

Opportunity in Crisis? Prospects for the UK EU Presidency 2005

Richard Whitman and Jake Benford, Chatham House, London

Key Points:

- On July 1 the United Kingdom assumed the Presidency of the European Union for the duration of six months. It did so in a volatile political atmosphere with the European Union at an important crossroads.
- Whereas the official agenda focuses largely on continuing economic reform as well as on external matters, the UK government faces an unavoidable agenda which has largely written itself. Key issues will be the future of the Constitutional Treaty, Future Financing and Enlargement.
- The terrorist attacks of 7 July in London are likely to result in an increased focus on EU wide co-operation in combating international terrorism, in particular with respect to retention of telecommunications data.
- Though the short-term future of the Treaty has been agreed upon following the Luxembourg Summit of 15 June, neither the European Council nor the UK government have a clear-cut and purposeful strategy for dealing with the issue in the long-term. However, the UK government does not seem to expect the matter to dominate the Presidency in concrete terms largely due to the preponderance of more pressing issues.
- The most pressing issue will be that of future financing. One likely strategy for the UK government will be to avoid an escalation of the issue by securing a budget which, crucially, will be subject to a mid-term review around 2008. The government would thus temporarily hold on to the rebate but secure a review of the Common Agricultural Policy significantly earlier than that scheduled for 2012.
- The scheduled enlargement of 2007, with the accession of Romania and Bulgaria, is not under threat. The most controversial issue will be the opening of accession talks with Turkey, particularly in light of likely German opposition. However, tension is defused by the long-term nature of Turkish EU membership.
- Recent UK government rhetoric has stressed the need for Europe to reconnect with its citizens. One benchmark by which to judge the UK EU Presidency will be the extent to which the government can trigger and sustain a debate on the core questions of European integration.
- A flavour of the prospective tone of such a debate was offered by Prime Minister Blair in his speech to the European Parliament of June 23. Social justice, as well as economic prosperity, lies at the heart of both EU and UK politics. It is unlikely, however, that the UK EU Presidency will see a stream of concrete policy initiatives. Rather, the focus will be on long-standing problems and sources of tensions that have troubled the European Union.

Background

On 1 July 2005 the UK assumed the Presidency of the EU taking on the role from Luxembourg, before being succeeded by Austria on 1 January 2006. The UK takes up the Presidency in a volatile political atmosphere, with many seeing the European project at an important crossroads. Assuming the Presidency at this point in time constitutes a significant challenge to the UK government since it will find itself steering the EU in the aftermath of the French and Dutch referendum rejections of the Constitutional Treaty, picking up the pieces from the high-profile failure to resolve the issue of future financing of the European Union as well as being faced with the scheduled opening of membership negotiations with Turkey.

This is the sixth UK EU Presidency and the second of the current Labour government with the last Presidency in 1998. The formal responsibilities of the UK government during this period will be threefold. First, that of chairing European Council and Council of Ministers meetings; second, representing the Council before the Commission and the European Parliament; and third, acting as the EU representative vis-à-vis third states and international organisations.

Key questions arising

The official agenda for the British Presidency is largely pre-determined in the 2004-2006 Multi-annual Strategic Programme, designed for the Irish, Dutch, Luxembourg, UK, Austrian and Finish Presidencies, which sets out in broad terms the EU's work programme for the period of 2004-2006. Moreover, the Operational Programme of the Council, submitted by the then incoming Presidencies of Luxembourg and the United Kingdom, sets out the policy agenda until 2006 in more detail. A selection of these issues is set out in the government's recently published "*Priorities for the UK Presidency of the Council*" of 23 June 2005. The key areas identified are those of "*Europe's role in the world*", more concretely the Doha Developing Agenda, Development and Africa, Climate Change, Russia/Ukraine and the Middle East. On the economic front, the government pledges to continue the EU's economic reform agenda, by ensuring "*better regulation*", taking forward the dossiers of the Service Directorate as well as advancing on the issue of the Chemicals Regulation. The third key area identified is that of Security and Stability, focussing on Counter Terrorism and Enlargement. A final paragraph pledges to "*take forward the discussions on future financing*". The Government's White Paper "*Prospects for the EU in 2005: The UK Presidency of the European Union*", published on 30 June 2005, confirms these priorities.

However, despite the relatively high level of detail set out in the Operational Programme, the agenda of the UK Presidency will be conditioned by three factors. First, the current political climate ensures that the true agenda for this particular Presidency has largely written itself. Second, the UK has been at the centre of recent political tensions at the heart of the EU and is

historically viewed as one of the more sceptical members of the European Union. Third, the UK government will retain a degree of the power of the Presidency on which issues prioritise and where to expend political energy. Accordingly, the key questions that arise are: Which are the issues likely to dominate the British Presidency, irrespective of the UK government's preferences? What are the UK positions and interests on these issues? Where is it possible to identify significant tensions between the UK position and those of other member states, or groups of member states, and, in light of these tensions, what are the prospects of making progress on any of these issues? Finally, what might one expect from Prime Minister Blair in terms of leadership, particularly given his recent speech before the European Parliament on the direction that Europe should be heading into?

1. The unavoidable agenda

Despite the fact that the agenda for the UK EU Presidency is officially pre-determined, recent developments would suggest that three main issues will unavoidably be high up on the list of priorities. First, the future of the Constitutional Treaty. Second, the difficulties of agreeing on an EU budget for the period of 2007-13. Lastly, there is the ongoing question of enlargement.

a) The Constitutional Treaty

A number of options for dealing with the Constitutional Treaty confront the EU member states, some of which are arguably more viable than others. Resuming ratification is a political non-option, given the level of dissatisfaction expressed by the people of France and the Netherlands. Fully discarding the Treaty and thus reverting back to the Treaty of Nice also seems extremely unlikely, since it will be difficult to ignore a series of ideas and improvement measures that exist in the form of an (albeit rejected) legal document. A third option, that of dissecting the Treaty and incorporating parts of it is arguably more complex than it seems, since any such procedure would immediately raise questions as to the scope of such selective implementation. However, should parts of the Constitutional Treaty find their way into existing arrangements, they are more likely to be issues relating to procedure rather than substance (such as for instance holding council meetings in public and increasing levels of subsidiarity). A further option is that of core groups of states pressing ahead by taking on board certain aspects of the Treaty. In light of the current political climate, this scenario is perhaps more likely to materialise in the medium-to long term rather than in the course of the next six months. The British Government has not yet expressed a formal view as to which of these options it would like to see pursued.

The most likely course of action can be found by reading between the lines of the recent Council Declaration on the Treaty, which received little media attention due to the parallel failure to agree on financing. EU member states are "*agreed that the timetable for the ratification in different member states will be altered if necessary...*". The text thus allows for a stop or at least a slowing down of the ratification process, thus creating some breathing space before making any ultimate decision as to how to deal with somewhat odd situation of having a Constitutional

Treaty, supported by governments, but still impossible to implement. The Council concludes by pledging to "*come back to this matter in the first half of 2006*". This is in line with the immediate response of the UK government, which, five days after the French "No", indefinitely postponed any UK referendum on the Constitutional Treaty, calling for a "*period of reflection*" – the same words now used in the Council declaration. With the exception of Luxembourg, which successfully held its referendum on 10 July, all those countries that had originally planned a referendum have followed suit, though parliamentary ratification processes are likely to continue. Whereas the Luxembourg "Yes" vote has prompted Prime Minister Juncker to proclaim the Treaty to be alive, it is unlikely that this outcome will have any significant effect on policy options in this matter in the short to medium term.

It is worth noting that the formula agreed at the June European Council is that there is no final decision made on the future for the Constitutional Treaty. Essentially the declaration has deferred debate on the Treaty to a future date. Given the volatility of the current political climate, it is difficult to predict whether there will be a return to a debate on the Treaty between now and the end of the year. UK Ministers and officials are of the view that the French and Dutch "no" should not be seen as rejections of the substance of the Constitutional Treaty; in other words, it is not possible to discern a strong demand for a transfer of more powers to Brussels, nor a repatriation of those powers. Rather, the general tenor was that of a public disconnect from European integration and the aspiration for a more in-touch, transparent European Union response to real public concerns. Among policy-makers in the UK there is a general consensus that the issue of bringing Europe closer to the people, one of the key mandates the Convention was provided with in the Laeken Declaration, was widely ignored. Consequently one priority of the UK Presidency has become revitalising the debate on Europe, thus seeking to make a virtue of the recent high-profile setbacks of the European project. What seems clear, however, is that the UK government is far from having a clear-cut and purposeful strategy on how and where to steer the Treaty's future, having instead opted to kick the document itself out of play. In short, the UK government does not seem to be expecting any meaningful developments on this matter in the short-term. In light of initial British opposition to some central elements of the Constitutional Treaty, notably the establishment of an EU Minister for Foreign Affairs, the fact that the "period of reflection" falls within the period of the UK Presidency is a relief to the government: concrete discussions as to the Treaty's future might have undermined the UK government's ability to be seen to act as an honest broker in influencing the next practical steps relating to this sensitive matter.

b) Future Financing

If the question of the future of the Constitutional Treaty has been suspended, thus making it unlikely to resurface as a practical issue during the UK Presidency, the question of future financing is one which is more likely to unfavourably dominate the UK EU Presidency. The UK government made a strategic error by avoiding a root and branch debate on EU financing over the last 18 months ago, arguing that the time for a high-profile discussion of the rebate was not

when a British referendum on the Constitutional Treaty was pending. Since then, the debate has proceeded, culminating in the dramatic failure to agree on a budget towards the end of the Luxembourg Presidency. Given that the main controversies relating to the budget have been those of agricultural subsidies and the British rebate, the UK government is clearly at the centre of the storm.

In the light of the failure to agree on a budget at the June European Council the UK government has been under pressure to address it during the course of its Presidency, especially since the new member states have been pushing for a speedy designation of a new budget. Accordingly, in its White Paper of 30 June, the government pledges to do "all we can to seek a satisfactory outcome by the year end". One practical consequence of this pledge will be a debate on the controversial issue of the British rebate. Faced with the prospect of being outnumbered 24:1 on this issue, the government has been inconsistent in its position regarding the negotiability of the rebate, and is arguably using the controversy as a lever to put pressure on the French as regards reform of the Common Agricultural Policy (CAP). The government's official line is that what lies at the heart of the EU's problem of finances is not the British rebate, but the broader issue of the EU's spending priorities. What is clear is that the UK government will find it difficult to avoid the issue during the course of its time as Chair. Accordingly, one likely scenario is that of the UK adopting a strategy of conditional engagement: by securing a compromise regarding the rebate (essentially freezing the rebate on its current basis and ensuring that new member states will not contribute to its financing), as the essential basis for the UK government agreeing on a budget for the period of 2007-13, which, crucially, would be subject to a mid-term review. Thereby, the UK government would satisfy demands for a quick resolution of the budget problem, which risks becoming an escalating source of dispute within the EU, whilst at the same time temporarily retaining the rebate. Crucially, the UK would secure the future of the rebate tied to a firm commitment for reconsideration of the EU's spending before the crucial date of 2012 for which a review of the Common Agricultural Policy has been scheduled.

c) Enlargement

Frequent calls for the enlargement process to be continued were among the immediate, and most powerful responses to both of the EU's recent setbacks. In more concrete terms, this involves continuing to prepare for the planned accession of Romania and Bulgaria in early 2007, potentially opening negotiations with Croatia (pending resolution of the General Gotovina issue), and, most controversially, opening negotiations with Turkey on 3 October 2005. To date there have been no serious demands to halt the next wave of enlargement to Romania and Bulgaria; as far as Croatia is concerned, the opening of negotiations is widely viewed as being a matter for Zagreb's to facilitate by resolving the outstanding ICTY compliance issue.

The more controversial issue, and thus of particular interest in the context of the UK's Presidency, is that of Turkey. Points of tension can be identified between the British position, which has long

since declared Turkish accession to the EU as one of its long-standing foreign policy objectives, and that of the German government likely to be elected at a general election in the autumn. The leader of the Christian Democrats (CDU), Angela Merkel, takes a critical stance of Turkish membership, and has voiced her concern as recently as last month, suggesting that instead of full EU membership Turkey might be offered some form of "*privileged partnership*" (Financial Times 3 June 2005). Whereas the current French government is largely in favour of Turkish accession, the government is acutely aware of considerable scepticism in the French population. Turkish membership thus has the potential to bring out fundamental questions in relation to the Union's future direction, leading on to more general questions relating to when and where enlargement should end.

With the opening of accession negotiations scheduled for early October, halfway through the UK Presidency, the issue of Turkey is a likely source of political tension during the Presidency. At the same time, however, any such potential for tension is defused by the fact that potential accession will not be in the short-to medium term. It remains to be seen whether the UK government chooses to use its Presidency to battle for the opening of negotiations or instead, given the sensitivities and the potential for conflict with Germany, chooses to pass the issue on to future Presidencies. Another open question is the extent to which any new incoming German government decides to push the issue hard especially with prospective French Presidential elections in 2007 which could bring to power a figure also categorically opposed to Turkish accession. As for the UK Presidency, it is worth pointing out that negotiations with Turkey were not mentioned in the Prime Minister's speech to the European Parliament, although it does find a brief mentioning in the "*Priorities for the UK Presidency of the Council*" document that accompanied the speech. In short, the prominence of the issue over the next six months is difficult to predict with any certainty. However, it is unlikely that it will prove to be one that could derail or dominate the entirety of the UK's six months in the chair.

Finally, following the terrorist attacks on the London transport system on July 7, the issue of EU-wide co-operation on counter-terrorism measures will inevitably gain prominence in the months ahead. Measures designed to facilitate identification, arrest and prosecution of terrorist suspects are, however, generally considered an issue to be addressed by coordinated national means rather than through EU structures. This approach was set out in the Government's White Paper, published prior to the bombings, in which it describes the role of the EU in counter terrorism-activities as one of "*supporting member states*". At the same time, the value of European co-operation, notably in relation to the sharing of intelligence, is widely acknowledged by UK politicians: both Prime Minister Tony Blair and Home Secretary Charles Clarke, in their statements following the attacks, stressed the importance of working with other EU member states in order to prevent further incidents. The Home Secretary has scheduled an emergency meeting of EU interior ministers for Wednesday 13 July. Key issues will be those outlined in the Government's White Paper of 30 June, namely progress on the European Evidence Warrant, as well as retaining data generated by telecommunications traffic (specifically telephone and email

records). The latter point has been the object of disagreement among EU member states in the past, with diverging views on the length of time such data should be stored. Other issues for both the emergency meeting of 13 July as well as the course of the UK Presidency will be a common database for commercial transactions of explosives and weapons, transmission of data to Interpol in the case of lost or stolen passports, sharing passenger flight information and common security features for ID cards.

2. Prospects

Of the three burning issues around which the agenda for the UK EU Presidency is currently writing itself, two have arguably been defused: the short-term future of the Constitutional Treaty has been resolved; the principle of enlargement is not seriously being questioned and its more sensitive aspects are too far away to weigh all too heavily in the next six months. As for future financing, the prospects for a deal are strong, even if its content is impossible to predict with certainty. What remains are, first, the mundane, routine issues, notably carrying on with the economic reform and the Lisbon agenda, as well as, second, a broad, all-pervading problem, repeatedly stressed by the Prime Minister in his speech to the European Parliament on 23 June, namely the forgotten mandate of the Laeken Declaration: bringing the EU closer to its citizens.

As for the former, they are reflected in the government's official priorities of 23 June and represent the core activities that drive the EU forward (reducing barriers to trade and free movement, better regulation, research and innovation, promoting employment). Despite the current debate on the future of the EU, it is unlikely that the technical matters of further economic integration will be halted, with the one possible exception of the Services Directive, which came to be seen by many as the incarnation of "*liberal Europe*", particular among French voters in the run-up to the referendum of 29 May. The UK government has recently stressed the importance of taking forward the dossier, describing it as "*an opportunity to make one of the biggest improvements to the Single Market since its original creation*" but it is unclear to what extent to government will insist on its conclusion.

The more immediate question, then, and arguably one by which to judge the success of the UK Presidency, is its ability to put into action its intentions to re-engage European Citizens and provide for new leadership – two issues which the Prime Minister, members of the cabinet and senior officials have raised and continue to stress, so much so that the issue was at the heart of the Prime Minister's speech to the EP on 23 June. In it, the Prime Minister arguably offered a flavour of the prospective tone of any debate on the future of Europe. Rejecting a polarisation of the debate between a "free market Europe" and a "social Europe", the Prime Minister proceeded to list the various domestic policies in the UK designed to improve social justice – a term which incidentally found its way into the government's publication of its priorities for the strategy referred to above. In other words, the British are keen to take issue with the common perception of the UK as intent upon pursuing a system of "Anglo-Saxon capitalism",

diametrically opposed to “social-democratic Europe”. By arguing that the key issues are those of “modernisation” and “leadership”, the UK has arguably raised the stakes for its Presidency, suggesting that the UK has much to offer in respect to both. This can be understood as a direct criticism of social and economic model found in other large EU member states – notably Germany, France and Spain. Read in the light of the UK’s currently strong economic prospects as well as the weakened position of President Chirac and Chancellor Schroeder, this rhetoric is perhaps the sharpest indication yet of the UK’s aspiration to take on a leadership role in the next six months.

One open question is how the UK government will interpret the link between “re-engagement of citizens” on the one hand and “leadership” on the other. If the UK government is serious in its intention to both lead and listen, it will arguably have to listen first. What the precise measures designed to promote reconnection and provide leadership will be therefore remains to be seen. It is, however, unlikely that the UK Presidency will see a stream of new policy initiatives in either these or other areas. Whereas for many Blair’s new and self-assumed role as a promoter of change in Europe suggests some form of hyper-activity, UK officials have privately made it clear that the current focus is on implementation of existing legislation, regarded by Whitehall as one of the most challenging problems the EU faces. In other words, whereas recent events have had a heavy impact on the UK’s ambitions for its Presidency, denoting a shift away from a low-key, smooth implementation of the existing agenda, towards a more general debate on the future of the EU, it is unlikely that the UK in its term of office will seek to introduce new substantive legislation. This is in line with the Prime Minister’s address to the EP, which was arguably more visionary in style and tone than in actual substance, mainly revisiting and emphasising issues which have troubled the EU for considerably longer than since the day when the French said “Non”.

Conclusion and recommendations

The UK government’s recent preference for a full-blown debate on the future of the EU, rather than “business as usual”, is based on the analysis that the popular rejection of the Treaty on the continent was caused by two main factors. One is a disconnect between Europe and its citizens. A second factor is that of the deeper questions on Europe’s position in a globalised world and the anxieties, insecurities and new challenges to which globalisation gives rise. The UK government clearly considers that it has a strong answer to the latter problem: economic liberalisation and flexible labour markets. In this respect, the challenge of the UK EU Presidency is to both initiate and lead the debate and make progress towards winning the argument in favour of a what is often described as a more Anglo-Saxon economic model for Europe. Whereas this is a considerable and unenviable task, rendered more difficult by personal animosities between current EU leaders, the UK’s positive economic outlook invests the UK government with a significant degree of credibility and authority, making it unlikely that the UK Prime Minister, and other Ministers, will let the opportunity to influence the opening stages of any such debate

slip by. In short, the challenge for the government seems to be one of choosing the right tone and tactics rather than one of policy substance.

It is in relation to the question of reconnecting Europe to the people, where the government's prospects for providing strong leadership are more doubtful. The UK has been unable to portray an honest, let alone positive image of the European Union to the British people, with Ministers constantly on the defensive when attempting to justify EU policies and their impact on the UK. Such uncertainty is not the best starting point to provide European-wide leadership. In this respect, the UK government will need to avoid its Presidency being confined to a conversation between the respective EU governments whilst ignoring the people and fearing the media. There are, however, a number of ways the UK government can use its six months in the chair to provide for both leadership and focus, thus highlighting the EU's importance and giving it a more easily discernible sense of purpose.

The first way of providing for popular engagement in EU affairs, both in the UK and abroad, is that of highlighting the potential impact EU action might have on issues that are currently highly present in public consciousness: third world poverty and climate change. Both are stated priorities for the UK's parallel chairmanship of the G8 and in light of high-profile campaigning the expectations surrounding the outcome of the Gleneagles summit of July 7 are high. Given that the UK's objectives on both issues are arguably closer to those of other EU member states than to those of the US, a common European approach, lead and co-ordinated by the UK Prime Minister, could go far in creating a higher level of awareness, and thus more support, for the European project in general. Thus far the UK government has shown little interest in taking such an approach. At present there is something of a disconnect between the UK's G-8 agenda and the policies that it seeks to pursue during its EU Presidency.

A second, but related, opportunity to present a changing European Union to a sceptical public will be the European Council scheduled for October 2005. This European Council could be styled as a more open and reflective meeting of Heads of State and Government. Under the UK Presidency the summit could be more transparent than is usual with such gatherings and Europe's leaders could grant open access for media coverage of discussions that would focus on substantive issues and with an agenda focused on the issues that seemed to be the concern of publics during the referendum campaign. This would send a powerful signal that after the debacle of the June European Council issues of direct concern to publics such as economic well-being are the issues that Europe's leaders are directly addressing. The extent to which the UK government will be able to produce satisfactory outcomes on issues will depend on the good will of other member states being persuaded that such a meeting would be substantive as well as symbolic. It would, however, prove an opportunity for the UK government to be seen to take a new approach in the way European Councils are conducted. This may not be the deep far reaching debate that the UK government wishes to see conducted on the future of the EU but it would place Britain in the position of having contributed to an EU that seriously embarks on a process of re-connecting with publics.

The London bombings taking place while the UK government holds the Presidency of the EU will, inevitably, impact upon the tone and tenor of UK politicians during the second half of 2005. The UK government will seek to identify measures that could enhance counter-terrorism through working together with the other EU member states. Such measures will not be both defined and fully implemented during the UK term as Council President-in-office and will consequently be on the agenda for the successor Presidency.