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Is the E.U. America's Friend or Foe?

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On May 1, 2004, ten new countries,¹ with a combined population of 74 million, became members of the European Union, bringing the total E.U. population to 454 million. This means that the E.U. now has a population more than 50 percent larger than that of the United States. And with Romania and Bulgaria joining on January 1, 2007, another 30 million will take that to 484 million.

The European Union now stretches from the Latvian–Russian border in the east to Galway Bay on the west coast of Ireland, and from the Arctic wastes of Finland and Sweden in the north to Cyprus in the south.

The question which I wish to pose is: Is the E.U. America's friend or—dare I say it—foe?

Without U.S. support it is doubtful whether the project of European political integration could have gotten off the ground or developed in the way that it has.

But from the very beginning the U.S. gave its unconditional backing. During the 1970s the success of the project was judged to be sufficiently important to U.S. interests for the CIA to funnel millions of U.S. dollars into the European movement.

The U.S. has also tolerated the European Common Agricultural Policy (CAP)² surely the most inefficient and inhumane system of agricultural support ever devised.

Why? Because American policymakers believed that the process of European political integration would lead to the creation of a democratic, market-based Atlantic ally—an ally with whom a heavy burden of economic and security responsibilities might be shared.

Talking Points

- From the very beginning, the U.S. gave its unconditional backing to the project of European political integration. It was taken for granted that the emerging European Union would share America's core values and become an ally with whom a heavy burden of economic and security responsibilities might be shared.
- It is abundantly clear, however, that the European aspiration is to be a rival, not a partner, and that the E.U. institutions are remarkably undemocratic.
- Once independent European states that have ceded sovereignty to the E.U. are mired in an economy characterized by low growth, rigid labor markets, increasingly intrusive regulation, high taxes, and trade protection.
- The special relationship between Britain and the U.S. is at risk by this unitary European state. A particular problem concerns imposing E.U. common specifications for defense equipment that mostly differ from the U.S. standards and will prevent cooperation with the U.S. on high-tech battlefields of the future.

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It was taken for granted that the emerging European Union would share America's core values.

The reality is quite different. As this hugely ambitious but flawed project has taken shape, policy differences between Europe and the U.S. have both multiplied and deepened. Recent differences between the E.U. and the U.S. include those over Iraq, Palestine, Iran, ballistic missile defense, the international criminal court, genetically modified crops, the Kyoto accords, farm support, China, Taiwan, Cuba, the death penalty, as well as a whole raft of trade issues. Indeed, while it is possible to name individual European political leaders who genuinely like and admire America, it is difficult to think of a single major issue on which the U.S. and the E.U. hold identical views.

So one is bound to ask: If it is truly the case that Europe and America share common political values, why do they disagree so often? The one statement that I predict you will *not* hear from a spokesman for the E.U. Commission in Brussels is: "We applaud American leadership, and we will back the U.S. all of the way." Indeed, we have now reached the point where E.U. policy gives every impression of having been defined in *opposition* to U.S. policy and where it is abundantly clear that the European aspiration is to be a rival, not a partner.

Indeed, there is no escaping the truth that the differences to which I have alluded arise from the very nature of the European project and the ideas on which it is based.

Those ideas are not the consequence of political integration but rather the foundation on which it has been constructed. In addition to hostility to the *nation-state*, those ideas are characterized by a desire to manage economic and political life in such a way as to create consensus and to exclude or marginalize those whose behavior or views are judged to be out of step. They are also characterized by a preference for group rights over individual rights and an innate

dislike and fear of robust or "unmanaged" competition in both the political and economic spheres.

"Ever-Closer Union"

It is worth pausing to describe in concrete terms just how much progress has been achieved towards "ever-closer union"—the goal established in the Treaty of Rome in 1957 which laid the foundations of the present European project.

The European Union now has its own parliament, executive, supreme court, currency, prosecutor, army (of a sort), anthem, and emblem.

The attempt to adopt a European Constitution has been stalled since 2004 when the French and Dutch rejected the proposed text in referenda.³ But after the attempt to bring in the constitution by the front door failed, considerable success is being achieved as the result of attempts to introduce it through the back door, even though such methods are of questionable legality.

Meanwhile, among European political elites there is growing support for a so-called mini-constitution. The plan is the idea of Nicolas Sarkozy, the French interior minister and presidential hopeful, who has suggested that in order to assuage public anxieties the revised document should be called something other than a constitution—just as the autonomous European defense capability is to be referred to as the "European rapid reaction force" rather than an "army."

However, it should be noted that Mr. Sarkozy's mini-constitution will not be as "mini" as all that. Among those attributes of a modern state that are to be added to the European design are full legal personality (which will enable the E.U. to sign treaties and to participate in international organizations as a single entity), a president, and a foreign minister.

In addition, there is to be an extension of qualified majority voting in the European Council,

1. The new members are Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia, and Malta.
2. Despite world-wide criticism of the Common Agricultural Policy, spending on the CAP increased by 11.2 percent in 2005.
3. Polling data have consistently shown that, if given the opportunity, the British electorate would vote against the adoption of the constitution by a substantial majority, but plans to hold a referendum in the U.K. were abandoned following the rejection of the document by the French and Dutch electorates.

which will end the national veto in a number of areas including justice and criminal affairs. One consequence will be that the protection enjoyed by British subjects for centuries as a result of habeas corpus and the presumption of innocence may disappear. As Simon Heffer wrote in *The Daily Telegraph* on September 20, 2006:

If we surrender our veto on these matters, EU-set penalties could be imposed on British subjects in Britain, and for breaches of laws that are not crimes or punishable in Britain. Equally, according to some legal opinion, matters that are criminal offences in Britain could be decriminalised by a decision of the EU without any recourse to the will of the British people.

The other horror is that, as EU competence increases, so the ability of member states to propose their own laws for their own people shrinks until it is extinguished. That is the ultimate goal of the ever-closer union: but it entails a stark and anti-democratic removal of sovereignty from this area which impacts directly on our most basic freedoms and liberties.

Now all of this might strike you as being purely Europe's affair. But let me remind you that the principle that U.S. interests are most likely to be served by the extension of democracy *wherever possible* has been one of the foundations of U.S. foreign policy. In the post-Second World War era this policy was triumphantly vindicated in the case of Western Europe, where war-shattered nations were restored to democracy.

Undemocratic Institutions

But U.S. policymakers have been remarkably slow to grasp that the supranational institutions of the new top-down Europe (to which the once independent European states have ceded sovereignty) are remarkably *undemocratic*. In the judgment of a former E.U. commissioner, it is clear that if the E.U. applied to itself the criteria that it recently applied to all new members, it could not be admitted to the E.U. because it is insufficiently democratic!

The political nature of the E.U.—which was sold to the British public as a strictly limited commercial

undertaking—raises important questions about the long-term stability of this new political entity, as well as about the future relations between the E.U. and the U.S.

Such doubts are reinforced by the history of other multi-lingual political federations which have been imposed top down by unrepresentative political elites, as in, for example, the Soviet Union and Yugoslavia.

In the list of E.U. attributes which I rehearsed a moment ago you may have noticed that something was missing. In its top-down way Europe may have created many of the attributes of a state, but there is, of course, no such thing as a European people or European nation. There is consequently no such thing as European public opinion or a European public space, or a European *demos*. Or indeed a common language (there are at least 20 different national languages, of which English is the most widely spoken). And if people do not feel common bonds of allegiance and obligation, and if this problem is compounded by the lack of a common language in which political discourse can take place, there is the ever-present danger that they will not accept majority decisions.

If the U.S. has been disappointed in its expectation that the E.U. would turn out to be a democracy in its own image, it also has ample grounds for disappointment with E.U. policies on the economy and trade.

An outward looking Europe that embraced open markets and free trade would serve U.S. interests. It would also serve those of European consumers who pay much more than they should for their food. The reality is an economy characterized by low growth, rigid labor markets, increasingly intrusive regulation, high taxes, and a high level of trade protection in some sectors. All of which may explain why, measured in per capita terms, the GDP of the United States is 45 percent higher than that for the EU-25.

Nor should it be overlooked that two of the most prosperous European states—Norway, which enjoys a higher GDP per capita than the U.S., and Switzerland, which is only fractionally behind—are not E.U. members. And, those E.U. economies which have recently performed *relatively* well are

those which are the least well integrated economically, i.e., those that remain stubbornly outside the eurozone: Britain, Sweden, and Denmark. This situation scarcely provides grounds for further economic integration of the kind upon which the E.U. is urgently embarked.

Crushing Regulatory Burden

Regulatory hyper-activism is one of the most obvious characteristics of the E.U.

Regulation has been the means by which the E.U. has been created and through which supranational institutions have been established and strengthened. It is the means by which a self-serving, unelected, and largely unaccountable salariat—I refer, of course, to the E.U. Commission in Brussels—buttresses its power and interests.

The fact is that the E.U.'s institutions are hostile to any differences that are perceived to exist among member states and are not prepared to let these differences be evened out over time by the normal processes of competition; instead the E.U. displays a strong desire to “harmonize” and to impose “solutions.”

Attempts at harmonization invariably take the form of increased regulation.

It is not even clear how many E.U. regulations there are! When pressed on the matter, a British minister said that “as far as the government has been able to verify” the number of sets of regulations enacted between 1973 and 2002 as a result of E.U. membership was 101,811. But Britain, like other applicants, was obliged to adopt the *acquis communautaire*—the existing body of E.U. regulations and directives—on entry. The total number of sets of regulations to which British citizens are subject as the result of E.U. membership may be in excess of 200,000, with an average 2,500 new sets of regulations being added each year. Maybe a handful at most will be debated and many will be made still more stringent when transposed into British law—a process which is now referred to as “gold plating.”

However, following negotiations with the commission, the 10 new members who joined in 2004 have been required to transpose into national law only a mere 26,000 items of legislation (although what pro-

portion of these will actually be observed is another matter) running to some 75,000 pages of text.

Eurozone's Dismal Performance

Let me turn to the record of Europe's single currency, the euro, whose primary aim was political rather than economic. It is perhaps too soon to make a final judgment about whether the introduction of the euro has failed in its central aim of creating political unity, or whether it has led to heightened tensions as members blame one another for the eurozone's dismal performance. The record to date, however, strongly suggests the latter.

For example, for several years articles blaming Germany for holding back any economic recovery were a staple ingredient of the newspapers in all of the 12 eurozone members, while German economic commentators customarily attributed their country's prolonged economic stagnation to loss of control over interest rates to the European Central Bank, a view which is shared by, among others, Professor Milton Friedman. Among the research staffs of international banks and think tanks there is now regular discussion about whether Italy or Spain will be the first to quit the euro in order to retain control of a key economic variable as the first step in overcoming deeply rooted economic problems.

So far, the record not only suggests that there is no one interest rate that suits all in an economy where labor mobility is low, where there is no common language, and where there are no inter-state transfers of the kind which exist in the U.S., but also that it is difficult in practice to find a rate that suits *anyone*.

For while rates have been too high for some—they have been too low for others.

Unlike the U.K., which enjoys an opt-out from the single currency, the 10 new member states do *not* possess the right to retain their national currencies and will be expected to adopt measures which achieve early economic convergence with the eurozone.

Not surprisingly, while the U.S. economy dragged the world economy out of recession, the eurozone tugged in the other direction.

There is no doubt that without the stimulus provided by U.S. recovery the E.U.'s performance would

be still more lackluster. In recent years U.S. growth has at times been over six times higher than the eurozone. The U.S. economy is doubling every 25 years; the eurozone economy is doubling every 140 years.

Europe's economic future is also likely to be blighted by some extremely adverse demographic factors. In 1900, Europe accounted for one-quarter of mankind—falling to 22 percent in 1950 and 17 percent in 1975. But soon the population will start falling in absolute terms, with the consequence that there will be fewer and fewer people of working age supporting more and more over-65s. Enlargement did not help. It extended the formal boundaries of the E.U.—but all of the new E.U. states are set to lose population by 2050 and at a faster rate than in Western Europe.

None of this augurs well for those who hope that Europe could create a counterweight to the U.S.

Threat to U.S.–U.K. Alliance

Such are the huge disparities in economic, technological, and military power that the ambition to create a unitary European state as a countervailing force to the United States is doomed to abject failure. Nevertheless, its pursuit continues—to the detriment of the economic and security interests of both North Americans and Europeans.

The attempt to create an independent and integrated European defense capability—or what the French refer to as *Defense Europe*—has some extremely serious implications for the United States. Indeed, as matters stand now I doubt whether Britain will be an effective ally in 10 years time even if the British people want this.

Let me explain. Defense procurement is more and more coming under that 2004 creation, the European Defense Agency. Its objective is not to open up an E.U.-wide market in procurement but rather to provide another building block in the creation of a unitary European state. The result can only be to destroy the special relationship that exists between Britain and the U.S.

This is a two-stage process. First, common specifications are being set for equipment throughout the E.U. which mostly differ from U.S. ones. Then comes the insistence on common procurement and

thus, as Institute of Economic Affairs author Richard North has written in *The Business* (May 28/29, 2006), “The U.K. military can progressively be brought into line with European structures and doctrines.” Even when defense contracts are let to British firms there is often an Italian, German, Swedish, Austrian, Belgian, even French contractor actually producing the items. So the “U.K.’s armed forces (are becoming) uniquely dependent on the goodwill of E.U. member state governments.”

As North also points out: “That will ensure that Britain’s war-making capabilities will progressively be defined by what its ‘partners’ will permit, evident in the first Gulf War, when Belgium refused to supply the U.K. with artillery shells because it (Belgium) disapproved of its actions, i.e. the U.K.’s support of the U.S.”

Another consequence will be that even if the U.K. is able to defy the constraints imposed by the Common European Foreign and Security Policy in order to join its traditional American partner on some high-tech battlefield of the future—a very big “if” indeed—its weapons may be incompatible with those of the U.S. As a result, the practical value of British military assistance will be greatly reduced.

I hope The Heritage Foundation will take a good, long look at the European Defense Agency and its work and its implications for our ability to stand by the USA.

But having endorsed the project for half a century, many Americans seem reluctant to withdraw their support or even to recognize the nature of the Europe which they have helped to create. Some evidently believe that the process of European integration is so well established that any reappraisal of U.S. policy towards the E.U. would produce more problems than it would solve.

That approach fails to take into account both the influence that the U.S. could still bring to bear and the fragility of the political project now approaching fruition. It also underestimates the enormous nuisance that the E.U. can cause to the U.S. as the E.U. proceeds down an historic blind alley of its own choosing—without achieving any worthwhile benefits to members.

In my view, the attempt to bring about “ever-closer union” will ultimately be abandoned, either as the mounting economic and political price of integration becomes more widely grasped, or because Europe’s supranational institutions simply break down. Better that this should happen sooner rather than later, and there is no reason at all why the U.S., having played midwife at the birth of this political infant, should not play a role in its demise.⁴

As Lady Thatcher wrote:

That such an unnecessary and irrational superstate was ever embarked on will seem in future years to be perhaps the greatest folly of the modern era.

And that Britain, with traditional strengths and global destiny, should ever have become part of it will appear a political error of the first magnitude.

While America begins to ponder the wisdom of its support for the E.U., the choices facing Britain

are more urgent and acute. For decades it was possible for many to believe that, as long as the country positioned itself more or less mid-way between Europe and America in terms of public philosophy and economic outlook, minor adjustments could be made according to circumstance and all would be well. It is now obvious that the innately anti-American and anti-democratic character of the E.U. mean that, in as far as it was ever viable, that option is no longer available.

For Britain, therefore, the lesson ought to be clear. The more it is absorbed into the European project, the more it will distance itself not only from its most powerful and most constant ally, the United States, but also from self-government and the economic successes for which it is qualified by history and culture.

—John Blundell is Director General of the Institute of Economic Affairs, London, England.

4. The January 1, 2007, accession of Romania and Bulgaria bodes well for the ultimate collapse of the E.U. For the author’s advice to the Prime Minister of Croatia see the appendix.

APPENDIX

1st March 2005

Prime Minister Dr Ivo Sanader
Trg Sv Marka 2
10000 Zagreb
Croatia

Dear Prime Minister,

Ten questions to ask before you give away your country

It was good to sit with you at dinner on my recent visit to Croatia. Your country is doing well and clearly has great potential. However, I do worry about your headlong rush into the EU. Let me share with you ten questions every Croatian should ask and be able to answer before you hand over your country and its governance to Brussels:

- 1. Why would you want to give control of your country away?** After all, you haven't had it very long. Of course, you'll be told that belonging to the EU in no way means giving away your country's sovereignty. Sovereignty is a country's constitutional independence, its exclusive political authority. It cannot be shared or pooled. But consider this: once in the EU, your country will be subject to a higher political authority – Brussels. The EU will overrule your government's policies on foreign affairs, security, justice and much much more. It is planning its own constitution – which will allow the EU to sign treaties without consulting your government. That sounds uncomfortably like relinquishing your country's authority. You can't give it up and keep it at the same time. Being a sovereign nation is like being a virgin – either you are one or you're not.
- 2. Do you want more rules and regulations?** The EU has a strong desire to “harmonise” in order to iron out the differences between member states. The way it does this is by devising regulations. There are currently hundreds of thousands of them, covering areas as diverse as pollution and how you hire and fire employees, with more than 5,000 new ones coming out of Brussels every year. It's not always easy for countries to meet these demands and for small businesses it's sometimes impossible. If you think you're regulated enough already, you ain't seen nothing yet!
- 3. Would you be happy joining a corrupt organisation?** There's no doubt that the EU is rotten to the core. In May 2004 Britain's National Audit Office (NAO) reported 10,000 cases of EU fraud in 2002 costing £700 million—up from 5,482 cases costing £386 million in 2001—i.e., a doubling of fraud in just one year. But figures like this are the tip of the iceberg – they only relate to matters which national governments know about and are prepared to divulge. A more damning estimate is that around five per cent of the Commission's budget – or almost £4 billion – goes missing every year. That's your money, by the way. Disgusted? You should be. But you can't do anything about it. You can't even vote the culprits out of office.
- 4. Do you think barriers to trade are a good thing?** Well, you ought to, because that's what you're going to get by joining the EU. There will of course be advantages when it comes to trading with other member nations, but what about all those other countries, the US, for example? Croatia must be open to the world, not just its neighbours. You were locked into Tito's socialism for a long time; you do not need Brussels' version of the same error.
- 5. Is high unemployment your idea of fun?** If you enjoy the prospect of low growth, rigid labour markets, increasingly intrusive regulation, high and rising taxes, and a high level of trade protection

in some sectors, then the EU is for you. Oh, and for good measure the result is the high unemployment which Europe has experienced for more than a decade. It's not a coincidence that the two most prosperous European nations, Norway and Switzerland, are not in the EU.

6. **How do you feel about entering the most inefficient system of agricultural support ever devised?** The Common Agricultural Policy was a noble idea: subsidise farmers to keep farm wages high and stop people moving from country areas to the city in search of better-paid jobs. But it has failed and it's the ordinary citizens who've suffered – they're paying more for food and more in taxes as a result. And, guess what? Rural areas are still in decline.
7. **Do you mind giving up democracy?** Right now, you can express your views on what happens in your country by voting. But for the EU to have a political democracy would mean having a European people, European public opinion and a chance to vote for what happens in Europe. But Europe does not have a common people, nor does it have common bonds of allegiance and obligation, which means that citizens would be unlikely to accept majority decisions which they believe discriminate against them or unfairly favour others. That is precisely why Europe's political elites and bureaucrats will decide on the really important European issues, which will of course affect what happens in your own country. It's simpler that way, even if the price is democracy.
8. **How do you fancy being a very small fish in a very big European pond?** Under the EU constitution, more voting power will go to countries with bigger populations and there will be more majority decisions, rather than decisions based on unanimity. This means that your elected representatives will have very little say in what happens in Europe. And, as we all know, the French and the Germans stick together on many important issues. They are the big fish in the pond of Europe. Your country, I regret to say, stands to be one of the minnows.
9. **Are you happy to give up your currency?** A simple sentimental attachment to your own currency might seem a good enough reason not to give it up, but there are better ones. If your country adopts the Euro, it loses control of its own economy. The European Central Bank will make decisions about interest rates. No longer will your own financial experts and politicians be able decide what to do with your money. Instead, your economy will embark on an impossible journey: it will leave the country and go north nearly 1,000 kilometres to Frankfurt, but be dragged rapidly southwards at the same time. Your economy will suffer because it's impossible to find one interest rate to suit all countries in the Euro. If you need more proof, bear in mind that the best-performing EU countries are those which have not adopted the Euro.
10. **Does it bother you that, after all you have been through, you will be entering a union that has uncomfortable parallels with the former Yugoslavia?** In recent times, you have become the citizen of an independent and democratic state. Before that, you were forced to be part of a group of countries which threw together people of different languages and cultures. The only thing many of the peoples in this federation had in common was that all this was imposed on you by an unrepresentative political elite. A bit like the EU really.

I look forward to hearing your answers. In the meantime I wish you all the very best as you wrestle with so many difficult issues.

Sincerely,

John Blundell
Director General
Institute of Economic Affairs