and the UK issued a joint statement arguing that the UN Security Council should 'face up to its responsibilities'. Less than a week later, the foreign ministers of Albania, Bulgaria, Croatia, Estonia, Latvia, Lithuania, Macedonia, Romania, Slovakia and Slovenia called 'upon the UN Security Council to take the necessary and appropriate action in response to Iraq's continuing threat to international peace and security'.

Of the 18 countries involved in expressing support for US policy, Italy was the sole representative of the six original members of the European Economic Community. Hence, not only was any pretence to European unity on Iraq obliterated, but the normative leadership of the traditional core Europe was brought into question as well. This time it was France's turn to be caught wrong-footed. When the European Council came together to issue a joint statement on Iraq on 17 February (Council of the European Union, 2003b), Chirac used it as a platform to express his disapproval of the actions of other European countries, particularly those still negotiating to join the EU like Romania and Bulgaria. As a result, diplomatic nicety dissolved a barrage of phrases like 'infantile', 'ignorant', 'dangerous' and 'not well brought up'. The governments of the Central and East European countries were quick to respond with shock and indignation.

OLD EUROPE, NEW EUROPE AND THE EUROPEAN CONVENTION

Rumsfeld's old-and-new distinction is rhetorically significant but analytically confusing. To begin with, old Europe is much more clearly identifiable than new Europe. France and Germany are a recognisable group; Britain, Spain, Italy, Poland and the 14 other putative supporters of US foreign policy are not. Even worse, the old–new distinction obscures a more important controversy over the future development of European institutions (Norman, 2003: 155–188). On the surface, that controversy centred on a range of very practical considerations, such as the durability of the Council Presidency, the institutional allegiance of the European Foreign Minister, and the structure of the European Commission. Beneath the ins and outs of alternative institutional architectures, however, the real debate was about the fundamental principles behind European integration. Is Europe supranational or intergovernmental; is it federal or confederal; and is it a Europe of peoples or a Europe of states? The answers to such questions are anything but obvious (Jones, 2004a). Moreover, they have much less to do with old Europe and new Europe than with larger and smaller member states—throwing Britain, Spain, Italy and Poland together with France and Germany against the rest.

2 The full text of the statement can be found at http://www.kprm.gov.pl/english/1433-5777.htm.
3 Http://www.expandnato.org/v1003.html.
The small-country position was staked out in a short memorandum by the Benelux countries already in December 2002 and reflected broadly consistent views that can be traced back through the Nice European Council summit of December 2000 to the early 1960s (Jones, 1993; Jones, 2001: 370–372). In their contribution, the Benelux representatives supported the strengthening of the European Commission, the preservation of ‘the principle of equal treatment of all member states’, and the greater involvement of national parliaments. By contrast, they rejected the strengthening of the Council of Ministers, the election of a Council Presidency, and the creation of a ‘Congress of the peoples of Europe’ (European Convention, 2002). This small-country vision of Europe is more supranational than intergovernmental, more confederal than federal, and more a union of states than a union of peoples.

The Franco-German position emerged in a contribution made jointly by Dominique de Villepin and his German counterpart, Joschka Fischer, on 16 January 2003. They called for an elected European Council Presidency, as well as for a more stable leadership in the Council of Ministers, a streamlined Commission, and the encouragement of greater cooperation between national parliamentarians (European Convention, 2003a). This conception of Europe is not diametrically opposed to the small-state vision, but it is fundamentally different. The notions of elected leadership and greater stability in the Council of Ministers seem to work against the equal treatment of member states; the streamlining of the Commission gives greater power and influence to the Council of Ministers and the European Parliament; and the suggestion of interparliamentary cooperation subtracts emphasis from the importance of national sovereignty (underscored in the Benelux paper). Hence, the large-country vision is at the same time more intergovernmental and more federal, and it threatens to develop as a union of peoples rather than as a union of states.

The reaction to the Franco-German paper was immediate and vocal. On the same two days (20–21 January) that de Villepin and Schröder made clear their opposition to the war in Iraq, the small-country representatives to the European Convention attacked what they saw as a large-country plot to seize control over the institutions of the EU. Time and again, speakers rose to emphasise the importance of preserving the equality of member states, a strong and independent European Commission, and the balance between European institutions. The official summary of the plenary debate emphasises the Convention’s desire to promote ‘a mixed system, combining both federal and confederal elements’ (European Convention, 2003b: 8). However, journalist and observer Peter Norman casts the outcome in much starker terms (Norman, 2003: 179–181). The smaller countries were no more grateful for being threatened in the EU by France and Germany, than France and Germany were for being discounted in the UN by the USA.

The difference between the two situations is that while the USA moved outside the UN framework in order to assert its leadership of the ‘coalition of the willing’, France and Germany opted to remain within the Convention but without exercising strong leadership. Norman (2003) notes repeatedly in his book-length account of the Accidental Constitution that the January 2003 memorandum was the last major intervention by the Franco-German couple. Ironically, the Franco-German proposals thrived from this neglect. Although the smaller states continued to organise in opposition, the strength of their union derived largely from the perception of a large-country

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7 Norman (2003: 177–178) makes it clear that the Franco-German position came from Chirac and Schröder, and that it attracted only limited support from Fischer.
threat. Given the relative inaction of the Franco-German couple in the Convention, this perception weakened over time, creating space for the many different divisions between the small states to fester, and handing effective control of the Convention back to its president, Valéry Giscard d’Estaing, and his praeidium.

It would be comforting to believe that this soft approach by the French and the Germans was more a result of design than of circumstance. Unfortunately that is not the case. If anything, both sides of the story—Franco-German inactivity and small-state divisions—return the focus of attention to the notion of old Europe. If France and Germany were negligent, it is because they were distracted both by events in the world at large and by the poor state of their own economies. By the same token, if the smaller countries were divided, what could that bode for the functioning of European institutions after enlargement? Old Europe is ineffective and sclerotic in its own right, and it can only get worse with the addition of 10 new member states.

Three events in the spring of 2003 brought these implications to the fore: the March European Council economic summit in Brussels, the onset of fighting in Iraq and the April European Council summit to sign the acts of accession in Athens. The March European Council summit could only reflect the prevailing difficult economic circumstances. Hence, although the presidency in its conclusions asserts that ‘considerable progress has been made’ in transforming the EU into ‘the most competitive and dynamic knowledge-based economy in the world’, it could not but note that ‘the European Union is currently facing a slowdown in growth and job creation’; ‘the economic slowdown has lasted longer than anticipated and the outlook is clouded by economic uncertainties and global risks’ (Council of the European Union, 2003c: 2–6). Moreover, France and Germany were two of the worst performing economies, with higher than average unemployment, slower than average growth and burgeoning fiscal problems (see below).

Coming on the heels of the poor performance in 2002, the summit conclusions effectively underscored the inability of old Europe to reform its economic institutions.

The bad economic news of the March European Council summit was overshadowed by the start of military operations in Iraq. Air strikes announced the start of the hot war on the night between 18 and 19 March, and the campaign began in earnest just as the heads of state and government were sitting down to dinner in Brussels. The pyrotechnics of war distracted television audiences from the poor state of the French and German economies, but they could only underscore the lack of coordination in EU foreign affairs. The presidency conclusions to the March summit address the concerns of all parties—a strong UN, a capable European foreign and security policy apparatus, a robust transatlantic alliance, and a stable and democratic Middle East (Council of the European Union, 2003c: 31–34). Yet the message they imply is exactly the opposite—a weak UN, an incompetent (or even irrelevant) European foreign and security policy, a divided Atlantic community, and a tumultuous Middle East.

The imminent prospect of enlargement only emphasised the divisions. The Greek presidency scheduled a special European Council summit in Athens on 16 April to mark the signing of the treaties of accession. In doing so, the Greek presidency hoped to close one chapter of integration (the joining of 10 new member states) and open another (the ushering in of the EU’s new draft constitutional treaty). In the event,

8 For comparative data, see http://europa.eu.int/comm/economy_finance/indicators/annual_macro_ economic_database/ameco_en.htm.
however, the Iraq war cast its pall over this summit as well. The coalition forces achieved most of their operational objectives in just over four weeks and despite what appeared to be initial setbacks during the crucial opening days of fighting. In the days before the Athens summit, the war appeared to have been an overwhelming military success. By contrast, the signing of the accession treaties had the look of a long-overdue, even lacklustre, affair. The work of the Convention fell noticeably behind schedule, and the division of European member states into ‘larger’ and ‘smaller’ had scarcely abated. The Athens declaration announced that ‘our collective project, our European Union, is a dynamic one’ (Council, 2003d: 2). But here again, the implication was exactly the opposite. If old Europe demonstrated the sclerosis of age, new Europe lacked a clear identity. It cannot be dynamic because no one can be sure what this new Europe is, what it wants and what it is willing to commit.

SECURITY POLICY

The slow pace of European integration in the early months of 2003 reflected the weakness of disagreement. The member states could not decide what to do, and so they could not do anything (or at least not very much or very quickly). The slow pace of European integration was not, however, a European celebration of weakness. Neither the division over Iraq, nor the conflict over institutional design, nor even the prospect of enlargement, was part of some larger ambition to rid the world of power politics. If anything, each of these conflicts reflected power politics, as the representatives of different countries struggled to ensure that they made the most of the institutions and resources available to them in order to respond to important domestic concerns and protect and pursue vital interests.

The overwhelming presence of power politics in 2003 can be illustrated with four contrasting examples from the realm of security policy: member state actions outside the NATO and EU frameworks; NATO actions without reference to the EU; EU actions without reference to NATO; and EU actions within a NATO context. Given the analytic nature of these categories, the chronology inevitably jumps around a bit. However, the examples are all drawn from the first eight months of the year.

The clearest example of member state actions outside the NATO and EU frameworks is to be found in the ‘coalition of the willing’ that participated in the war in Iraq. Although this coalition has often been derided as a smokescreen for US unilateralism, the fact remains that a substantial number of European countries sent forces into the Middle East, albeit predominantly for combat-support operations. The Czech Republic sent chemical weapons disposal teams. Denmark and Spain sent medical support teams. The Netherlands contributed defensive Patriot missile batteries, and so on. The question is not why these countries did not play a more active role. Rather, it is why they chose to play any role at all.

The practical effectiveness of these European units was hardly the decisive factor. The US ground campaign would neither succeed nor fail on the basis of European commitments—apart from, perhaps, the very sizeable contribution of troops by the UK. Moreover, popular opposition to the war was considerable. Protests rolled across European capitals throughout the early months of 2003. Indeed, 15 February witnessed the largest global protest in history, with the four most important venues being

9 This idea that Europe is intended to rid the world of power politics is made forcefully by Robert Kagan in his oft-cited works on the transatlantic relationship (Jones, 2004b: 600–604).
Rome, Barcelona, London and Madrid—all located in coalition countries. Almost all explanations for European participation centre on the recognition of power politics—either as a counter-response to a perceived threat from Iraq, or in reaction to the cajoling of US officials, or, most important, out of recognition that partnership with the USA is essential not only to the pursuit of national and European interests in the world at large, but also to the maintenance of some kind of balance of power between member states within Europe itself.

These points are not self-evident within the context of Iraq. They are more evident within the wider ‘war against terror’ and specifically with reference to peace-building in Afghanistan. Here we move from member state actions outside NATO and the EU, to NATO actions outside the EU framework. Between February and August 2003, the Germans and the Dutch jointly directed the International Security and Assistance Force (ISAF) responsible for aiding in the rebuilding of the Afghan capital city of Kabul. Given the heightened tension in the Middle East region, coupled with the drawing down of US forces to serve the campaign in Iraq, the Germans and the Dutch requested that operational responsibility for ISAF be supported by NATO infrastructure for operational planning, command and control. In this way, NATO could provide greater continuity of leadership and resources, making it possible to improve ISAF performance in Kabul and to expand its competence to the rest of Afghanistan. Neither the Dutch nor the Germans wanted to shy away from their international security commitments. However, they recognised that institutionalised efforts offer greater efficiency and effectiveness than ad hoc procedures. In this sense, NATO is not a substitute for power politics. Rather, it is a force multiplier for smaller countries. NATO officially assumed control over ISAF operations on 11 August, with the Germans providing the largest contribution of military personnel (NATO, 2004).

The EU offers another source of institutional support for the projection of force abroad. Here the example is the relatively small intervention by EU member states in the Democratic Republic of the Congo (DRC) from June to September 2003. The intervention was in response to the threat of genocidal slaughter in the north-eastern Ituri province of the DRC centring on the town of Bunia. Although the UN had peacekeepers in the area, they were not authorised to use force. As violence escalated in May, the UN Security Council issued a resolution changing the rules of engagement to authorise a wider international intervention. The EU took the lead as an autonomous force, within the UN mandate, but without recourse to NATO resources. Code-named Artemis and under French leadership, the operation represented a first coordinated projection of force as part of the EU’s common foreign and security policy. Once again, the role of institutions was to supplement and not to replace the use of power politics.

The difficulty is that there are clear limitations to the operational capability of the EU acting alone and equally clear inefficiencies should the EU attempt to develop the same institutional capabilities maintained by the NATO alliance. Here there was a clear division between the EU member states, with France and Germany emphasising the development of an autonomous capability while Britain and others stressed the importance of developing closer cooperation between the EU and NATO. Franco-German efforts culminated unsuccessfully in a 19 April summit on European security cooperation. Although touted as an open meeting for like-minded member states, the

10 Http://www.wordiq.com/definition/Global_protests_against_war_on_Iraq_%28pre-war%29#February_15.2C_2003_protests.
11 Http://ue.eu.int/cms3_fo/showPage.asp?id=605&lang=en&mode=g.
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summit in Brussels ultimately attracted only four powers: Belgium and Luxembourg, in addition to France and Germany.

The alternative to an autonomous capability rested on the development of so-called Berlin Plus arrangements for the use of NATO assets by the EU. These arrangements had been in discussion since the ministerial meeting of the North Atlantic Council in Berlin on 3 June 1996. However, the discussions had foundered on the complicated relationship between Turkey’s role as a NATO member state and its desire to be treated as an EU applicant (see Jones, 2002: 376).

The December 2002 Copenhagen European Council decision to strengthen the accession strategy for Turkey helped to overcome this hurdle in relations between the EU and NATO (Council of the European Union, 2003a: 5–6). Progress in negotiating the Berlin Plus arrangement accelerated rapidly, with a joint EU–NATO declaration on 16 December 2002 and a ‘comprehensive arrangement for EU–NATO relations’ on 17 March 2003. The first EU use of NATO assets under the agreement started almost immediately as the EU assumed responsibility for peacekeeping in the former Yugoslav Republic of Macedonia on 31 March. The operation was small, but the implications were important. Once again institutions became a vehicle for the projection of force and an instrument in power politics. This time, however, the choice of institutional context was a function of power politics as well.

If the smaller countries of Europe were more supportive of Berlin Plus arrangements than they were of the four-power summit organised by France and Germany, it is because they were more comfortable working through a NATO-supported context than attempting entirely new security institutions under Franco-German leadership. It is here that the conflicts over EU institutional design and over US policy in Iraq intersect—at least for some countries (like the Netherlands, which was quietly supportive of the Atlantic alliance and noticeably absent from the four-power summit in Brussels).

Recognising the ubiquity of power politics is not the only reason for following the security policies of European countries. Close attention to security policy in the first half of 2003 reveals two other factors as well. The first is that Europe—whether old or new—has been much more active than is generally acknowledged. It may not engage in huge adventures like the US mission in Iraq, but the merits of the case for war in Iraq were disputed, and most international crises are not of that magnitude in any event. The second is that European actions have been uncoordinated across a range of different institutional possibilities. By implication, they have also been inefficient. This second point was hardly lost on the Europeans themselves. Going into the June European Council Summit in Thessaloniki, the High Representative for the Common Foreign and Security Policy of the Council of Ministers, Javier Solana, prepared a draft European Security Strategy to bring coherence to Europe’s security identity (Haine, 2003).12

The European Security Strategy marked a watershed in the conflict over European security policy. On the one hand, the document makes the bold assertion that ‘if we are serious about new threats and about creating more flexible mobile forces we need to increase defense resources’ (Solana, 2003: 14). On the other hand, the document concedes that ‘in a world of global threats, global markets and global media, our security and prosperity depend on an effective multilateral system’; it acknowledges

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12 Although the first draft of the European Security Strategy bears Solana’s name, most of the drafting was done by the British diplomat-turned-European official, Robert Cooper.
that ‘there are few if any problems we can deal with on our own’, and it insists that ‘the transatlantic relationship is irreplaceable’ (Solana, 2003: 8, 15). The Thessaloniki European Council did not adopt these recommendations immediately—and many of the stronger statements would be watered down in a later revision (see below)—but it did endorse the paper as the basis for future discussions, and during the course of those discussions, divisions over the appropriate balance between autonomy and cooperation became less important. Indeed, the thaw started with a broad reconciliation between France, Germany and Great Britain at a trilateral summit in October (Menon, 2004: 642). Although disagreements over Iraq persisted, these did not reflect fundamental differences as the old Europe–new Europe labels would suggest.

**ECONOMIC POLICY**

The arguments about European security policy in 2003 are interesting as an illustration of how member states disagree over the uses of particular institutions. The arguments about economic policy are interesting insofar as they reveal disagreement about how institutions can be manipulated and when they can be ignored. Here three themes are recurrent: the (in)equality of member states, the ubiquity of power politics and the influence of factors beyond national or European control. This economic story can be told through three examples: the common agricultural policy (CAP), the common monetary policy and the experience of macroeconomic policy coordination, specifically the excessive deficit procedure.

The example of the CAP begins with the October 2002 agreement between France and Germany to preserve agricultural subsidies in real terms throughout the 2007–2013 financial perspective. At the time, the Franco-German agreement infuriated the British and threatened to provoke a Dutch veto of the accession process (Jones, 2003: 375–376). However, it later proved useful in overcoming French objections to a sweeping reform of the CAP. On 26 June, European ministers announced that the financial instruments used for agricultural subsidies would be shifted in focus from maintaining prices to maintaining incomes. Thus, while the cost of the policy would remain the same, the effects of the subsidies would be ‘decoupled’ from agricultural production per se. Chirac insisted on a longer transition period for French farmers than for the rest of Europe. However, ultimately, he accepted the general principle of focusing on income and not on prices.

The French policy represents an attempt to make the best of an obviously untenable situation. Economists had long maintained that the CAP was distorting both international and European markets beyond any justifiable political rationale, and they also calculated that enlargement would soon bankrupt the CAP in any event. Shifting the focus of support from prices to incomes promised to kill two birds with one stone. It would not only have the advantage of solidifying the finances for the CAP in the light of enlargement, but it would also help to shield the European agricultural regime from discussions under way in the Doha Round of the World Trade Organisation negotiations. In the event, however, such French hopes proved to be illusory. Although the CAP reform was sweeping from a European perspective, it was viewed as inadequate by the developing countries engaged in the Doha talks. European Trade Commissioner Pascale Lamy barely had the chance to make his presentation at the September 2003 Cancún meeting of the Doha talks before the G-21 group of developing countries moved to block the negotiations until both the USA and the EU agreed to discuss more significant agricultural reforms.
The development of the common monetary policy also reveals a mix of national ambition and global constraint (or unintended consequences). Here two factors are important: the indicators that feed into the policy and the political independence of the policy-making process. The original design of Europe’s monetary policy closely mirrors German preferences. The policy not only relied on the growth in broad monetary aggregates (M3) in addition to expected price inflation, but it also adopted an absolute notion of price stability as medium-term projected rate of ‘less than 2%’ growth in the European harmonised index of consumer prices (HICP). As it turned out, however, neither of these preferences became effective guidelines for policy. The growth of M3 consistently outpaced the reference values published by the European Central Bank (ECB) even as output growth was declining. Meanwhile, the actual level of HICP inflation often exceeded two per cent. When the ECB announced its review of monetary policy procedures in May 2003, both indicators underwent a transformation. Analysis of M3 growth receded into the background of monetary policy making, and the notion of price stability changed to ‘close to 2%’. Ironically, the revised strategy for monetary policy making in the single currency came to resemble current practice in the UK more than past practice in Germany.

The political independence of the policy-making process is revealed in the changeover of the ECB presidency from Wim Duisenberg to Jean-Claude Trichet. Originally, Chirac endorsed Trichet as a candidate in opposition to Duisenberg in order to secure French leadership over Europe’s monetary institutions. This move created a minor furore concerning the political independence of the ECB even before the institution was launched. The crisis was resolved only once Duisenberg agreed to stand down as president before the end of his eight-year term (Pierson et al., 1999: 282–283). Unfortunately for Chirac, Trichet soon became embroiled in a scandal concerning his participation on the board of Credit Lyonnaise. Trichet could not assume the presidency of the ECB until the legal proceedings came to their conclusion. By implication, French leadership of Europe’s monetary institutions became hostage to the French courts. Trichet was finally acquitted on 18 June 2003, and he was quickly confirmed to replace Duisenberg from 1 November. However, once in office, Trichet proved himself to be more ‘German’ than ‘French’ and at least as staunch an advocate of preserving the political independence of the ECB as Duisenberg. He also emerged as a stark critic of French fiscal policy—a fact that Chirac must surely regret.

The economic developments that most dominated the politics of 2003, however, lay in the realm of macroeconomic policy coordination and specifically with reference to the excessive deficit procedure in the context of the Stability and Growth Pact (SGP). The excessive deficit procedure dates back to the original Maastricht Treaty negotiations of the early 1990s, when German negotiators insisted that the EU have some means to prevent member states from running up unsustainable and therefore inflationary debts and deficits. During the mid-1990s, however, the Germans came to the view that the excessive deficit procedure was too open-ended. Therefore, they argued that the procedure should be strengthened with a stability pact committing member states to target their fiscal policies to close to balance or in surplus over the medium term and to tighten the timing and enforcement of the excessive deficit procedure. This policy was adopted in the form of the SGP at the June 1997 European Council summit. All along, the assumption was that the other member states of Europe would

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13 For an explanation of the policy shift, see the ECB’s website http://www.ecb.int, and particularly the press conference held on 8 May 2003.
have to be compelled to live up to German standards of fiscal performance. The French reluctantly agreed on condition that Germany accept a wider commitment to growth and employment. At the time, however, this concession was regarded as being of only marginal significance (Pierson et al., 1998).

The Council of Economics and Finance Ministers (ECOFIN Council) initiated the excessive deficit procedure against Germany on 21 January 2003 and against France on 3 June. The Germans were contrite; the French were not. In the event, however, this difference mattered very little. By summer it was clear that neither France nor Germany would be able to bring their fiscal accounts to within the norms established in the Maastricht Treaty. Chirac explained this away during his traditional 14 July interview, pointing out that ‘it is not only a stability pact, it is a stability and growth pact’. From the French perspective, that has always been the case. Schröder’s subsequent clarification is somewhat more surprising:

President Chirac made a great and really very important speech. He made clear that the pact is called the Stability and Growth Pact for a good reason. Everyone only ever talks about the stability pact. But it’s called the stability and growth pact. And on that basis, it is possible and necessary—and I agree with Chirac on this—to stimulate growth.

The inability and refusal of France and Germany to bring their fiscal accounts within compliance of the excessive deficit procedure collided with the strict timetables set down in the legislation provided by the SGP. As a consequence, the ECOFIN Council met on 25 November to determine whether the procedure should be allowed to proceed to the point at which it would become possible to begin levying sanctions against Europe’s two largest economies. Unfortunately, the Council could not arrive at a qualified majority to advance with the procedure. This possibility had not been foreseen when the SGP was written, presumably because no one ever expected that Europe’s largest economies (and therefore largest voting blocks) would not form part of the necessary qualified majority. In the resulting legal limbo, the ECOFIN Council voted to hold the excessive deficit procedure for France and Germany ‘in abeyance for the time being’, essentially suspending the rules for fiscal stability because they no longer suited their authors (Council of Ministers, 2003: 15–22).

The reaction to this decision was unprecedented. The European Commission insisted on lodging its objections in the minutes of the ECOFIN Council meeting itself, suggesting that it would ‘examine the implications of these conclusions and decide on possible subsequent actions’ (Council of Ministers, 2003: 22). The ECB issued a press statement in support of the Commission’s objections and ‘strongly [urging] the governments concerned to live up to their responsibilities’ (European Central Bank, 2003). Newly installed ECB president Jean-Claude Trichet testified before the European Parliament that ‘the conclusions adopted by the ECOFIN Council carry serious dangers’. And European Commission president Romano Prodi insisted that ‘we should not take short cuts whenever the rules of the Pact and the Treaty, rules that were agreed unanimously, become demanding or inconvenient’ (Prodi, 2003: 5). To a certain extent, however, such reactions were predictable; the reactions of the smaller member states were not.

The case of the Netherlands is particularly important. The Dutch have long been among the most assiduous adherents to German monetary preferences and to European rules for fiscal discipline. They were the only country to go through the currency

\[14\] The transcript can be downloaded from the Elysee website: http://www.elysee.fr.
\[15\] Agence France Presse, 16 July 2003.
\[16\] The transcript of this testimony is available at http://www.ecb.int.
crises of the early 1990s without changing their exchange rate against the German mark. They have provided a model for economic reform that is widely admired in Germany, and they also provided the first president of the ECB, Wim Duisenberg, with explicit German support. Therefore, the Dutch were adamant that the procedures of the SGP must be respected. When they were not, the Dutch Finance Minister even suggested he might lend support to any legal proceedings by the European Commission against the Council of Ministers, in effect providing evidence in a suit against himself.\footnote{\emph{Le Monde}, 25 November 2003.}

The Dutch position is doubly ironic. First, the Netherlands has no interest in seeing slow growth in Germany and has every interest in having German growth accelerate in order to pull the Dutch economy out of its prolonged poor performance. Second, Dutch fiscal finances were hardly in much better shape. Although the Netherlands remained outside the excessive deficit procedure, it was clear to all that the Dutch would soon receive a warning from the European Commission. Nevertheless, the Dutch position is consistent with small-state concerns to protect the power of the European Commission and to ensure that all member states are granted formal equality under the rules for European integration. What is important is not that the SGP was suspended per se; rather it is that France and Germany were the countries responsible for suspending the SGP.

THE DECEMBER EUROPEAN COUNCIL AND THE INTERGOVERNMENTAL CONFERENCE (IGC)

The breakdown of talks in the IGC at the December European Council brought all the various divisions that had been witnessed during the course of the year together in a single disagreement over voting weights in the Council of Ministers between France and Germany on the one hand, and Spain and Poland on the other. France and Germany wanted the new constitutional treaty to include a dual majority voting system, taking into account relative population size as well as the number of member states. Spain and Poland wanted to retain the highly favourable allocation of voting weights that they received as a result of the previous IGC that convened at the December 2000 European Council summit in Nice.

Yet for all the drama that the word 'breakdown' implies, the event itself was actually undramatic. The European Council summit was scheduled to take place on 12 and 13 December. Much of the 12th would be taken up with the business of the European Council; the rest of the time would be devoted to the IGC. The European Council business went smoothly enough. The IGC progressed not at all. When the heads of state and government prepared to start the day's business on the 13th, it was already clear to the French and the Germans that they would not receive acceptable concessions from Spain or Poland, so they left. The rest of the heads of state and government departed soon thereafter (Ludlow, 2004). Of course, the two sides accused each other of having failed to live up to their European commitments. But in contrast to the incendiary rhetoric that accompanied the old Europe–new Europe debates of the previous winter, the tone of the debate was much more controlled.

The outcome of the December European Council summit was undramatic because much of the friction between member states had already dissipated. Events in Iraq had taken a turn for the worse for the participants and, more particularly, for British
Prime Minister Tony Blair. The coalition forces found little evidence of the weapons of mass destruction that were used as the basis for justifying intervention in the first place. Law and order proved tenaciously difficult to restore, and the pace of insurgency stepped up, despite the capture of Saddam Hussein. By implication, it became obvious that the USA would have to seek wider support from Europe, and from France and Germany in particular.

This change in the security conditions coincided with a softening of some of the harder positions taken in the first draft of the European Security Strategy presented at Thessaloniki in June. The draft adopted by the European Council on 12 December gives greater attention to ‘the more efficient use of resources’ and ‘EU–NATO permanent arrangements, in particular Berlin Plus’ (Council of the European Union, 2003e: 12). Moreover, the presidency conclusions also contained a separate declaration on transatlantic relations emphasising the point that the ‘transatlantic relationship is irreplaceable’ (Council of the European Union, 2004: 25). Of course, such statements could not heal the rift across the Atlantic in and of themselves; however, they could moderate tensions between the more or less Atlanticist groups within the EU.

The disagreements over institutional provisions remained important nevertheless. Although both the Convention and the IGC accepted many of the Franco-German proposals, such as the election of a European Council President and the appointment of a Union Minister for Foreign Affairs, a number of issues remained undecided. Foremost among these was the allocation of weights in qualified majority voting. Here the principle is far more important than the practice. No matter what the relevant procedures are in force on a given issue, the Council of Ministers only rarely makes decisions by vote. Instead, the emphasis in Council practice is on achieving a consensus view. The possibility of a vote (and particularly of being outvoted) has clear implications for how this consensus is reached. But the mechanical calculation of voting weights is less important than it is often made out to be (cf. Baldwin and Widgren, 2003).

The irony is that the allocation of voting weights that France and Germany sought to replace in 2002 was the same as that which France forced Germany to accept at Nice in 2000. The explanation for the French change of heart has to do with the preservation of leadership in the Council. Although the Nice voting weights make France and Germany into equals, they also make Spain and Poland into near equals with France. From the French perspective, it would be better to have Germany as its preferred partner than to have too many other roughly equivalent alternatives on offer. The reason behind the recalcitrance on the part of Poland and Spain has to do with the preservation of influence. Under the Nice weights, Poland and Spain are classified as large countries. With a dual majority voting system, they are relegated to medium status. Such a difference carries a huge weight of perception—particularly for Poland. Polish public opinion had long been sceptical about the benefits of European integration. More recently, it has grown tired of the government headed by Leszek Miller. For Miller it would be political suicide to have to explain to his supporters that he sacrificed Poland’s status as a large country in Europe.

In the event, the French and the Germans calculated that it would be better to postpone any constitutional treaty than to revalidate a bad institutional arrangement, so they brought the summit to a halt. However, they did not stop the process of integration altogether. On the contrary, they shifted their attention to the next major

\[18\] This point has been emphasised repeatedly by Peter Ludlow.
point of concern—the financial perspective for 2007–2013. In a letter coauthored with Austria, Britain, the Netherlands and Sweden, the Franco-German couple argued for a cap on EU financial resources. The problem that such a cap will impose on EU finances is a matter for the future. The fact that the coalition included small and large countries from old and new Europe is what is important.

COMMON FACTORS

The disagreements that marked the politics of 2003 were important because they highlighted basic principles at work in European integration. However, the existence of basic principles does not imply the existence of fundamental cleavages. Although there are differences between East and West, large and small, these differences are overlapping and cross-cutting. As a result, no country or group of countries appears to be trapped in a losing position by the process of European integration. If anything, the pattern of differences is exactly the opposite. What it reveals is the continuing salience of Franco-German leadership. In each of the major disagreements of 2003, France and Germany have been together and often at odds with all the rest. Franco-German leadership remains important, but is becoming increasingly difficult to assert.

Over time, however, the Franco-German position has tended to soften even as the member states have come to recognise the attractive features of Franco-German proposals. In this way, the Franco-German influence continues to be felt in all areas: institutional design, security policy, macroeconomics and the broader pattern of interaction between member states. This influence is possible not simply because European institutions support Franco-German leadership, but because European institutions offer a wide range of advantages to all member states. In this way they support ‘follower-ship’ as well. The European institutions may have become more difficult to govern, but they are not ungovernable. European member states have disagreements. But these disagreements do not reflect irreconcilable differences.

Such a conclusion, however, should not encourage complacency among member states. Even if the divisions between member states can be marked down as temporary disagreements, the divisions emerging between political elites in Europe and their national electorates are less easily discounted. The December IGC offers two cautionary suggestions in this regard. The first is to be found in the political weakness of Polish Prime Minister Leszek Miller. As more and more political elites in Europe find themselves at odds with their electorates, the performance of European institutions can only be expected to diminish. The second cautionary suggestion is found in the referendums held in the new member states to ratify the accession treaties and in the referendum held in Sweden on participation in the single currency. The accession referendums all passed but with very low levels of turnout. The Swedish referendum clearly failed. Such popular malaise and disaffection with Europe suggests a gap between elites and voters that goes deeper than any simple disagreement. In 2001, the EU recognised this lack of popular engagement and support to be a problem of monumental significance (Jones, 2002). The evidence of 2003 offers nothing to suggest that the problem has gone away.

References


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