



House of Commons
Foreign Affairs Committee

Developments in the European Union

Sixth Report of Session 2005–06

*Report, together with formal minutes, oral and
written evidence*

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Foreign Affairs Committee

The Foreign Affairs Committee is appointed by the House of Commons to examine the administration, expenditure and policy of the Foreign and Commonwealth Office and its associated agencies.

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The following member was also a member of the committee during the parliament.

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The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.parliament.uk.

Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at http://www.parliament.uk/parliamentary_committees/foreign_affairs_committee.cfm.

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Conclusions and recommendations

The UK's relations with Europe

1. We conclude that the British Presidency took place at a time when Europe was facing a deep and largely unforeseen crisis of confidence. We further conclude that notwithstanding this difficult context, the Presidency was on the whole well-run and achieved some important successes, along with a number of disappointing outcomes. It failed to generate the fresh thinking on democracy and reengagement with the public which the Prime Minister called for in his opening speech to the European Parliament. We recommend that the Government build on the successes and, in particular, that it work to consolidate and where necessary improve its good working relations with other member states, especially with those that broadly share the United Kingdom's perspective on the EU. (Paragraph 33)
2. We conclude that the Government was wrong to retract its previous support for all stages of the Council's deliberations on legislative acts to be open to the public as a general rule. We recommend that the Government support efforts by the Finnish Presidency to promote greater transparency in the Council and more generally in the proceedings of the European Union. (Paragraph 40)
3. We welcome the decision of the Council of Ministers to seek further improvements in decision-making and action in justice and home affairs on the basis of existing treaties. However, we oppose attempts to use the bridging clauses in the current treaties to introduce core objectives of the constitutional Treaty in the field of justice and home affairs. We recommend that the Government seek the views of Parliament before agreeing to any further extension of qualified majority voting. (Paragraph 46)

The Constitutional Treaty

4. We conclude that although the Treaty is not dead, it is comatose and on life support. At some point, Europe's leaders are going to have to decide whether to switch it off. We conclude that the Treaty establishing a Constitution for Europe is unlikely ever to come into force, although attempts may be made to enact some of its provisions by other means. We recommend that the Government encourage its European counterparts to face up to this reality and explicitly to abandon the Treaty as a package, in the interest of making progress on some of the real and important issues which are at present caught up in the paralysis created by its rejection. (Paragraph 64)

Enlargement

5. We conclude that there are strong political reasons for the Government to maintain its support for the accession of Bulgaria and Romania in accordance with the agreed timetable. We recommend, however, that the Government be prepared to agree to the imposition of post-accession safeguards on either country, if the Commission's reports show that these would be justified. (Paragraph 74)

6. We conclude that Croatia's proposed accession to the EU deserves the full support of the United Kingdom, assuming that it meets all the necessary criteria. We further conclude, and hope, that a successful accession process by Croatia could play an important role in stimulating other states in the Western Balkans to make the necessary adjustments that will enable them to qualify for full membership of the EU in due course. (Paragraph 77)
7. We conclude that the accession to the European Union of a Turkey which fully meets all the entry criteria remains in the interests of both the EU and Turkey. We recommend that the Government continue to offer strong support to Turkey in its accession process. (Paragraph 80)
8. We conclude that it is the interests of Turkey, the Turkish people and Turkish Cypriots alike that Turkey should move swiftly to accept in full its obligations under the Ankara Agreement. We further conclude that a far more constructive approach by the government of the Republic of Cyprus is necessary to assist this process. (Paragraph 87)
9. We agree with the Foreign Secretary that what is key to the enlargement debate is the rigorous application of the criteria for membership. We conclude that it is this, rather than any abstruse debate about 'absorption capacity', which must determine the future shape and scope of the EU. But we also conclude that popular opinion will be an important factor in deciding future enlargements and that this reinforces the need for a Union which engages the public. (Paragraph 93)

Foreign, Security and Defence Policy

10. We conclude that, whatever the merits of the proposal to establish a Foreign Minister and an external action service for the EU, it is important that the European Commission should not develop a diplomatic service or 'embassies' by stealth. We recommend that the Government take steps to prevent the official use of the term 'ambassador' to refer to the Commission's representatives and that it ensure that, at a time when the funding of British diplomatic, consular and trade posts around the world is under great pressure, expenditure by the Commission on its overseas delegations and properties is subject to rigorous scrutiny. (Paragraph 101)
11. We conclude that foreign policy is and should remain primarily a matter for each nation state to decide for itself. We further conclude, however, that there can be real value in co-ordinating foreign policies at EU level and in undertaking joint missions on matters where the EU25 can agree and where they have a shared interest. (Paragraph 106)

1 Introduction

1. The Foreign Affairs Committee has maintained a continuing Inquiry into Developments in the European Union since July 2001, when it had become clear that the next wave of enlargement was going to put strain on the EU's procedures and institutions.¹ At the same time, a Convention on the Future of Europe was being formed "to consider the key issues arising for the Union's future development and try to identify the various possible responses."² Two of the present membership of the Committee, Gisela Stuart and David Heathcoat-Amory, were the United Kingdom Parliament's representatives on the Convention; Ms Stuart also served on its Praesidium.

2. The Convention completed its work in July 2003, with the publication of a draft Treaty establishing a Constitution for Europe.³ Three years later, the Treaty having been rejected in referendums by the electorates of France and the Netherlands in mid-2005, the European Union is in a 'period of reflection'. This was initiated by the June 2005 Council⁴ and was extended for a further nine months in June 2006.⁵

3. This is the Foreign Affairs Committee's first substantive Report on the European Union since 2001, when our predecessors produced a Report on Enlargement and the Nice Council.⁶ The Committee has, however, heard a great deal of evidence in the intervening period, all of which has been published.⁷ In the Autumn of 2005, with the future of the European Union clearly at a sensitive and important juncture just as the United Kingdom was assuming its presidency, we decided to hear further evidence and to produce a short Report.

4. Over the past seven months, we have heard oral evidence from the Foreign Secretary, Margaret Beckett; from her predecessor, Jack Straw; from the former Minister for Europe, Douglas Alexander; from Charles Grant, Director of the Centre for European Reform; and from Ruth Lea, Director of the Centre for Policy Studies.⁸ We have also visited European institutions in Brussels, as well as several European capitals.⁹ During the 2005 United Kingdom Presidency of the European Union, we hosted in Parliament a conference of the Chairmen of our counterpart committees from member states and from candidate and applicant countries. We are grateful to all those with whom we have had the opportunity to exchange views for their time and for their opinions, which we have found of great value in shaping our own conclusions. Our intention is to contribute to the ongoing debate on the

1 Foreign Affairs Committee News Release No. 3, July 2001

2 "The Laeken Declaration", 15 December 2001, available at <http://europa.eu/constitution>

3 The full text of the draft Treaty may be read at <http://european-convention.eu.int>; the full Treaty was published by the Government as Cm 6429, available at www.fco.gov.uk/Files/

4 Declaration by the Heads of State or Government of the Member States of the European Union on the Ratification of the Treaty establishing a Constitution for Europe

5 Presidency Conclusions 15–16 June 2006, para 47, available at www.consilium.europa.eu

6 Foreign Affairs Committee, Fifth Report of Session 2000–01, *European Union Enlargement and Nice Follow-up*, HC 318

7 The evidence is available on our website, www.parliament.uk

8 For a full list of the written and oral evidence, see pp 41–42

9 Prague, Vienna and Warsaw

European Union and particularly—given our remit under the Standing Orders of the House—its external dimension.¹⁰

¹⁰ The remit of the Foreign Affairs Committee is to inquire into the expenditure, policy and administration of the Foreign and Commonwealth Office

2 The UK's relations with Europe

The United Kingdom Presidency, July–December 2005

5. The United Kingdom assumed the presidency of the Council of Ministers with the dust from the French and Dutch referendums yet to settle. The 'period of reflection' had just been declared and great expectations of continuing progress towards ratification and implementation of the Treaty had given way to a more downbeat mood of apprehension.

6. There were nonetheless many substantial issues on the new presidency's agenda, including the budget settlement for the period to 2013; reform of the Common Agricultural Policy; Turkey's membership aspirations; and, not least, the fate of the constitutional Treaty. The then Foreign Secretary, Jack Straw, identified four priority areas for the British Presidency in a statement to the House of Commons on 30 June 2005: future financing of the EU; economic reform; external relations; and enlargement.¹¹ We consider in brief how the Presidency fared in relation to each of these objectives, before we discuss in greater detail those which relate most closely to our terms of reference as a Committee.

Future financing

7. In June 2005, Mr Straw described the United Kingdom's objectives on future financing in the following terms:

Discussions on future financing will continue under the UK's Presidency. Any new Financial Perspective must, at the very least, set out a process which leads to a more rational budget, shaping the second half of that Perspective up to 2013. We recognise our responsibilities as EU Presidency, and we will work hard to reach agreement on future financing by the end of the year.¹²

The Royal Institute of International Affairs (Chatham House) sympathised with the scale of the task facing the Government, noting that:

... it is unfortunate for the UK to have found itself so central to disagreement on the EU's future finances ... Other EU member state governments will judge the UK on whether it reaches a deal on the EU budget. The British government will measure its success on this issue by its ability to reach a settlement that preserves the UK EU budget rebate on the basis of a formula that will not place the government in domestic political difficulties.¹³

8. Appearing before this Committee in the throes of the negotiations over the budget in December, Mr Straw said that "These are complex negotiations. They always are; they always will be."¹⁴ He set out for us the numbers which formed the basis of the discussion in the European Council:

11 HC Deb, 30 June 2005, cols 1450–52

12 Ibid, cols 1450–51

13 "Two Cheers for the UK Presidency", Chatham House Briefing Paper, available at www.riia.org/

14 Q 1

The Commission recommended a budget set at 1.24 per cent of what is called GNI (gross national income) of the European Union Member States, which would have been 1,025 billion euros over the seven-year period, and that was impossible. The Luxembourg Presidency recommended a budget of 1.06 per cent of GNI, which is 870 billion euros. We are proposing in last Wednesday's negotiating box a budget of about 1.026, and it is 847 billion.¹⁵

The final settlement achieved in the European Council was for a seven-year budget of €862 billion, representing 1.045 per cent of GNI. The Council also agreed as part of the 2007–13 financial perspective to ask the Commission “to undertake a full, wide ranging review covering all aspects of EU spending, including the CAP, and of resources, including the UK rebate, to report in 2008–09.”¹⁶

9. Before the commencement of the British Presidency, the Prime Minister had declared in June 2005 that “The UK rebate will remain and we will not negotiate it away. Period.”¹⁷

10. At the December European Council, however, the Government agreed that, as part of the overall budget settlement, the United Kingdom's rebate of total allocated expenditure—except for CAP market expenditure—in the ten new member states will cease by 2011.¹⁸ This will mean that in the period 2007–13 the United Kingdom will receive approximately £7 billion less in rebate than it would otherwise have done,¹⁹ and will be paying a net contribution to the EU budget which will rise from the present average of £3.5 billion per year to some £6 billion per year.²⁰

11. The Prime Minister summed up the budget deal when he made a statement to the House of Commons on 19 December:

The reason it was so important to reach agreement at this European Council is as follows: as all central and eastern European leaders made clear to me, it was essential to have a December deal, to allow these countries to plan and prepare for using the EU funds when those funds start in twelve months' time. It was clear that the prospects for a deal next year were negligible. And were there to be no deal, then in 2007, the European Parliament would take over the budget process. This would mean the Parliament setting annual budgets, on the existing financial agreements, which would have meant that countries like Poland would have lost around two thirds of their EU funds.

That is why they wanted a deal now. Of course, there is also a need for fundamental reform of the EU Budget. As I said in June, what we need is to settle the Budget on the basis of everyone paying their fair share of the costs of enlargement now; and

15 Q 15

16 Council document 15915/05, 19 December 2005, available at www.eu2005.gov.uk

17 HC Deb, 8 June 2005, col 1234

18 Council document 15915/05, 19 December 2005, available at www.eu2005.gov.uk

19 HC Deb, 19 December 2005, col 1564

20 HM Treasury, *European Community Finances: Statement on the 2006 EC Budget and measures to counter fraud and financial mismanagement*, May 2006, Cm 6770 Table 3; and HC Deb, 31 January 2006, col 399W

then to open up the prospect of a radically reformed Budget midway through the next Budget period.²¹

12. Charles Grant felt that the fact that agreement had been reached on the budget was of greater importance than the agreement itself:

One would have liked a different deal, with a radical agreement to reform the CAP and so on, but I think it was the best deal that was possible in the circumstances. I part company from some commentators and my former employers at *The Economist* who would have said it was better to do no deal at all. The important thing is that there was a deal. The details are less important, and the fact that it is off the agenda is a good thing. It was a poisonous thing while it was on the agenda. If we had not done a deal, we would have spent the rest of this year arguing about it instead of dealing with real problems in the real world.²²

However, he described the outcome as “a fair deal” for the United Kingdom.²³

13. Ruth Lea acknowledged the significance of the budget settlement for 2007 to 2013, but felt that:

... arguably, of course, it was a very disadvantageous agreement in the end for Britain; and the Chancellor of the Exchequer has made it very clear that we will be losing another 7 billion over that particular period by way of our abatement. The Government was making the point that it wanted to negotiate the abatement in connection with the reform of CAP, but that, of course, did not happen and will not happen for quite some time.²⁴

14. In May 2006, the then Minister for Europe, Douglas Alexander, told us that:

I would argue that in what was ultimately agreed among the heads of government at the December European Council and what is now being followed through in the institutional process, we achieved what many regarded as being very unlikely, which was to find the common ground and consensus on the issue of the European budget.²⁵

The final verdict on whether the deal reached on the budget was a good one for the United Kingdom and, indeed, for the European Union as a whole, will have to await the outcome of the mid-term review of the CAP and other expenditure.

Economic reform

15. On economic reform, Mr Straw had this to say as the British Presidency began:

21 HC Deb, 19 December 2005, cols 1564–5

22 Q 91

23 Q 99

24 Q 91

25 Q 153

At issue here is not a choice of prosperity or social justice, but rather, what combination of policies can best deliver prosperity and social justice in today's European Union. In this context, we will continue to work for more effective European regulation. ... And we will be looking to improve the policy-making process with better consultation and impact assessments. Meanwhile we will pursue discussions on the Services Directive. We will continue work on financial services, and on resolving the difficulties over the Working Time Directive in a way which preserves the freedom of individuals to work the hours they choose, and which maintains the Government's ability to deliver high-quality health and public services. We will also pursue discussions on the review of the EU's Sustainable Development Strategy.²⁶

The language in this statement is very cautious: the extent of the Government's ambition was limited to continuing previous work, "looking to improve" processes, and pursuing discussions.

16. Such caution was well-advised, as progress on deregulation and economic reform under the British presidency was unspectacular. Ruth Lea was particularly dismissive about this, although she did not blame the government for it.

I do not see anything coming from Brussels that suggests for a second that they would wish to deregulate the European economies. On the contrary, there is still the push towards bringing in extra regulation and the extra aspects of the social model and social protection.²⁷

17. Economic reform of the European Union is not going to be achieved overnight, or even within the six-month term of a presidency. The modest aims set by the Government for its presidency were always likely to be achieved, but this does not mean that the Presidency was a success in this area; clearly, much remains to be done.

External relations

18. The former Foreign Secretary set out the Presidency's stall on external relations as follows:

Over the next six months we will chair EU summits with India, China, Russia, Ukraine and Canada, and host a Summit jointly with Spain marking the tenth anniversary of the Euromed process. We will pursue EU work on key foreign policy issues such as the Middle East Peace Process, Iran, and EU support for Iraq. The UK will represent the EU at the United Nations Millennium Review Summit in September, and follow up Europe's welcome new commitments on increasing aid and on developing a stronger action plan on Africa. ...²⁸

19. The "key foreign policy issues" identified by the Government—the Middle East Peace Process, Iran and EU support for Iraq—each presented the British Presidency with huge

26 HC Deb, 30 June 2005, col 1451

27 Q 109

28 HC Deb, 30 June 2005, col 1451

challenges. In the Middle East, the unilateral Israeli withdrawal from Gaza and the realignments in both Israeli and Palestinian politics that began in 2005 meant that the Road Map to peace appeared increasingly irrelevant. The EU did, however, make an important contribution under the international agreement on movement and access to Gaza, by sending a multinational team of police and customs officials under Italian command to the crossing point at Rafah, which members of this Committee visited in November 2005.²⁹

20. The situation with regard to Iran deteriorated significantly in 2005, with the inflammatory statements on Israel and the Holocaust by President Ahmadinejad and a continuing failure by Iran to abide by its commitments under the Non-Proliferation Treaty. The efforts of the EU3—the United Kingdom, France and Germany—which had achieved encouraging progress in 2003 and 2004, were insufficient to bring Iran back into line. The human rights situation in Iran also failed to improve.³⁰

21. On Iraq, the EU has been unable to make substantial progress due to the continuing insecurity in that country. Speaking almost six months after the end of the British presidency, the Foreign Secretary told us that:

... the new Iraqi Foreign Minister ... was giving the Council an update on the position in Iraq. He was also seeking an expanding role for the European Union as an entity and support from Member States in the UN in order to assist in getting economic reforms and security reforms as the new Iraqi Government of National Unity is seeking, and there seems to me to be quite a warm response to that and a recognition of the importance and the value that can be achieved if we can establish a stable democratic government in Iraq.³¹

The security situation has remained very difficult. When members of the Committee visited Baghdad and Basrah in January we saw for ourselves the difficulties faced by international bodies such as the UN or EU working in Iraq, which are at present so great as to call into question the value of those organisations maintaining a significant presence on the ground.³² This does not mean that there is no value in continuing EU political and economic support, but it clearly imposes limitations on the effectiveness of that support.

22. The action plan on Africa, *The EU and Africa: Towards a Strategic Partnership*, was duly adopted at the December 2005 Council.³³ In its own words, the strategy:

... sets out the steps the European Union will take with Africa between now and 2015 to support African efforts to build such a [peaceful, democratic and prosperous] future. It is a strategy of the whole of the EU for the whole of Africa. It takes into account regional and country-specific needs and African countries' national strategies. Its primary aims are the achievement of the Millennium

29 For a fuller discussion of recent developments in the Israel/Palestine conflict, see the Committee's Fourth Report of session 2005–06, *Foreign Policy Aspects of the War against Terrorism*, HC 573

30 For a fuller discussion of the situation in Iran, see the Committee's Fourth Report of session 2005–06, *Foreign Policy Aspects of the War against Terrorism*, HC 573

31 Q 264

32 For a fuller discussion of the situation in Iraq, see the Committee's Fourth Report of session 2005–06, *Foreign Policy Aspects of the War against Terrorism*, HC 573

33 Presidency Conclusions of the December 2005 Council, available at www.eu2005.gov.uk

Development Goals and the promotion of sustainable development, security and good governance, in Africa.³⁴

It is of course beyond the capacity of the EU alone to achieve the Millennium Development Goals, but so far there are few signs of real progress towards many of them.

Enlargement

23. We consider the substance of the issues relating to enlargement in the next Chapter of this Report. For the purposes of the present discussion on the British Presidency, we ask whether the United Kingdom met the goals it set itself on enlargement. These were described by Jack Straw in his statement to the House:

Bulgaria and Romania signed a joint Accession Treaty with the EU on 25 April this year, and are scheduled to join in January 2007. Both still have much to do to implement the commitments which they have made, and the European Commission will report on their readiness this autumn. Last December, the EU agreed to open accession negotiations with Turkey on 3 October this year, a decision which was reconfirmed by the European Council two weeks ago. Turkish membership of the European Union is a controversial issue for public opinion in parts of Europe. But the British Government remains strongly committed to Turkey joining the EU, and I know that we can draw on the support of Hon Members on all sides of this House. The European Commission yesterday published a draft framework for Turkey's accession negotiations. The EU and Turkey alike stand to gain greatly from a democratic and prospering Turkey anchored in Europe, a demonstration that Islam is compatible with the values of liberal democracy which form the bedrock of the European Union. The EU also stands ready to open negotiations with Croatia, provided that it co-operates fully with the International Criminal Tribunal for the former Yugoslavia. We strongly support the membership aspirations of the other countries of the Western Balkans, but they must, like all other EU applicants, meet the necessary requirements.³⁵

24. Bulgaria and Romania still, in the words of Mr Straw, "have much to do", but Macedonia took its first steps as a candidate country under the British presidency. Accession negotiations with Turkey commenced on schedule in October 2005, when Croatia also opened its account.

25. Charles Grant was of the view that the EU's decisions on enlargement were the greatest achievement of the British presidency, and that British diplomatic skills had been instrumental in this:

I think that the Turkish deal in particular was really on a knife-edge, and might not have happened. The incredibly hard work by the British politicians and diplomats really helped that to happen, perhaps, as I say, against the odds.³⁶

34 "The EU and Africa: Towards a Strategic Partnership", European Council, 19 December 2005, available at <http://ec.europa.eu>

35 HC Deb, 30 June 2005, col 1452

36 Q 91

26. The opening of accession talks with Turkey was far from a foregone conclusion. As Douglas Alexander told us, the talks in October 2005 went “right down to the wire” and were only completed by changing the clocks to Greenwich Mean Time:

I think by almost any standard the achievement of the opening of accession talks was adjudged to be of historic significance and is therefore one of the other elements of which we are very proud in the course of the Presidency.³⁷

We heard for ourselves when visiting Brussels just after the conclusion of the British Presidency that the negotiating skills of FCO officials had played a vitally important role in achieving the target of starting Turkey’s accession process on time.

Conclusion

27. The British Presidency got off to a well-received start when, a few days before its formal beginning, the Prime Minister addressed the European Parliament. Mr Blair said to MEPs:

It is time to give ourselves a reality check. To receive the wake-up call. The people are blowing the trumpets round the city walls. Are we listening? Have we the political will to go out and meet them so that they regard our leadership as part of the solution not the problem? ... The people of Europe are speaking to us. They are posing the questions. They are wanting our leadership. It is time we gave it to them.³⁸

Towards the end of the Presidency, a Chatham House briefing paper suggested it had not fulfilled its early promise. The authors described the Prime Minister’s speech as “a remarkable exercise in (briefly) boosting morale and raising expectations that the UK was to initiate a far-reaching debate on the future of European integration.” However, “the speech, which was universally praised across Europe, was not systematically followed up by the UK government and was an early source of disappointment for other EU member state governments.”³⁹

28. Douglas Alexander’s overall verdict on the Presidency was, unsurprisingly, positive.

I would reflect on those six months of the British Presidency as being six months during which we did make solid and in some cases substantial achievements against a set of circumstance which did not appear propitious when we inherited the Presidency in July.⁴⁰

Ruth Lea’s assessment was more downbeat; she labelled the Presidency “a rather disappointing performance”.⁴¹ She was also concerned that the way aspects of the Presidency were handled—such as the budget negotiations—had reflected badly on the United Kingdom, although the outcomes had in fact shown how conciliatory the British position had been:

37 Q 153

38 Speech by the Rt hon Tony Blair to the European Parliament, 23 June 2005, available at www.number-10.gov.uk

39 “Two Cheers for the UK Presidency”, Chatham House Briefing Paper, available at www.riia.org/

40 Q 153

41 Q 91

I was surprised at how badly the British image suffered during the presidency because there were a lot of negotiations. Obviously the Budget was a very poisonous affair, as Charles has said. One of the aspects discussed in relation to the Budget was the idea that money should be concentrated on the new accession states and not so much on the relatively rich Member States that still take a lot of structural funds from the EU. That, in itself, seemed wholly sensible, although it did not get anywhere, but in relation to the way the debates developed, when Britain was arguing about keeping its abatement, its rebate, it seemed as though we were ‘taking money away from the new accession states.’ The way it seemed to be handled seemed to give the British image rather a bad deal, if I may say so.⁴²

29. Charles Grant, too, was concerned about the way some of the discussions had been handled by the FCO:

We had a very good image at the start of the British presidency. The image was very good earlier this year for the reasons we are aware of, and then it started going wrong in June, when Britain vetoed the deal that most countries were prepared to sign up to. The east Europeans were particularly unhappy with the delay on agreement on the Budget. The British diplomats were rather surprised at how badly the east Europeans took it. I think that we took them for granted and assumed they were our natural friends, that they could not stand the French and that they would follow our lead. However, when they saw their own economic interests being affected by British policy they got rather annoyed. Subsequently during the presidency I do not think we spent enough time scratching their backs and being nice to them.⁴³

When we visited a number of European capitals in January 2006 this subject certainly came up, but we do not believe that lasting damage has been caused to other countries’ perceptions of the United Kingdom in Europe. Indeed, part of the problem may have been that some of the newer member states had unrealistic expectations of the British Presidency. Although it would be wrong for any country to take the support of another for granted, we believe that in the longer term, shared interests and values will ensure that the United Kingdom and many of the newer member states continue to work together closely in the institutions of the EU. The new Foreign Secretary, Margaret Beckett, told us that “My overall general impression ... is that the EU is coming together in a way which has the potential to be very positive.”⁴⁴

30. Charles Grant also pointed out that some of the non-achievements of the Presidency were good outcomes for the United Kingdom, such as the failure to make progress on removing the United Kingdom’s opt-out from the Working Time Directive.⁴⁵

31. *The Economist* was less than overwhelmed by the British Presidency.

The score-sheet for Britain ... looks poor. The British say that the start of accession talks with Turkey on October 3rd was a great achievement, but the original deal was

42 Q 92

43 Q 96

44 Q 209

45 Q 91

struck last December. Nobody else thinks Britain has done much. ... Normally, the game of assessing presidencies is just that: a game. But this time it may reflect something that is happening on the ground: Britain is becoming more isolated in the EU. This could have profound consequences for both Britain and Europe.⁴⁶

32. The Chatham House paper, entitled *Two Cheers for the UK Presidency*, concluded that the Presidency “has been competent but uninspirational, rather than a disaster, and has a number of achievements to its credit.”⁴⁷ The *Financial Times*, on the other hand, reported that:

Aides to Jose Manuel Barroso, the European Commission president, say there are signs that a ‘new spring’ could be in the air, claiming that relations between the 25 member states have been steadily improving. Mr Barroso believes the British EU presidency in the second half of 2005 played a key role, and the Hampton Court summit in October could be seen as a turning point.⁴⁸

33. We conclude that the British Presidency took place at a time when Europe was facing a deep and largely unforeseen crisis of confidence. We further conclude that notwithstanding this difficult context, the Presidency was on the whole well-run and achieved some important successes, along with a number of disappointing outcomes. It failed to generate the fresh thinking on democracy and reengagement with the public which the Prime Minister called for in his opening speech to the European Parliament. We recommend that the Government build on the successes and, in particular, that it work to consolidate and where necessary improve its good working relations with other member states, especially with those that broadly share the United Kingdom’s perspective on the EU.

Post-Presidency developments

Transparency and openness

34. During its Presidency, the United Kingdom proposed greater transparency for proceedings in the Council of Ministers.⁴⁹ The Council has tended to meet in private, not only when negotiating on sensitive issues, but also for most routine business. Since 1992, it has met from time to time in public—that is, its proceedings have been broadcast live to the press room—to debate the Commission’s work programme or for set-piece debates. In 2000, the Council amended its rules to provide for a public debate on a major policy issue if a qualified majority of member states requested one.⁵⁰

35. Following the Seville European Council in June 2002, the Council started meeting in public when some major legislative proposals subject to the co-decision procedure were presented or voted upon. This meant that discussions on foreign and security policy, and

46 “Isolation fever”, *The Economist*, 3 December 2005

47 “Two Cheers for the UK Presidency”, Chatham House Briefing Paper, available at www.riia.org/

48 “Austria aims to bring EU constitution in from the cold”, *Financial Times*, 9 January 2006

49 Council Document 14495/05

50 For a full discussion of the history of the Council’s policy on meeting in public, see ‘Openness and transparency in the Council’ by Professor Steve Peers, University of Essex, at www.statewatch.org

on many other important areas, were still held in private. In 2005 the EU's Ombudsman, Nikiforos Diamandouros, ruled that by conducting most of its business in private the Council was in breach of the obligation conferred by the Treaty of Amsterdam on all EU institutions to act "as openly as possible."⁵¹ The Council retorted that the Ombudsman had acted beyond his remit, but the European Parliament gave its unanimous support to Mr Diamandouros in April 2006.

36. Possibly in an attempt to head off calls for full transparency in its proceedings, the Council agreed under the United Kingdom Presidency in December 2005 to meet with the cameras present for the presentation and final vote on *all* co-decision matters, but to continue meeting in private for most other business.⁵² Two countries, the Netherlands and Sweden, added a declaration to the record of this decision, calling for "all stages of the Council deliberations on legislative acts open to the public as a general rule."⁵³

37. Our colleagues on the European Scrutiny Committee asked Mr Alexander why the United Kingdom had not supported the Netherlands and Sweden in their call for greater transparency. In March 2006, he replied that the Government's objective "remains to push for all of the Council's legislative business to be opened up to the public". While the Government "fully supported" the views of the Netherlands and Sweden, "as Presidency we did not deem it appropriate for the UK to join their declaration."⁵⁴ The European Scrutiny Committee described this response as "feeble".

38. When the new Foreign Secretary, Margaret Beckett, appeared before us in June, we asked her about the apparent difference between Mr Alexander's previous comments and her own lack of enthusiasm for opening up Council meetings to the public. She said that the term 'legislative business', as used by Mr Alexander, did not include 'legislative proceedings'.⁵⁵ The former, she suggested, referred to initial discussions on the introduction of a proposal and to the final vote, whereas the latter comprised the detailed deliberations. To allow public scrutiny of these would, Mrs Beckett suggested, inhibit frank discussion in the Council and could mean that the real decisions were thrashed out elsewhere. This does not square at all with the former Europe Minister's "full support" for all stages of the Council deliberations on legislative acts to be open to the public as a general rule. The distinction between 'legislative business' and 'legislative proceedings' is not, so far as we have been able to discover, one that he made in those terms.

39. In the event, the June 2006 European Council moved further towards a policy of openness and transparency, resolving that the Council of Ministers should hold initial meetings on all legislative matters—not just those under the co-decision procedure—in public, and providing for all stages of such proceedings to be held in public where there is agreement to that effect.⁵⁶ The United Kingdom was apparently the only member state to

51 See www.ombudsman.europa.eu

52 Council document 15834/05

53 Council document 15834/05 ADD 1

54 European Scrutiny Committee, Twenty-third Report of Session 2005-06, HC 34-xxiii

55 Qq 212, 213

56 Presidency Conclusions 15–16 June 2006, Annex I, An Overall Policy on Transparency

argue against this step.⁵⁷ The Finnish Presidency in the second half of 2006 has already announced that it intends to make further progress with transparency.⁵⁸

40. We conclude that the Government was wrong to retract its previous support for all stages of the Council's deliberations on legislative acts to be open to the public as a general rule. We recommend that the Government support efforts by the Finnish Presidency to promote greater transparency in the Council and more generally in the proceedings of the European Union.

National veto

41. There has been a tendency, reflected in the constitutional Treaty, for more of the Council's business to be conducted under the 'co-decision' procedure. Under this procedure, the Council of Ministers and the European Parliament have equal roles in considering legislative proposals put forward by the Commission. Decisions in the Council are taken by qualified majority vote (QMV) and no country may exercise a veto.

42. In the period leading up to the June European Council, the French government formally proposed activating the 'passerelle' or bridging clause in the Treaty on European Union. Activation of the 'passerelle' clause requires a unanimous decision of the Council. The effect of activating the clause would be to enable legislative proposals concerning police and judicial cooperation in criminal matters to be agreed by co-decision and a form of majority voting (to be determined by the Council). This would remove the United Kingdom's veto from proposals for Europe-wide police and judicial cooperation. Early drafts of the presidency conclusions of the Council were understood to reflect this proposal.⁵⁹

43. Historically, the United Kingdom has opposed moves towards greater use of QMV. In a White Paper published shortly after the draft constitutional Treaty, the Government stated that "we will insist that unanimity remain for Treaty change; and in other areas of vital national interest such as ... key areas of criminal procedural law".⁶⁰ It appears that, by the time of the British Presidency, the Government's thinking had moved on.

44. Shortly before the June Council, we asked Mrs Beckett for her views on QMV in justice and home affairs. She told us that:

... there is a legitimate argument that runs that since, unfortunately, organised crime in particular, but crime in a number of other issues in this area are themselves cross-boundary, they are pan-European, and to insist that all of this can only be dealt with on the basis of not having QMV, not having a pan-European potential approach could be an area of weakness.⁶¹

57 "UK fails to block plan on televised EU meetings", *EU Observer*, 16 June 2006

58 "Improving transparency during the Finnish Presidency of the European Union", <http://presidency.finland.fi>

59 "EU leaders set to bury Brussels veto reduction plan", *EU Observer*, 8 June 2006

60 "A Constitutional Treaty for the EU—The British Approach to the European Union Intergovernmental Conference 2003", Cm 5934, para 66

61 Q 214

However, she also insisted that “there are a number of areas, certainly some areas in this dossier, where the Government could well have red lines where we are simply not prepared to consider giving up the veto.”⁶²

45. The June European Council did discuss the decision-making process on justice and home affairs, but in its conclusions issued a relatively uncontroversial call to the Finnish Presidency “to explore, in close collaboration with the Commission, the possibilities of improving decision-making and action in the area of Freedom, Security and Justice on the basis of existing treaties.”⁶³ On 28 June, the Commission made a new proposal to activate the ‘passerelle’ and thus to remove the national veto from a range of areas involving cooperation between national police and court services.⁶⁴

46. We welcome the decision of the Council of Ministers to seek further improvements in decision-making and action in justice and home affairs on the basis of existing treaties. However, we oppose attempts to use the bridging clauses in the current treaties to introduce core objectives of the constitutional Treaty in the field of justice and home affairs. We recommend that the Government seek the views of Parliament before agreeing to any further extension of qualified majority voting.

Energy policy

47. Although the Government’s January White Paper stated that “Advancing this [the EU Energy Policy] agenda will be a real priority this year”, energy policy did not play an especially prominent part in the British Presidency.⁶⁵ It has since assumed a greater prominence. The March European Council ‘invited’ the Commission to “prepare a set of actions with a clear timetable enabling the adoption of a prioritised Action Plan by the European Council at its 2007 spring session.” On 2 June, the Commission and High Representative Solana produced a joint paper, *An external policy to serve Europe’s energy interests*.⁶⁶

48. The FCO’s pre-Council memorandum stated that:

Our aim for this Council is to maintain the momentum on this work, giving a clear mandate to the next (Finnish) Presidency to develop this work with the Commission. In addition, we want to ensure that external aspects of energy policy will be reflected fully in the Commission’s Strategic Energy Review which is due for Spring 2007.⁶⁷

This work is important, not least because of the EU’s growing dependence on Russian gas supplies, and the construction of a gas pipeline from Russia to Germany. As Charles Grant

62 Q 215

63 Presidency Conclusions 15–16 June 2006, para 10

64 “Implementing The Hague Programme: the way forward”, European Commission, 28 June 2006, available at <http://europa.eu>

65 Foreign and Commonwealth Office, *Prospects for the European Union in 2006, and retrospective of the UK’s Presidency of the EU, 1 July to 31 December 2005*, Cm 6735, para 144

66 Presidency conclusions, 30 May 2006, available at <http://register.consilium.europa.eu>

67 EU17

told us, “whatever we do, we in Europe will depend on Russia for gas. Whatever scenario we plan, we will need a lot of Russian gas.”⁶⁸

Ministerial appointments

49. The Government’s ministerial ‘shuffle’ of 5 May 2006 brought Margaret Beckett to the FCO as Foreign Secretary and Geoff Hoon as Minister for Europe—a job Mr Hoon had previously filled for ten weeks in 1999.⁶⁹ Like his predecessor, Mr Hoon attends meetings of the Cabinet, but he is not a member of the Cabinet. When Mrs Beckett gave oral evidence to us on Europe within a few weeks of taking on her new role, she told us that neither she nor the Prime Minister favoured the Minister for Europe being a member of the Cabinet.⁷⁰ We look forward to continuing this Committee’s regular pre-European Council scrutiny with the new ministerial team at the FCO.

68 Q 144

69 See www.pm.gov.uk/output/Page1390.asp

70 Q 219

3 The Constitutional Treaty

Is the Treaty dead, or just resting?

50. The Preface to the draft Constitutional Treaty prepared by the Convention sets out its genesis:

Noting that the European Union was coming to a turning point in its existence, the European Council which met in Laeken, Belgium, on 14 and 15 December 2001 convened the European Convention on the Future of Europe.

The Convention was asked to draw up proposals on three subjects: how to bring citizens closer to the European design and European Institutions; how to organise politics and the European political area in an enlarged Union; and how to develop the Union into a stabilising factor and a model in the new world order.⁷¹

51. The Treaty as agreed by the subsequent Intergovernmental Conference (IGC) also sets out the procedure which must be gone through before it can enter into force:

The Treaty establishing the Constitution shall enter into force on 1 November 2006, provided that all the instruments of ratification have been deposited, or, failing that, on the first day of the month following the deposit of the instrument of ratification by the last signatory State to take this step.⁷²

It is clear that the target date of 1 November 2006 will not be met. The Treaty itself allows for delay in the ratification process, but it does not prescribe what should happen should ratification fail. In the terms of the Treaty itself, a failure to ratify thus means simply that the Treaty does not enter into force.⁷³

52. However, a Declaration attached to the original draft Treaty and noted by the subsequent IGC caters for the possibility that one or more Member States will fail to ratify. This Declaration states:

If, two years after the signature of the Treaty establishing the Constitution, four fifths of the Member States have ratified it and one or more Member States have encountered difficulties in proceeding with ratification, the matter will be referred to the European Council.⁷⁴

The two-year period set down in the Declaration will elapse on 29 October 2006. As of July 2006, fifteen member states had ratified the Treaty, two had rejected it and eight had yet to complete the process. For the four-fifths provision in the Declaration to be triggered, a further five states would have to ratify before 29 October 2006. No-one seriously expects this to happen, and in any case a declaration attached to a treaty which is itself unratified cannot be regarded as having any force.

71 Preface to the draft Treaty establishing a Constitution for Europe, available at <http://european-convention.eu.int>

72 Foreign and Commonwealth Office, Treaty establishing a Constitution for Europe, Cm 6429, October 2004, p 227.

73 See the Prime Minister's reply to Eric Illsley MP at HC Deb, 19 June 2006, col 1078

74 Foreign and Commonwealth Office, Treaty establishing a Constitution for Europe, Cm 6429, October 2004, p 501

53. On 31 May 2006, the Belgian Prime Minister, Guy Verhofstadt, told the European Parliament that the Declaration had been included in order to cater for the perceived likelihood that a problem of non-ratification might arise, not with France and the Netherlands, but with “une partie située de l’autre côté de la Manche.”⁷⁵ Mr Verhofstadt was quite specific that the contingency envisaged was a British ‘No’. In those circumstances, the rest of Europe might have found some alternative way of proceeding, but with the “difficulties in proceeding with ratification” having arisen in countries which have traditionally been fully signed-up to ever closer union, the Council is now unable to agree on the way forward, or even on whether there is a way forward.

54. We asked our witnesses whether they felt the Treaty could be proceeded with, notwithstanding its rejection by the electorates of France and the Netherlands. Charles Grant suggested that those European politicians who think they can revive the Treaty are “out of touch with reality.”⁷⁶ Ruth Lea was even blunter, describing proposals to proceed with the Treaty as “an act of extreme arrogance.”⁷⁷ Mrs Beckett confirmed that she is “quite comfortable” with the extended period of reflection.⁷⁸ There is clearly no likelihood that the stalled process of ratification will be restarted in the near-term.

55. This has led some, such as the Austrian Chancellor and the Italian and Belgian Prime Ministers, to propose that the electorates of Europe as a whole should be offered an opportunity to vote on the Treaty at the time of the European Parliament elections in 2009.⁷⁹ Under this scenario, support for the Treaty of a majority of voters in a majority of countries across the European Union would allow it to come into force. The Treaty itself would, of course, have to be amended to allow this to happen. Since amendment of the Treaty is itself subject to ratification by all member states—in many cases, by referendum—there seems little prospect of this happening.⁸⁰ Moreover, as the Foreign Secretary pointed out to us, such a procedure could be offensive to people in those member states, such as Belgium, which have already ratified the Treaty in their parliaments.⁸¹

56. If the Treaty as a whole is going nowhere, the question naturally arises, could parts of it be implemented?

‘Cherry picking’

57. Although the Treaty has been portrayed by some as largely a consolidation measure, tidying up the existing legal base of the EU, it also embodies several important changes. Some of these are arguably necessary for an enlarged EU to function effectively (this indeed was part of the original case made for establishing a convention on the future of Europe); but others may be desirable improvements in their own right.

75 “Someone on the other side of the Channel” (unofficial translation); original text available at European Parliament debates for Wednesday 31 May 2006, www.europarl.europa.eu

76 Q 111

77 Q 112

78 Q 226

79 “Pan-European constitution referendum unlikely to fly”, *EU Observer*, 20 June 2006

80 Foreign and Commonwealth Office, *Treaty establishing a Constitution for Europe*, Cm 6429, October 2004, p 226

81 Q 228

58. Charles Grant explained what is meant by the phrase ‘cherry picking.’

‘Cherry-picking’ as defined by you could mean two different things. It could mean implementing parts of the constitution within the framework of the existing treaties. You can do a little bit of that. You can agree to it by the subsidiarity procedure, for example, giving national parliaments more power to block EU legislation; you could agree to let the TV cameras in, which I think they have agreed to last month, at the European Council meeting. There are some things in the constitution that you can just do by governments and EU institutions saying ‘let us do it’; but only a very tiny fraction of the total constitution. The second meaning of ‘cherry-picking’ is this: can we make some very minor treaty changes to the existing treaties to do something like adopt the so-called double majority voting system or to introduce the idea of an EU foreign minister?⁸²

So, there are parts of the Treaty which could be implemented administratively; and there are other parts which would require changes to be made to one or more of the existing treaties.

59. Mr Alexander was asked several times when he gave oral evidence to the Committee whether he ruled out any changes to the existing treaties of the EU to implement parts of the Constitution. He failed to give us a clear answer.⁸³ We later received a written response from his successor, Geoff Hoon. Mr Hoon pointed us to the statement by Jack Straw, when Foreign Secretary, that “There is no plan, proposal or intention to slip elements of the Constitution through the back door.”⁸⁴

60. Mr Hoon then set out his views on treaty changes:

It would clearly be impractical to rule out all future treaty changes simply on the basis that similar provisions exist in the Constitutional Treaty. Over time, much procedural change has taken place in the EU, some of which, such as the new arrangements for transparency of the Council of Ministers agreed under the UK Presidency, has not required Treaty change; an example of change which did require Treaty change was the extension of QMV in the Maastricht Treaty. If further such change could make the EU more effective, we would not rule it out automatically, but we would look carefully at the possible benefits to the UK on a case by case basis.⁸⁵

The United Kingdom’s EU Commissioner, Peter Mandelson, however, recently suggested in an interview that he was “tempted to argue that we should identify those elements of the existing draft treaty that are the most necessary and most important and effective in meeting our institutional needs and strip away the rest.”⁸⁶

82 Q 112

83 Qq 161–169

84 HC Deb, 6 June 2005, col 1000

85 Ev 60

86 “Mandelson calls for end to two-centre European Parliament”, *The Independent*, 6 July 2006

61. Following a meeting of EU Foreign Ministers in late May, the Austrian Presidency appeared to rule out cherry-picking. Austrian Foreign Minister Ursula Plassnik summed up the meeting's views on the Treaty:

The Union ... was now moving from the debate on the future to the programme for the future, and there was agreement that this agenda for the future would be pursued on the basis of the existing Treaties, without any 'cherry-picking' from the Constitutional Treaty.⁸⁷

The way ahead

62. Douglas Alexander told us in May that:

We began our Presidency, as was made clear by the speech that the Prime Minister before the European Parliament on the eve of the Presidency, determined that the period of reflection would not be seen as a period of stagnation and that was it was important to understand not simply the text and the judgment that the people in France and the Netherlands had reached on the text but also the broader context. That explains why we chose to use the informal heads of government meeting in Hampton Court in October to focus on those broader questions establishing in its broadest sense the challenges that Europe faced, embracing the very significant pressures of globalisation bearing down on the European Union and the European continent. I think, as was already manifest in the Spring Council of the Austrian Presidency, Hampton Court proved impressive both in some of the issues it addressed and the added impetus it gave to key areas of policy work of the European Union.⁸⁸

63. The focus on key policy areas is one this Committee supports. However, we are also conscious that the institutional problems of the enlarged Union remain, together with the need identified in the Laeken Declaration for more democracy and transparency and a Union 'closer to its citizens'. The draft Constitution failed to address these issues properly and the 'period of reflection' has so far failed to produce workable proposals.

64. We conclude that although the Treaty is not dead, it is comatose and on life support. At some point, Europe's leaders are going to have to decide whether to switch it off. We conclude that the Treaty establishing a Constitution for Europe is unlikely ever to come into force, although attempts may be made to enact some of its provisions by other means. We recommend that the Government encourage its European counterparts to face up to this reality and explicitly to abandon the Treaty as a package, in the interest of making progress on some of the real and important issues which are at present caught up in the paralysis created by its rejection.

87 "Plassnik: First building blocks for new consensus on future of EU", *EU Presidency statement*, 28 May 2006

88 Q 153

European Union



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4 Enlargement

Bulgaria and Romania: the next stage

65. Bulgaria and Romania are neighbours, and their applications to join the EU are taking place within the same time frame. They are, however, very different countries and they do not regard themselves or their EU aspirations as being inextricably linked.

66. Bulgaria established diplomatic relations with the EU in 1988 and submitted its application for EU membership in December 1995. Accession negotiations began in February 2000 and were concluded in June 2004, since when Bulgaria has effectively been on probation while its preparedness for full membership is assessed.

67. Romania's formal links with the European Community go back to 1974 and it applied to join the EU in June 1995. Its application was given the go-ahead at the Luxembourg European Council in December 1997, and at the Copenhagen Summit in December 2002, 2007 was agreed as the target date for Romania's accession.

68. The Accession Treaty between the Member States and Bulgaria and Romania, signed in Luxembourg in April 2005, provides for both countries to join the EU on 1 January 2007. It includes a 'safeguard clause' for both Romania and Bulgaria, which, if activated by unanimous agreement of the Council on the recommendation of the Commission, can delay accession of one or both countries by one year if either or both show a serious risk of being "manifestly unprepared" to meet the requirements of EU membership in a number of important areas.⁸⁹ Romania is additionally subject to a year's deferral if the Council, acting by qualified majority, decides it has not met its commitments in competition policy or a number of other specified areas.⁹⁰ The Council also has the option of imposing post-accession conditions on either country if they fail to implement or to meet commitments for a period of up to three years from the date of eventual accession.⁹¹

69. Charles Grant told us that he believed it had been a mistake to give Romania and Bulgaria a firm date for accession before they had complied with all the requirements for membership.

I think the problem in both those countries is one of administrative capacity. Politically I think they are fairly stable and reasonable countries these days, but do they have the administrations to administer EU rules and regulations efficiently, and do they have legal systems that can do that? The answer is probably 'no'. They are very corrupt. There are already some countries in the EU that are quite corrupt, but I think Bulgaria and Romania are particularly bad; and I think that letting countries in a bit too soon is very bad for the EU because it will give enlargement a bad name.⁹²

89 Foreign and Commonwealth Office, *Treaty concerning the accession of the Republic of Bulgaria and Romania to the European Union*, Cm 6657, August 2005, Article 39

90 *Ibid.*, Annex IX, points I and II

91 *Ibid.*, Articles 36–38

92 Q 126

Ruth Lea added that Bulgaria and Romania are “very, very poor countries indeed; ... so that adds extra difficulties for those countries to absorb all the changes they will be expected to absorb.”⁹³

70. The Commission’s document of 16 May 2006, *Key findings of the May 2006 monitoring reports on Bulgaria and Romania*, found there were still six areas in which Bulgaria’s performance gave cause for serious concern:

- setting up a proper integrated administration and control system in agriculture—agricultural payments represent a significant part of the EU budget. Any member state must guarantee the proper spending of such funds. Any shortcoming in this respect may delay the disbursement of funds or give rise to correction or recovery of the EU taxpayers’ money;
- building-up of rendering collection and treatment facilities in line with EU acquis on TSE and animal by-products—food safety is a main concern for all EU citizens, food products must fully respect all EU requirements;
- tangible results in investigating and prosecuting organised crime networks—the existence of organised crime puts into question the rule of law in Bulgaria, it affects directly all citizens and their basic rights;
- more efficient and systematic implementation of laws for the fight against fraud and corruption—corruption undermines public and business confidence in Bulgaria. It represents ongoing risks of fraud against the EU budget and funds, indirectly it has consequences on current EU taxpayers, it also hampers the economic development of Bulgaria by deteriorating the business climate;
- intensified enforcement of anti-money laundering provisions—money laundering is a financial crime, linked to terrorist activities, tax evasion or false accounting. The fight of such a criminal activity is key for the security and financial interest of all Bulgarian and EU citizens;
- strengthened financial control over structural and cohesion funds—it is in the direct interest of all Bulgarian citizens to fully benefit from EU funds, in particular for important infrastructural projects, so as to allow Bulgaria to catch up with other Member States and to become fully integrated in the EU.⁹⁴

71. The same document found four areas of serious concern in relation to Romania:

- fully operational paying agencies accredited for handling direct payments to farmers and operators under the common agricultural policy;
- setting up proper integrated administration and control systems in agriculture—agricultural payments represent a significant part of the EU budget. Any member state must guarantee the proper spending of such funds. Any shortcoming in this respect

93 Q 126

94 “Key findings of the May 2006 monitoring reports on Bulgaria and Romania”, European Commission, May 2006

may delay the disbursement of funds or give rise to correction or recovery of the EU taxpayers money;

- building-up of rendering collection and treatment facilities in line with the EU acquis on TSE and animal by-products—food safety is a main concern for all EU citizens, food products must fully respect all EU requirements;
- tax administration IT systems ready for inter-operability with those of the rest of the Union, to enable a correct collection of VAT throughout the EU internal market—the resource based on VAT is part of the revenue of the EU budget, therefore the proper collection of VAT is key for the financial interest of the Union.⁹⁵

While it believes that both countries are on course for a 2007 accession if the present rate of progress is maintained and intensified, the Commission has deferred until October 2006 its final recommendation to the Council on the preparedness of Bulgaria and Romania for accession.

72. The Foreign Secretary was clearly concerned about some of these difficulties when she gave evidence to us in June:

I think there is a very clear and strong message going from the whole of the European Union's existing membership to Bulgaria and Romania, and because they are accession countries they are in attendance at the Council so they are not under any illusions, they hear all of this all the time, that they have to meet these standards and it is very important and crucial and if this requires a substantial increase and extension of effort then that is what will have to happen. But, of course, there is also the question because there is a timescale under the Accession Treaty, and I do not want to dwell on this too much because the emphasis has to be on 'You must meet these standards and that is required by the European Union before you become full members' and that has to be the emphasis for them. It is perhaps worth reminding the Committee, I am sure you are conscious of the fact, written into the Accession Treaty is the possibility of applying some post-accession measures so that, for example, access to the internal market could be restricted in some way, or there are areas on JHA issues where you could establish further monitoring. There is scope for that but obviously the pressure now wants to be on meeting them before they become members, not on a process afterwards.⁹⁶

73. We had earlier discussed the position of Bulgaria and Romania with the then Minister for Europe, Douglas Alexander. He also referred to the possible application of post-accession conditions on these countries, if they join while concerns about aspects of their preparedness remain.⁹⁷ Mr Alexander's successor, Geoff Hoon, helpfully set out these provisions in a Note for the Committee:

The general economic safeguard clause is designed to deal with adjustment difficulties experienced in a particular economic sector or area following the entry of

95 "Key findings of the May 2006 monitoring reports on Bulgaria and Romania", European Commission, May 2006

96 Q 236

97 Q 189

a new member state into the internal market. This would normally relate to sudden strong competitive pressure in a product market. During the three years following accession, a new member state may apply for authorisation to take protective measures while adjusting its economy to the pressures of the internal market, and an old member state may apply for authorisation to take protective measures with regard to a new member state.

The internal market safeguard clause may be applied in the first three years if a new member state has not met commitments it made in the accession negotiations, or the functioning of the internal market is under serious threat. It covers the area of the four freedoms and includes sectors such as competition, energy, transport, telecommunication, agriculture and consumer and health protection—including food safety. Measures are taken on a case-by-case basis. They may be decided before accession, to be applicable as from accession, and they may be extended as long as the situation is not remedied.

The justice and home affairs safeguard clause may be applied during the first three years after accession if there are risks of serious shortcomings in the way a new member state has transposed or implemented EU rules on mutual recognition in criminal law or civil matters. They may also be applicable beyond that date if the situation is still not remedied.⁹⁸

74. The Committee intends to visit both Bulgaria and Romania later this year, to hold discussions with the governments and parliaments of those countries about their preparedness for membership of the EU. If we judge it appropriate, we will make a further report to the House. Meanwhile, **we conclude that there are strong political reasons for the Government to maintain its support for the accession of Bulgaria and Romania in accordance with the agreed timetable. We recommend, however, that the Government be prepared to agree to the imposition of post-accession safeguards on either country, if the Commission's reports show that these would be justified.**

Croatia

75. The decision formally to start Croatia's process of accession was taken under the British Presidency, in October 2005. Douglas Alexander told us that:

... obviously the opening of accession negotiations under our Presidency in the second half of last year we believed to be an important step, but it is now up to Croatia to work towards meeting those European Union standards and enable them to meet the standards in full before accession can take place, and, as you would expect, both the United Kingdom and the European Union is providing assistance to the Government of Croatia in those endeavours. Obviously, not least given the importance of full co-operation, the International War Tribunal, with the former Yugoslavia, as I mentioned, welcomed the capture of Ante Gotovina back in

December and I think we reached the right decision to open negotiations with Croatia back at that 3 October meeting.⁹⁹

76. There appears to be a general consensus that Croatia's accession is proceeding well and that Croatia will join the EU after Bulgaria and Romania. Charles Grant was particularly impressed by the way Croatia is handling the process:

The Croatians have put one chap in charge of it all and given him complete authority to boss around the various ministries and all the people around, and they have given him a huge negotiating team with the best advisors and officials, and he reports directly to the prime minister. There should not be a problem with the Croatian negotiations.¹⁰⁰

77. We conclude that Croatia's proposed accession to the EU deserves the full support of the United Kingdom, assuming that it meets all the necessary criteria. We further conclude, and hope, that a successful accession process by Croatia could play an important role in stimulating other states in the Western Balkans to make the necessary adjustments that will enable them to qualify for full membership of the EU in due course.

Is Europe going cold on Turkey?

78. The history of Turkey's on/off relationship with the EU was set out by our predecessor Committee in a Report in 2002:

In a speech in 1924, Atatürk said 'The decline of the Ottomans began when, proud of their triumphs over the West, they cut their ties with the European nations. This was a mistake which we will not repeat.' It was this context that drove Turkey to be among the first countries to apply for membership of the European Economic Community, signing an Association Agreement as long ago as 1963. However, Turkey's progress towards membership has been slow. The Customs Union envisaged in the Association Agreement was put in place only in 1995. Turkey's rejection as a formal candidate for membership of the European Union at the Luxembourg European Council in December 1997, when many countries were accepted as candidates which until only a few years before had been communist dictatorships, engendered much anti-European feeling in Turkey. Turkish leaders claimed that Turkey's candidacy was being blocked on religious grounds, following comments by the Chairman of the European People's Party that 'the European project is a civilisational project. Turkey's candidature for full membership is unacceptable', and reports that the then German Chancellor, Helmut Kohl, had described the EU as 'a Christian club'.¹⁰¹

Polls have consistently shown that throughout much of Europe, there is public hostility towards Turkey's membership. According to a Eurobarometer survey in July 2005, popular support in EU countries for Turkish membership ranged from a high of over 50 per cent in

99 Q 192

100 Q 134

101 The Foreign Affairs Committee, Sixth Report of Session 2001–02, HC 606, para 7

Hungary, to a low of just 10 per cent in Austria. The average support across the EU was just over one third.¹⁰² The accession of Cyprus in 2004 has added a further complication for Turkey.

79. Charles Grant agreed that public opinion in the EU as a whole is not sympathetic to Turkey's accession as things stand, but he did not rule out a change over time.

If there were referendums tomorrow the result would be in no doubt at all; there would be a resounding 'no'. It is possible that when Turkey finishes negotiations, which I guess would be 10, 12 or possibly 15 years hence, the world will look different. ... I do not think it is impossible that Turkey can join.¹⁰³

Mr Alexander reflected the British Government's enthusiasm for Turkey's accession:

I stand by my earlier theory that I think it was of genuine historic significance that that decision was reached on 3 October. I think it is the right decision, not just for Turkey but also for Europe, and I think we would have sent a very damaging signal if we had suggested that there was not the prospect of a European future for a country like Turkey and obliged it to turn elsewhere in terms of its future economic, social and political development. All that being said, I have never hidden the fact, and nor has the British Government, that there are very considerable challenges which Turkey will have to rise to in the years, and it will be many years of work, between now and that accession being achieved.¹⁰⁴

80. Our predecessor Committee last year reiterated its "previous strong support for Turkish membership of the European Union."¹⁰⁵ **We conclude that the accession to the European Union of a Turkey which fully meets all the entry criteria remains in the interests of both the EU and Turkey. We recommend that the Government continue to offer strong support to Turkey in its accession process.**

Is Turkey going cold on Europe?

81. Mrs Beckett was upbeat about Turkey's chances of completing the accession process. She told us that she was "clear that Turkey is moving in the right direction."¹⁰⁶ Charles Grant was less impressed by Turkey's approach to accession:

... the whole Turkish attitude to the negotiations worries me a bit. They do not really understand that negotiating to join the EU is not a negotiation; the EU tells you what to do and you do it. That is what happens, and you can argue about the timing of certain things, and right at the end when you get to the budget and you argue a bit about money there is a real negotiation; but most of the negotiations are not negotiations at all. If you are the negotiator for Turkey or Croatia, what really happens is that you have to negotiate with your domestic bureaucracy, with your

102 See "Analysis: EU views on Turkish bid", *BBC News Online*, 30 September 2005, news.bbc.co.uk

103 Q 110

104 Q 193

105 Foreign Affairs Committee, Second Report of Session 2004–05, *Cyprus*, HC 113, para 163

106 Q 242

domestic ministries, media and public opinion; and you have to persuade them that it is all good for them. One should not pre-judge Turkey because they have only just started, but I am not encouraged at the moment.¹⁰⁷

We put this to Douglas Alexander, who observed that:

... the experience of the discussions prior to 3 October, both the weeks and the hours, suggest that the Turkish Government are strong negotiators, shall we say.¹⁰⁸

82. Mr Grant went on to describe one possible scenario:

One thing that could easily happen is that Turkey walks away from the negotiations. A lot of people in Turkey are not going to be happy at the prospect of being bossed around by Brussels bureaucrats, if I could put it that way. The Turks are a very proud people, and they may decide that it is not worth going ahead. That is quite plausible. I know senior Turks who believe that that will happen several years down the road.¹⁰⁹

Ruth Lea also felt that “It may be that if there are all these problems about negotiating membership, Turkey will say that it just is not worth the candle.”¹¹⁰

83. Our predecessors were concerned in 2002 that, if Turkey were rebuffed by the EU, it might walk away, and look to the East for its allies. They were clear, however, that the bar could not be lowered for Turkey, and that Turkey must meet the same criteria as apply to any applicant state.¹¹¹

Turkey and Cyprus

84. One particular hurdle that Turkey finds more difficult to jump than do other applicant countries is the entry into a customs union with the Republic of Cyprus. Turkey does not recognise the Republic of Cyprus as a state with sovereignty over the whole of the island of Cyprus; since 1983, it has recognised the ‘Turkish Republic of Northern Cyprus’ (TRNC) as the sovereign power in the northern third of the island, which is garrisoned by its own troops. The government of Cyprus has, meanwhile, successfully maintained an embargo on direct trade and transport links with the ‘TRNC’. However, Turkey is required to extend its customs union with the EU to all ten new member states, including Cyprus, under a protocol attached to the Ankara Agreement which has since 1963 formed the legal basis for Turkey’s accession. Mr Alexander referred obliquely to the need for Turkey to recognise Cyprus when he gave evidence to the Committee:

Turkey must apply the Ankara Agreement Protocol fully to all Member States and the EU will monitor this closely and evaluate full implementation in 2006; so that will be a particular challenge facing Turkey in the course of this calendar year.¹¹²

107 Q 134

108 Q 194

109 Q 134

110 Ibid

111 Foreign Affairs Committee, Sixth Report of Session 2001–02, HC 606, para 24

112 Q 195

85. The Turkish Prime Minister, Recep Erdoğan, is facing re-election next year and has been unwilling to risk the electoral consequences of breaking the link between Turkish insistence on opening up the ports and airports of northern Cyprus, and Turkey opening up its ports and airports to carriers registered in the Republic of Cyprus.¹¹³ Turkey's progress towards accession will be assessed later in 2006 and there is a strong possibility that if it has failed by then to open its ports to Cypriot-flagged vessels it will be held to be in breach of its obligations under the Ankara Agreement.

86. By no means all the obstacles to Turkey's accession in connection with the Cyprus problem have been of Turkey's making. Speaking in January 2006, Charles Grant told us that:

... the Greek Cypriot Government has really been very, very difficult and obstructive and has prevented the EU from giving the aid to northern Cyprus which it promised, and it has prevented flights going from Turkey to northern Cyprus, which really destroyed the northern Cyprus tourist industry. The Greek Cypriots have been very difficult indeed. I am not saying that the Turks have been that reasonable either on letting Cypriot ships into their ports, but I think the real problem at the moment is that the Greek Cypriots are getting away with blue murder and nobody is prepared to get tough on them, namely the Greeks or the Americans or the British.¹¹⁴

This echoes a conclusion our predecessor Committee reached in their 2005 Report on Cyprus, in which they stated, in the context of the attitude of the Republic of Cyprus towards EU plans to improve the economy of the Turkish Cypriot part of the island:

... there is as yet little evidence that the Republic of Cyprus has fully taken on board that its membership of the EU involves obligations, as well as opportunities.¹¹⁵

The decision of 8 July by the Greek and Turkish Cypriot leaders to resume intercommunal talks under UN auspices is evidence of a more positive approach.¹¹⁶

Conclusion

87. We agree with Charles Grant that Turkey has to accept the conditions under which membership of the EU is offered, and which are the same for all applicants. At the same time, existing member states, including Cyprus, should not treat Turkey's application any differently from how they treat those of other countries. **We conclude that it is the interests of Turkey, the Turkish people and Turkish Cypriots alike that Turkey should move swiftly to accept in full its obligations under the Ankara Agreement. We further conclude that a far more constructive approach by the government of the Republic of Cyprus is necessary to assist this process.**

113 "Fronts between Turkey and EU harden over Cyprus", *EurActiv.com*, 20 June 2006

114 Q 135

115 Foreign Affairs Committee, Second Report of Session 2004–05, HC 113, para 103

116 "Cyprus leaders agree peace moves", *BBC News Online*, 8 July 2006, www.news.bbc.co.uk

The EU's 'absorption capacity'

88. There is of course a tension between enlarging Europe to include more members, and deepening the integration of its existing members. To make Europe both wider and deeper is a great challenge, a challenge which the Constitutional Treaty was intended to meet. Charles Grant articulated this in evidence to us:

There was an unwritten deal at the heart of the EU for the last twenty years, which has been a bit more deepening for a bit more widening. Successive waves of enlargement for the last twenty years have been matched by successive waves of treaty-based integration. If we are agreed, as perhaps we are in this room, that treaty-based integration has stopped because there is not going to be any big new treaty for a very long time, I am afraid that means that enlargement scepticism grows, and there is a great reluctance amongst political elites in Europe to enlarge. They think that more enlargement without changing the institutions significantly will lead to a looser, less effective, less efficient European Union.¹¹⁷

Ruth Lea said that “it was always the British strategy to widen, so they would not have deepening, but the truth is that we have got both.”¹¹⁸

89. We asked Mr Alexander about the EU's ‘absorption capacity’, but he declined to suggest any limit on the Union's expansion and was enthusiastic about the prospect of further enlargement, although he underlined the need for the conditions of membership to be fully met by candidate countries.¹¹⁹ Neither is the failure to adopt the Constitution seen as a bar to further enlargement; the Foreign Secretary told us that “Enlargement certainly can proceed without a constitutional change.”¹²⁰

90. Mrs Beckett, too, declined to place a limit on the EU's potential membership, preferring to stress that “what I do think is key is that the enlargement process is properly and rigorously conducted. I think that is the key and that is more likely to be a relevant factor in the pace of change or the pace of enlargement than anything else.”¹²¹ Charles Grant said that he was “rather pessimistic” that further enlargement would take place after Croatia joins, partly because France is committed to holding a referendum on any future enlargement, which Mr Grant sees as symptomatic of a wider European disenchantment.¹²²

91. Some countries, notably Austria, which held the presidency directly after the United Kingdom in the first half of 2006, have been lukewarm or even hostile to further enlargement. The United Kingdom Government however, has maintained its enthusiasm for a widening of the EU. The FCO's memorandum to us in advance of the June European Council stated,

117 Q 114

118 Q 118

119 Qq 183, 186

120 Q 232

121 Q 234

122 Qq 117, 118

We want to ensure the EU sticks to its existing commitments on enlargement and to ensure that any changes to the EU's policy do not rule out the possibility of future enlargements.¹²³

At the Council, the United Kingdom, Sweden and other member states successfully faced down an attempt by Austria, France and Germany to define the term 'absorption capacity' and to include it among the criteria for deciding whether to accept new candidate states.¹²⁴ However, the Council agreed to return to the issue in December, by when the Commission will have prepared,

... a special report on all relevant aspects pertaining to the Union's absorption capacity [which will] also cover the issue of present and future perception of enlargement by citizens and should take into account the need to explain the enlargement process adequately to the public within the Union.¹²⁵

92. However, the United Kingdom has not clarified which countries might be in, and which might stay out in the longer term. Although some of the countries in the Maghreb have talked up their own chances of joining Europe—Morocco is no more distant from Europe than is Asiatic Turkey—North Africa is by definition not part of Europe. Are Ukraine, Moldova and even Belarus, all of which are definitely part of geographical Europe, potential members of the EU? We certainly heard views that they should be when we visited European capitals last January. But even if some of these countries were to satisfy the Copenhagen criteria and to be accepted as candidate members of the EU, there must be serious doubt concerning the EU's capacity to absorb them, and their ability to adjust to membership given their economic and social problems.

93. We agree with the Foreign Secretary that what is key to the enlargement debate is the rigorous application of the criteria for membership. We conclude that it is this, rather than any abstruse debate about 'absorption capacity', which must determine the future shape and scope of the EU. But we also conclude that popular opinion will be an important factor in deciding future enlargements and that this reinforces the need for a Union which engages the public.

123 Ev 63

124 "New entry hurdle for EU hopefuls removed", *EU Observer*, 16 June 2006

125 Presidency Conclusions 15–16 June 2006, para 53

5 Foreign, Security and Defence Policy

Machinery and architecture

94. The Treaty establishing a Constitution makes provision for a Minister for Foreign Affairs, whose work on behalf of the Council would be supported by an external action service.¹²⁶ Lacking the legal base which would have been provided had the Treaty been implemented, the EU has been unable to proceed with the establishment of the External Action Service and the appointment of the Foreign Minister. Mrs Beckett agreed that the EU External Action Service “cannot go ahead” without the Treaty that provides for it.¹²⁷

95. Nonetheless, the European Commission has continued to open and to staff ‘representative offices’ overseas. And High Representative Solana—who would certainly have been appointed as the EU’s first Foreign Minister—has taken on an increasingly prominent role, as evidenced by his June 2006 mission to Iran. The Foreign Secretary referred to the “very valuable contribution” made by Mr Solana on behalf of the EU.¹²⁸ It is not unusual for Mr Solana to be referred to informally, but incorrectly, as the EU’s ‘Foreign Minister’. Similarly, the Commission’s representatives in non-member states are frequently referred to as ‘ambassadors’: indeed, the Commission’s office in Washington DC refers to its representative to the USA, Mr John Bruton, as “Ambassador Bruton”.¹²⁹

96. The former Minister for Europe, Douglas Alexander, confirmed that the term ‘EU Ambassador’ is a misnomer.¹³⁰ In a letter following up his predecessor’s oral evidence, the new Minister for Europe, Geoff Hoon, told us that:

Douglas Alexander’s statement to the Committee that these individuals are not Ambassadors, but representatives of the European Commission, was correct. The term ‘Ambassador’ has never been correct terminology, although mention of ‘EU Ambassadors’ is common outside the Union when talking about a group of Ambassadors belonging to individual Member States. While incorrect references sometimes occur, the important issue is that neither Commission representatives nor Commission offices can represent Member States.

On the question of EU representatives’ residences overseas, the UK, with other EU Member States through the Council of Ministers, exercises significant influence on the establishment of the EC budget at the beginning of each financial period. It is from this budget that offices and residences of the Commission overseas are funded. Parliament is also given the chance to scrutinise the Government’s position on the draft EC budget before its adoption in Brussels.

97. The FCO did not have immediate access to information on the cost of the European Commission’s representative offices or residences overseas. It took six weeks for the

126 Foreign and Commonwealth Office, Treaty establishing a Constitution for Europe, Cm 6429, October 2004, p 158

127 Q 243

128 Ibid

129 “New EU Ambassador John Bruton meets President Bush”, www.eurunion.org/News/press/2004/200400171.htm

130 Q 158

information to be obtained by the FCO and passed to us.¹³¹ As Mrs Beckett acknowledged, “that does suggest that we are not involved in very detailed scrutiny.”¹³²

98. In a paper submitted for consideration at the June Council, Commission President Barroso proposed a series of measures intended to make progress on CFSP and other issues in the absence of the provisions in the Treaty. The Barroso paper is entitled *Europe in the World: Some Practical Proposals for Greater Coherence, Effectiveness and Visibility*.¹³³ It sets out three main factors on which, argues Mr Barroso, the success of EU ‘external action’ depends:

- first and foremost, political agreement among Member States on the goals to be achieved through the EU. This requires a strong partnership between the EU institutions and a clear focus on a limited number of strategic priorities where Europe can make the difference, rather than dispersing efforts across the board. This is the condition *sine qua non*;
- second, whether the available policy instruments are suited to the task at hand, are backed with the necessary resources, and present clear advantages;
- third, the role and responsibility of the EU institutions and the legal environment.¹³⁴

99. Although the Foreign Secretary appeared quite relaxed about the general tenor of Mr Barroso’s paper, she was very clear that she would not countenance any attempt to give the Commission a greater role in foreign policy:

Who can quarrel with greater co-operation or perhaps greater exchange of personnel. For example, in my former department we exchanged personnel with the comparable French ministry. All of those things, better strategic planning, can be very useful. However, and there is a substantial however to this, better co-ordination within the Commission and between the High Representative and the Commission, fine, we would not quarrel with that, but I understand there is also a suggestion of perhaps full Commission participation alongside the Presidency and EU delegations. Well, no, maybe not, perhaps not even legally allowable. I stress to the Committee that the headline phrases that you have quoted are fine but if they contain within them detail which we question then we will question it.¹³⁵

100. Mrs Beckett continued:

I have already, in the short time that I have been in this post, heard on a number of occasions representatives, not just of the UK but also of other Member States, talking very firmly about foreign policies being a matter for Member States, and I think you

131 Ev 58

132 Q 244

133 COM(2006) 278 final, available at <http://ec.europa.eu>

134 Ibid, p5

135 Q 248

will find that Member States across the board are generally quite jealous of their rights.¹³⁶

The Foreign Secretary conceded, however, that the appointment of a Commission special representative to Macedonia, who also reports directly to the Council, had been a bad precedent.¹³⁷

101. We conclude that, whatever the merits of the proposal to establish a Foreign Minister and an external action service for the EU, it is important that the European Commission should not develop a diplomatic service or ‘embassies’ by stealth. We recommend that the Government take steps to prevent the official use of the term ‘ambassador’ to refer to the Commission’s representatives and that it ensure that, at a time when the funding of British diplomatic, consular and trade posts around the world is under great pressure, expenditure by the Commission on its overseas delegations and properties is subject to rigorous scrutiny.

Is there a distinctive role for the EU in foreign policy?

Keeping the neighbourhood tidy

102. The EU has become increasingly active as a player on the world stage. EU foreign ministers and, recently, High Representative Solana, have been actively engaged in seeking to persuade Iran to abide by its previous undertakings not to develop nuclear weapons. The EU is also a member of the Quartet, which oversees attempts to revive the Middle East Peace Process. Nearer home, the EU is heavily involved in attempts to reconstruct the Western Balkans. It has also been developing an out-of-area defence capability.

103. Charles Grant reminded us of the actual and potential scope of the EU’s current security role outside its borders:

Europe could be a serious security power. It can create peace, and is creating peace in parts of the world. I find that the British public have no idea that the EU is involved in missions in places like Aceh, where they are a key element in monitoring the peace settlements; on the Gaza–Egypt border where they are policing the border; or in Transdnistria—where they may be on their way soon. Obviously, there is an EU force keeping the peace in Bosnia. ... The EU is developing so-called battle groups, which will be up and running soon. They will be forces that are supposed to be capable of going in to a crisis zone in a fairly difficult situation, not just peace-keepers.¹³⁸

This work is valuable and it is by no means certain that if the EU were not doing it, it would be done as well, or at all.

104. Douglas Alexander was upbeat when speaking to us about the EU’s role in foreign policy:

136 Q 251

137 Ibid

138 Q 146

In terms of the effectiveness of the European Union projecting itself and its values internationally, I would probably cite the most salient example, which is that of Iran. If you look at the E3 process over recent months, initiated with the full support of other European countries, it seems to me a very good example of where there has been, notwithstanding the present arrangements within the European Union, a very effective European dimension to one of the biggest single strategic challenges that we face.¹³⁹

An EU working in Britain's interests

105. The FCO's strategy White Paper, *Active Diplomacy for a Changing World* confirms that the EU's role in foreign and security policy is likely to grow.¹⁴⁰ The White Paper continues:

As a global player, it will be in our interest to work with our EU partners, in particular France and Germany, to develop a stronger and more effective EU role in Europe and beyond.¹⁴¹

In similar vein, the White Paper goes on to state:

It will be in our interest that the EU becomes a more capable global actor. To achieve this, EU Member States will need to translate common external policies into effective action through practical and political commitment. Combining our economic, diplomatic and military weight better and making EU development assistance more effective will be critical to increasing the EU's international impact and its contribution to our international security objectives in particular.¹⁴²

106. We conclude that foreign policy is and should remain primarily a matter for each nation state to decide for itself. We further conclude, however, that there can be real value in co-ordinating foreign policies at EU level and in undertaking joint missions on matters where the EU25 can agree and where they have a shared interest.

139 Q 200

140 Foreign and Commonwealth Office, *Active Diplomacy for a Changing World: The UK's International Priorities*, Cm 6762, March 2006, p 23

141 *Ibid*, p 24

142 *Ibid*, p 32

Formal minutes

Wednesday 19 July 2006

Members present:

Mike Gapes, in the Chair

Mr Fabian Hamilton	Sandra Osborne
Mr David Heathcoat-Amory	Mr Greg Pope
Mr John Horam	Mr Ken Purchase
Mr Eric Illsley	Sir John Stanley
Mr Paul Keetch	Ms Gisela Stuart
Andrew Mackinlay	Richard Younger-Ross

The Committee deliberated.

Draft Report (Developments in the European Union), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 9 read and agreed to.

Paragraph 10 read and postponed.

Paragraphs 11 to 13 read and agreed to.

Paragraph 14 read, as follows:

In May 2006, the then Minister for Europe, Douglas Alexander, told us that,

I would argue that in what was ultimately agreed among the heads of government at the December European Council and what is now being followed through in the institutional process, we achieved what many regarded as being very unlikely, which was to find the common ground and consensus on the issue of the European budget.

The final verdict on whether the deal reached on the budget was a good one for the United Kingdom and, indeed, for the European Union as a whole, will have to await the outcome of the mid-term review of the CAP and other expenditure.

Amendment proposed, to leave out lines 7 to 9 and to insert the words "The deal reached on the budget has not clarified the mechanism of EU funding or ended the capricious nature of national contributions. The certainty of higher UK net contributions has brought only the possibility of substantive CAP reform in the mid term review."—(*Mr David Heathcoat-Amory*)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 3

Mr David Heathcoat-Amory
Mr Paul Keetch
Sir John Stanley

Noes, 6

Mr Fabian Hamilton
Mr Eric Illsley
Andrew Mackinlay
Sandra Osborne
Mr Greg Pope
Mr Ken Purchase

Paragraph agreed to.

Paragraphs 15 to 32 read and agreed to.

Paragraph 33 read, amended and agreed to.

Paragraphs 34 to 62 read and agreed to.

Paragraph 63 read, amended and agreed to.

Paragraphs 64 to 92 read and agreed to.

Paragraph 93 read, amended and agreed to.

Paragraphs 94 to 106 read and agreed to.

Postponed paragraph 10 again read, amended and agreed to.

Resolved, That the Report be the Sixth Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No.134 (Select committees (reports)) be applied to the Report.

Several Papers were ordered to be appended to the Minutes of Evidence.

Ordered, That the appendices to the Minutes of Evidence taken before the Committee be reported to the House.—(*The Chairman.*)

[Adjourned till Two o'clock on Wednesday 18 October.]

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Oral evidence

Taken before the Foreign Affairs Committee

on Tuesday 13 December 2005

Members present:

Mike Gapes, in the Chair

Mr John Horam
Mr Eric Illsley
Mr Paul Keetch
Andrew Mackinlay

Sandra Osborne
Mr Ken Purchase
Sir John Stanley
Richard Younger-Ross

Memorandum submitted by the Secretary of State for Foreign and Commonwealth Affairs

PROSPECTS FOR THE EUROPEAN COUNCIL, BRUSSELS 15–16 DECEMBER

INTRODUCTION

1. We expect the issues for the December European Council to include: financial perspectives; growth and jobs; follow-up to the Hampton Court Informal Summit; Africa; global approach to migration; counter-terrorism; sustainable development; climate change; the UN summit; Macedonia; and external relations. The European Council will meet at the same time as the meeting of WTO Ministers in Hong Kong (13–18 December) but WTO issues are not on its agenda.

FINANCIAL PERSPECTIVES

2. As Presidency we are committed to working towards a deal on Future Financing at the December European Council. We have made clear that there will need to be significant changes to the proposal issued by the Luxembourg Presidency in June, setting the path towards a more modern budget focused on priorities and making substantial changes to the Own Resources proposal made in June by the Luxembourg Presidency. We expect to issue our proposal on 5 December and this will be discussed by EU Foreign Ministers at a Ministerial Conclave on 7 December, and again at the General Affairs and External Relations Council on 12 December.

GROWTH AND JOBS

3. We hope to use Council conclusions to lock in progress on three important strands of our economic reform agenda: Lisbon/Globalisation, Better Regulation and the Services Directive. On Services, we hope Heads might endorse the Presidency conclusions from the 28–29 November Competitiveness Council on the parameters of a liberalising Services Directive, but it may be that some Member States will prefer to await the European Parliament's First Reading in January.

4. We also hope to embed the significant progress made on Lisbon/Globalisation and Better Regulation, and give a clear set of forward-looking messages on next steps. On Lisbon, we expect the European Council to welcome the National Reform Programmes produced by each Member State, and to recall the importance of implementing the Lisbon Strategy to delivering the jobs and growth agenda agreed at the Spring European Council. On Better Regulation, the European Council should welcome the Commission's work on simplifying the acquis, screening pending proposals and assessing the impact and administrative burdens of new legislation.

FOLLOW-UP TO THE HAMPTON COURT INFORMAL SUMMIT

5. At the Informal Meeting of the European Council at Hampton Court on 27 October, Heads asked the European Commission and the High Representative to take forward work in the fields of research, universities, demographics, energy policy, justice and home affairs and CFSP/ESDP. At this European Council, Commission President Barroso and High Representative Solana will update Heads on the progress they have made on follow-up work. That follow-up will then continue under the Austrian Presidency.

6. The European Council will also take note of a joint UK-Austrian Presidency report on each Member State's assessment of the progress of their national debate on Europe (a commitment stemming from the June European Council). One element of debate this autumn was the "Sharing Power in Europe"

Conference, which the UK Presidency jointly hosted with the Netherlands in The Hague on 17 November, and which discussed the application of the principle of subsidiarity amongst a range of actors including Ministers, national and European parliamentarians, academics, and representatives of the social partners and civil society drawn from across the EU. Austria has confirmed that it will hold a follow-up discussion under its Presidency in April 2006.

AFRICA

7. We expect the European Council formally to adopt the EU's Strategy for Africa "Towards a Strategic Partnership". This sets out the EU approach to Africa for the coming years, reflecting priorities identified with the UN, African Union and G8 over the course of the past year. It will particularly highlight the themes of peace and security, governance, sustainable growth, regional integration, trade, investment in people and development assistance with an underlying philosophy of African ownership and responsibility. The Strategy provides a solid and realistic foundation for the consolidation of the partnership with Africa over the next 10 years.

GLOBAL APPROACH TO MIGRATION

8. At the Hampton Court Summit, EU Heads of State and Government agreed on the importance of engaging more effectively with countries outside the EU on migration issues. This requires a balanced approach, which strengthens the EU's borders and combats illegal immigration, but also harnesses the benefits of legal migration for the EU and for developing countries. The Commission has published a paper on priority actions on migration, with a focus on Africa. This sets the agenda for operational co-operation between Member States, for instance through joint border operations, and describes how the EU will engage more closely with countries of origin in Africa and with countries neighbouring the EU to build their capacity to manage migration. The European Council will agree short conclusions, highlighting the importance of this issue.

COUNTER-TERRORISM

9. The European Council will be asked to consider the significant progress made under the UK Presidency in implementing the EU Counter Terrorism Action Plan. Achievements will include the agreement of or substantial progress on an EU Strategy on Radicalisation and Recruitment; an EU Programme on Critical Infrastructure Protection; EU Crisis Co-ordination arrangements; the European Evidence Warrant; a final report of evaluation of all Member States' counter-terrorism arrangements and best practices; and measures on simplifying the exchange of law enforcement information.

10. The European Council will also welcome the agreement of the EU Counter-Terrorism Strategy. This is designed to complement the Action Plan by giving the EU longer-term strategic direction. It is based on four broad policy objectives: to disrupt terrorist activities; to improve our response to terrorist attack; to protect our citizens and infrastructure by reducing our vulnerability to attack; and to prevent people turning to terrorism. The strategy will underline how the EU adds value to national efforts and will identify mechanisms to provide political oversight while facilitating progress and delivery through the appropriate working groups and committees.

SUSTAINABLE DEVELOPMENT

11. The June European Council looked forward to the review of the EU Sustainable Development Strategy by the end of 2005, if possible. A delay in the publication of the European Commission's communication on the review of the Strategy has meant that the UK Presidency has been unable to take forward work as planned. The Commission now anticipates publishing the communication in mid-December. If the communication is released in time, the European Council is likely to note this and look forward to progress under the Austrian Presidency.

CLIMATE CHANGE AND SUSTAINABLE ENERGY

12. The European Council will meet the week after the UN Climate Change Conference in Montreal (28 November–9 December). The Council will assess progress and set priorities, based on the outcome of the Montreal Conference and other EU work to re-invigorate the international negotiations and develop a medium and longer term climate change strategy. It should endorse follow-up to the successful EU Summits with China, India, Russia and Canada, emphasise the importance of developing partnerships on climate change with all major energy-consuming countries, and affirm EU support for climate change work under the Gleneagles Plan of Action. We also hope that the Council will endorse the need to take action to reduce the climate change impact of aviation, building on the discussion in the Environment Council on 2 December.

UN SUMMIT

13. We expect that the Council will welcome the extensive and balanced outcome of the UN Summit, and will reiterate the EU's strong support for the early and full implementation of the reforms and commitments then agreed, as outlined in the extensive Conclusions on Summit follow-up agreed at the General Affairs and External Relations Council on 7 November.

MACEDONIA

14. The European Commission opinion of 9 November recommended that Macedonia be given Candidate Country Status but not yet a date for the opening of accession negotiations, which will depend on further progress being made in key areas. EU Foreign Ministers will discuss Macedonia at their meeting on 12 December. Depending on the decision of Foreign Ministers, the European Council may be asked to endorse it.

EXTERNAL RELATIONS

15. There will be a discussion of the Middle East probably at the Foreign Ministers' dinner on Thursday evening. Any Conclusions are likely to cover: the Middle East Peace Process and progress on the EU mission to monitor the Rafah border crossing; the EU's overall approach towards Iran; Detlev Mehlis' (UN Head of the UN International Independent Investigation Commission) latest report on the assassination of former Lebanese Prime Minister Rafic Hariri (expected to be published by 15 December) and the situation in Syria and Lebanon; the recent EuroMed Tenth Anniversary Summit, which set out a reinvigorated agenda to strengthen the EU's relations with its Mediterranean Partners; and the transitional process in Iraq in the light of 15 December constitutional elections.

ESDP

16. We expect the European Council to endorse the Presidency Report on European Security and Defence Policy (ESDP). The report is a comprehensive record of civilian and military ESDP activity in the second half of 2005, including operations, capability development and co-operation with other international organisations. It highlights specific progress made in some areas and outlines the areas which require further work under the Austrian Presidency.

Foreign and Commonwealth Office

1 December 2005

Witnesses: **Rt Hon Jack Straw**, a Member of the House, Foreign Secretary of State, **Mr Tim Barrow**, Deputy Political Director and Assistant Director EU External, and **Mr David Frost**, Deputy Director EU, Foreign and Commonwealth Office, gave evidence.

Q1 Chairman: Good afternoon everybody. Welcome to the Foreign Secretary and his team. We are pleased to have you here, Jack. We know you are extremely busy this week, as always. We want to obviously focus on the presidency of the European Union and the preparations for the summit and other issues that are going on. Perhaps I could begin by asking you about the EU budget. I know you are in the middle of negotiations, and we appreciate that sometimes you do not want to reveal everything, but, nevertheless, could you tell us at this moment how many other states support our position?

Mr Straw: I am not, with respect, going to offer a view about that, because we are not at a stage where we can make that assessment. This is an iterative process where we put forward proposals, we listen to what colleagues have to say. We are in the process of revising these, so the situation is this. We put forward proposals last week and they were made available to the House at the same time as they were made available to European Member States. We have been listening very carefully to reactions to those proposals. I ran what was delicately called a "conclave" of European foreign ministers to discuss

just this last Wednesday, and since then there have been bilateral meetings, as you will be aware, between the Prime Minister and heads of government of almost every one of the other 24 Member States. I have had a series of discussions with my colleague foreign ministers, Douglas Alexander with his colleague Europe ministers, and of course at official level there has been very intensive discussion. We are currently agreeing some of the revisions to the proposals, and they will be made available tomorrow, including, may I say, by way of written ministerial statement tomorrow morning, so we will be publishing the statement with the full details annexed. I am doing it tomorrow morning because in the afternoon there is a debate on the prospects of the European Council, effectively a debate about the budget, so that colleagues on all sides of the House have an opportunity to study the revisions before the debate. So that is where we have got to. These are complex negotiations. They always are; they always will be. I have never been in a negotiation of this complexity within the European Union where people disclose their final hand until they have to, and I am not

going to offer a view about whether or not there is success on Thursday, Friday or Saturday. One of the other problems about budget negotiations, as we saw at Luxembourg, is that it is literally, to use the cliché, a zero sum game. There is an issue about the overall size of the budget—the bigger the budget the better it is for those who are benefiting from the budget net, the worse it is for those who are contributing net—and within that overall budget, at the very level of budget, there are very important issues about new benefits from what spending, so it is difficult. For our part, we are doing everything we can to get a deal, but we are not interested in a deal at any price.

Q2 Mr Horam: Could I come back to what you did make public last week, i.e. your negotiating position. Part of that was a link with the Common Agricultural Policy?

Mr Straw: Yes.

Q3 Mr Horam: That is one of your points. A review conducted by the Commission to be submitted in 2000?

Mr Straw: The review, yes.

Q4 Mr Horam: Right?

Mr Straw: Yes.

Q5 Mr Horam: You are proposing a review of the CAP?

Mr Straw: Yes.

Q6 Mr Horam: It is the case, I want you to correct me if I am wrong, that in 2002 the Council did agree that there would be no change in the funding of the CAP until 2013?

Mr Straw: Not quite, is the answer. I can get you the exact text of what was agreed because I was there, but part of the conclusions for that section relating to the CAP began with the preamble, words to the effect that, “This is without prejudice to decisions on the financial perspective for 2007/2013”. I am sorry, I should have introduced David Frost and Tim Barrow. Tim is the Deputy Political Director and David is one of the Deputy Directors Europe. But it is words to that effect. It related, as I recall, directly to direct payments, which is a big chunk of CAP spending. It is one of the debates we are having with the French, because they say that back in October 2002 we set the CAP in stone between 2007 and 2013. It is not the case. I would be very happy to provide you with the conclusions that I, indeed, set up.

Q7 Mr Horam: You contend that is not the case?

Mr Straw: I do not only contend that, I was there, and, as I say, the rubric is clear. We can send out for the conclusions. Let us do so.

Q8 Mr Horam: You are saying it is subject to what might be agreed at this Council?

Mr Straw: I am saying that, as I recall the paragraph, it opened with the words—and it was to do specifically with direct payments, which is part,

although not the whole, of CAP spending—“This is without prejudice to decisions on future funding in the financial perspective 2007 to 2013.”

Q9 Mr Horam: So that is what you are relying on?

Mr Straw: We are also relying—. It is never the case, even if there had been that decision, that it is impossible to change subsequently a decision made now getting on for four years ago, and by the time the review happens it would be six years ago, so it is always the case, as with Parliament. Parliament can decide one thing one day, and, if there is a majority, two days later it can change, but, as it happens, these were difficult negotiations that took place in October 2002 and they went through to 2003. I was there then, I know what was decided and it was a process of reform of the Common Agricultural Policy, first of all. So it is also inaccurate in its own terms to suggest that the CAP was going to remain static, because it has not. Just in the last week we have had this good news on the negotiations in respect of the Sugar Regime. So it was a process of reform, plus the fact that the conclusions made clear, as I said, that it was without prejudice to future decisions on the financial perspective.

Q10 Mr Horam: As you have just said, we have had some recent news about the Sugar Regime, for example. As I understand it, the reforms that flowed from 2002, reforms of agricultural practice, are still coming in, will come in this year, some more will come in next year. One of the criticisms of your position could be that it is rather early to be having a review?

Mr Straw: By the way, I have just had the precise wording passed to me. “It was explicitly agreed without prejudice to future decisions on the CAP and financing of the European Union after 2006”, and it set ceilings, not targets, for expenditure. I am not in any doubt that what we are proposing is fully consistent with what was agreed in 2002. It is simply wrong to suggest that, as I say, the decisions made in 2002 were set in concrete. I am sorry, you were asking me a question about sugar.

Q11 Mr Horam: No, I do not want to talk about sugar. I was just saying that, given this is a continuous process of reform of the agricultural system in Europe which is happening this year and happening next year as a consequence of decisions taken in 2002, some would say it is a bit early to have a review of the whole system.

Mr Straw: I do not think it is at all. I am sorry, we may just have to disagree about that. I think that it is exactly the right moment, indeed some would say it is overdue, to have a review of the policies and the funding of those policies of the European Union. There has been change, let me make that clear, and the proportion of the total budget spent on the CAP has been going down in recent years—it is a process we have been pushing—as has the total size of the budget relative to Member States’ economies also been gradually reducing, and that is a process we want to accelerate within this budget; but if you look

at the negotiations which opened in Hong Kong today, which are directly linked to this, there is a big agenda of change.

Q12 Mr Horam: Market access?

Mr Straw: It is market access, essentially, so that we open up our markets for agriculture. Let me say, we get other people's markets for agriculture opened up as well, and I believe that the French and the British and many other farmers will be able to do very well in exporting to third countries, so this is not a situation where we are going to impoverish rural areas as a result of these changes, but the balance of agriculture will change and in return for that, of course, what we get to is non-agricultural market access, including manufactured goods and services, so it is a big agenda. I cannot predict what is going to happen in Hong Kong, nobody can, but what I am clear about, Mr Horam, is that this pressure for change in the Common Agricultural Policy will not and cannot go away because there is a changing reality in the rest of the world.

Q13 Mr Horam: I understand that completely.

Mr Straw: It is called globalisation. It is also the called impatience by developing countries who are not going to tolerate for very much longer these very high levels of subsidies being paid to European, American and Japanese agriculture.

Q14 Mr Horam: What opinion have you formed over the last six months while we have been the Chair about the reaction of other Member States to your view as expressed now?

Mr Straw: Many are happy about this; some are not. It is inevitable within negotiations, those that are not particularly happy, that you have to goad for persuasion and negotiation, and it is hardly a secret that the French government have reservations, to put it at its mildest, about a review which could impact in the next financial perspective. That is another of these negotiations.

Q15 Chairman: Can I ask a specific question about the detail of the proposals that we are putting forward. As I understand it, although your proposal is for a reduction of the expenditure level that was originally proposed by the Commission and lower than Luxembourg, you are arguing for a substantial increase in some aspects of the European Union funding, particularly common foreign and security policy. Why is that necessary?

Mr Straw: Let me give you some totals here. The Commission recommended a budget set at 1.24% of what is called GNI (gross national income) of the European Union Member States, which would have been €1,025 billion over the seven-year period, and that was impossible. The Luxembourg Presidency recommended a budget of 1.06% of GNI, which is €870 billion. We are proposing in last Wednesday's negotiating box a budget of about 1.026, and it is 847 billion. The budget for the common foreign and security policy was €16 billion last year. It has been put up to €100 billion this year and there are some proposals for it to increase further per year in the

future. First of all, these are small sums compared with the total, Chairman. Secondly, why they are necessary is because, not least under our presidency, the common foreign and security policy has been made operational. It is no longer just a rhetorical policy. We are operating it in negotiations, as we are in respect of Iran, but also in respect of these missions, and so we have had a mission to Aceh—we got very little coverage, but a really important mission there, as important in its own way as the decommissioning programmes undertaken in Northern Ireland and the European Union have run it entirely—we have also got the continuing mission in Rafa, and I gather from one member informally that you were impressed with what was going on, but these things cost money, that is why.

Q16 Chairman: You are revising your proposal. Is it likely then that the figure that you have just quoted (1.026) is actually going to be significantly raised tomorrow in order to try and get an agreement that will end up somewhere near where the Luxembourgers were when we finally got an agreement.

Mr Straw: I am not going to, if you do not mind, make predictions about where this may end up, not least because I cannot, but if Luxembourg had been acceptable to us we would have accepted it; so would the other four Member States who turned it down. There will, indeed, be some revisions, but they are going to be revisions around the level we have proposed.

Q17 Mr Horam: Can I ask you one quick question about the Luxembourg suggestion, which was, if I remember rightly, a freezing of the UK rebate, which would mean it would be the same each year as opposed to at the moment a fluctuating amount, which has some disadvantages because it means that sometimes we do not bid for things because we know that it will reduce our rebate. Would you be in favour of a steady amount rather than—

Mr Straw: Look, what happened with Luxembourg, Luxembourg was under pressure to meet various expenditure claims by other Member States which they did, and then they effectively gave us the bill. Just to give you some of the ball park figures, our net contribution in this financial perspective, which ends next year, is €39 billion over the period. Without any change in any of the financial arrangements, including the rebate regulation, our net contribution for the next financial perspective from 2007 to 2013 inclusive is due to rise to €50 billion, and that is principally but not wholly to pay for the costs of enlargement. What the Luxembourgers said is that, having risen already by 11 billion, it should rise by a further 25 billion to 75, so it was an increase of about 93% on 39, and they were going to do that by freezing the abatement, and it is simply unacceptable and it is unacceptable because of the cost to us and it is unacceptable in principle as well. What we have said in our proposals is that we recognise, number one, that when the rebate regulations were negotiated in 1984 there was no expectation whatsoever that within a period of 20 years the

European Union would expand to take into its membership what at that stage were Soviet satellites. The issue before the Union was essentially making up membership within Western Europe, not that, and nobody has ever suggested that the UK, as one of the more prosperous countries, should not make a fair contribution towards the costs of enlargement and of expanding those economies, and that is why we have made proposals in this negotiating box for an increase over the 50 billion starting point, default setting, of around eight billion euros, but we have also said very clearly that that is linked to the abatement or what would otherwise be the abatement, on structural and cohesion funds in the enlarged accession countries, the A10 countries. Where we are adamant is that the rebate should be untouched in respect of any spending inside the pre-existing 15 Member States and agriculture anywhere in the European Union, unless and until there are the major reforms that we have been seeking. So, that is the background. Chairman, you did ask me earlier about are some budget headings going to increase. It is not just the FSP which will be increased. Structural cohesion fund spending to the accession ten countries will increase very significantly by a factor of five, I think, on current levels of spending, and there will be corresponding reductions.

Q18 Sir John Stanley: Foreign Secretary, I do not know whether you have given consideration to yours and the Prime Minister's negotiating strategy on this, but has it not been a pretty disastrous misjudgment to take up a position sustained over months, if not years, of the British rebate as non-negotiable only to come to a position where it is patently obvious it is now wholly negotiable and with a bottom line for reasons that we understand at this particular moment? What credibility are you and the Foreign Office and the British Government going to have in future EU negotiations when you take the position that something is non-negotiable when you have been so clearly driven from that particular position on this particular occasion?

Mr Straw: I do not accept that we have. I have certainly never used the word "non negotiable", as far as I recall. What I have said is that the rebate is fully justified and, moreover, we are not negotiating on the rebate as it was agreed in 1984. I have just spelt out the fact that the rebate will not be affected by a cent or a penny in respect of any aspect of spending within the E15 nor any aspect of agricultural spending anywhere inside the Union. What, however, I note is that nobody in all the debates on accession on any side has ever said that the much poorer countries inside the accession ten states should effectively pay their share towards our rebate, because the rebate was never designed like that. The rebate, let us be clear, was designed to ensure that there was equity between otherwise similar states, principally France, Italy and the UK, in terms of our contribution to the EU. There was not equity because of the imbalance in spending towards agriculture, and that was a reason why the rebate was obtained. Let me say to you that there has not been equity until very recently, and one of the

things that is going to happen under our proposals is that there will in future be a broad equity in spending between France, Italy and the UK for the first time ever, something that the then Mrs Thatcher was unable to achieve. As I say, going back to the core of your point, I think our partners understand our position exactly. It was precisely because we were not willing to negotiate the rebate away in June that the Prime Minister and I dug in and one of the reasons why there was no agreement, but we were joined by four other Member States, and so, far from Member States drawing the conclusion you suggested, Sir John, they have drawn the opposite one, which is that we are tough negotiators and if we think a deal is unsatisfactory for the United Kingdom, and I may say for the European Union, we will simply not agree it, and they all understand that.

Q19 Sir John Stanley: Are you assuring the Committee that as far as the element of a rebate is concerned which is applicable to the previous Member States before the recent enlargement, that the value of that will be wholly maintained in the negotiation?

Mr Straw: Yes, and it goes back to points the Prime Minister has made and, indeed, I note from recent debate in the House of Lords, Lord Howe, who was there at start, has made, but the rebate is an anomaly, but it is an anomaly built on a much bigger anomaly, namely the distortions of spending throughout the European Union. It will remain unamended within the existing 15 Member States unless and until there is agreement to remove the underlying causes of the rebate, and if there were and we have then got into a more rational overall pattern of spending and revenue raising, then the case for the rebate would fall away, but in my judgment that will be a long way off, and it is certainly not for these negotiations.

Q20 Chairman: Thank you. We have to move on.

Mr Straw: Can I also just say, because it may be helpful to the Committee, the rebate is rising as well. It has been five billion euros in this financial perspective, on average. It is going to rise to, on average, seven billion euros in the next financial perspective.

Andrew Mackinlay: Can I just bounce this off the Foreign Secretary? It is frustrating that the thing is going to be published tomorrow when one might have thought it might perhaps have been possible today—that is an aside—but what happens if there is deadlock? We do need to understand, Chairman, if everyone digs in, how that funding operation goes to the European Union. The other thing which I wanted to ask you. I am told that one of the problems for the European Union ten is that they actually have not got the machinery of government to spend some of the rebate. How true is that in your view?

Mr Straw: Three points, Mr Mackinlay. First, you express frustration about the fact that we have not published the proposals to date. If they had been ready we would have published them. Let me say, I

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do my very best to ensure that Members are given advance notice of these things, and that is why I am making every effort to ensure they are made available tomorrow morning in advance of the debate. I feel perfectly confident about these proposals. In any event, it would be totally inappropriate to try and hide them. Your second point was about deadlock. Decisions on the budget require unanimity, so, as we saw in June, if there is not unanimity there is no agreement. The current budget runs until the end of next year, but if there is deadlock then the treaties and practice provide for budgets to be rolled over, and there are various mechanisms, and Mr Frost can explain these in detail, by which, if they wish, the European parliament can “denounce the position of the European Council”. The overall effect of all this is that, roughly speaking, you run the pattern of budget, maximum budget, at about 1.05.

Mr Frost: A bit less.

Mr Straw: A bit less, nought four, nought five. We do not want to do that though, because it becomes very static and we want to move forward. One of the problems is that if there is no agreement it makes the problem which was mentioned in your third question about the capacity of the accession countries to spend what has been allocated much more difficult because they need long lead times to build up their capacity. None of them up to now, and they have only been members since May of last year, have been able to spend what has been allocated. That is not unusual, it happens with countries being in the European Union for a long time, and they have had a history of under spending, monies have been allocated under external aid budgets in the past as well, so they are very anxious for a budget deal so that they have certainty about the levels. Also some of them are anxious about a budget deal by December because of what is called the “statistical effect”, in other words that they benefit from the statistics which would apply to a budget currently available, and they will lose out under next years statistics because their economies are growing and so fewer areas will qualify for this spend. This is part of our detailed discussions with the A10 colleagues. What we have done is this. We have reduced the headline figure for structural cohesion fund spending in the A10 countries because we had to get the budget down from 1.06, which was unacceptable to many partners, to a lower figure, and a number of budget heads were reduced—SCF for the A10, rural development, for example, in the existing 15, and some other changes as well. At the same time as doing that we proposed a series of technical, but very important, changes which will make it easier for these countries to spend so they are able to roll-over allocations from one year to the next more easily. Two countries said that they wanted to use structural cohesion funds for social housing—so for the first time we are saying that that should be available for social housing—and there are many other changes like that which will make it easier for them to spend.

Q21 Chairman: Now we are moving on.

Mr Straw: What are we moving on to?

Chairman: Rendition.

Q22 Mr Illsley: Foreign Secretary, we have seen positions changing slightly over the last few days. We have seen the statement by Condoleezza Rice admitting that the US have used rendition previously but denying any use of rendition for the purposes of torture, and in a reply to Ming Campbell, I think, yesterday it has been indicated that in the past there have been requests to ourselves for rendition. This is despite previous statements to the contrary that we were not aware of any such requests in the past. Can you give a categorical statement to this Committee now that this government is not involved in any type of rendition, that we are not assisting, with the Americans, in rendition of their suspects or their personnel and that we are definitely not involved in any rendition of anyone for the purposes of being taken to another country to a secret site, or whatever, for the purposes of torture?

Mr Straw: First of all on your last point, Eric, yes, I absolutely categorically can give you that undertaking. On the wider issue, rendition is a term of art which covers a variety of activities. At one end it could be used to include the transfer of a suspect, which happened on two occasions when I was Home Secretary, not Foreign Secretary, in 1998, as I drew to Ming Campbell’s attention, where the United States were transferring an individual from a third country to the United States to face trial. They had assured us that, although there was not an extradition concerned, the transfer took place lawfully with the agreement both of the host country—the original country—and was consistent with the United States’ law. Since also I was satisfied about the potential treatment of the suspects when they arrived at their destination, namely that they were going for trial in the United States, I agreed that transfer. I do not remember it being called rendition, but it may have been. There was also, as I said to Ming in answer to his question, another case—we are still trying to pin down the records but it is in the recollection of the officials concerned and also broadly in my recollection that there was an application by the United States for transfer from the United States to a third country. I was not satisfied in that case that one could be guaranteed about the potential treatment of the suspect and so I refused the facilitation. Those three cases, there could possibly be a fourth, and the Home Office are checking, all happened under the Clinton administration. As I said in answer to the question from Ming, and it was based on very thorough research both from Foreign Office and Home Office files and other files, there is no record whatsoever of any request for what is now called rendition from the United States’ government either to the United States or to a third country which we in the UK government have received either in respect of facilitation where the plane has landed or in respect of over flights. I also say to you two other things. First of all, had that happened through United Kingdom airspace or on United Kingdom territory, I expect that we would have received a request by the United States’ government, because that has been their consistent practice, as is evidenced by what

happened in 1998. The second thing I say is this. I wrote to Secretary Rice at the end of November after the General Affairs Council and the general discussion in the European Union raised concern about the reports that had been received. She responded to that request with a very detailed statement setting out the position of the United States government, and that set out, amongst many other things: "The United States has respected and will continue to respect the sovereignty of our countries. The United States does not transport and has not transported detainees from one country to another for the purpose of interrogation using torture. The United States does not use the airspace or the airports of any country for the purpose of transporting a detainee to a country where he or she will be tortured." So I hope the result both of what I have said in answer to Ming and what Secretary Rice has said to me in answer to my enquiry should provide serious reassurance to those who understandably have been worried about this in the reports.

Q23 Sandra Osborne: There is a great deal of worry around this issue, as you know, and I appreciate the officials have been carrying out quite substantial research into exactly what has been happening, but I notice that some other EU countries such as Germany, Italy and Spain have actually launched investigations at a judicial level in relation to extraordinary renditions. Do you not think there is a case for the UK to do that, and does the EU itself have a responsibility to investigate any breaches of human rights in its airspace or territory?

Mr Straw: I cannot speak for what is happening in Germany or other countries, and they must make their own judgments. There may have been calls for these, but I am unaware of any such investigation. I do not think that there is any case whatsoever for such an investigation here. Ming Campbell, a very distinguished parliamentarian, asked me a question and I did what it is my duty to do, which is to provide a thorough comprehensive answer. That has been done. It has produced a nil return. Unless we all start to believe in conspiracy theories and that the officials are lying, that I am lying, that behind this there is some kind of secret state which is in league with some dark forces in the United States, and also let me say, we believe that Secretary Rice is lying, there simply is no truth in the claims that the United Kingdom has been involved in rendition full stop, because we have not been, and so what on earth a judicial inquiry would start to do I have no idea. I do not think it would be justified. While we are on this point, Chairman, can I say this? Some of the reports which are given credibility, including one this morning on the Today programme, are in the realms of the fantastic. There was a report this morning on the Today programme suggesting that intelligence staff from the United Kingdom have been involved in interrogation and maltreatment of detainees in Greece. Normally when you get allegations, however fantastical, we choose to neither confirm nor deny them because that is the only way you can protect intelligence, but let me just say in respect of

those allegations that they are complete nonsense and no United Kingdom officials have taken part in any alleged mistreatment in Greece of any suspects whatsoever and we were not involved in the arrest or detention of those particular suspects.

Q24 Richard Younger-Ross: You have been very clear about official requests for rendition through the United Kingdom. It does raise a question, of course, how they managed to transfer the prisoners to Guantánamo Bay in the first place. Obviously the route is being used, not through the UK in that that instance, but in terms of the requests, those requests would only be for military or state flights, official flights, US flights? Private flights can come and go. Have you been made aware by any of your officials or any official from any other department of any concerns or knowledge they have of any private flights being used for rendition?

Mr Straw: No, I have not. Can I say that part of the search of papers conducted at the Home Office and the Foreign Office was not only for cases but also for policy papers—I think that is reflected in the answer which I gave—but those produced a nil return as well. In any event, the permission is not contingent on the nature of the aeroplane, it is contingent on the nature of the activity being conducted either in the aeroplane or on the ground; so I do not think the fact that it was a private flight is relevant. I have no idea whether it was a private flight or a military flight or a CIA flight that was involved in the 1998 transfers which I authorised and it is not relevant. The question was the United States government understood that in using our airspace and our territory they needed our permission to effect a transfer, so they sought it.

Q25 Mr Purchase: Secretary of State, three little subsets to this discussion. We have heard from a number of bodies now who seem quite clear in their minds that there are torture camps across Eastern Europe and perhaps elsewhere. Is there any evidence that you have that such camps exist, has information been passed to you which may be thought to have been obtained by methods of torture, and, finally, if such information was offered, in whatever circumstances, what would be the response of the British government?

Mr Straw: On your first, I have seen no evidence. I understand, obviously, the concerns that are around, but, first of all, there are no secret prisons in the United Kingdom. Fortunately, I think that is an allegation that has not yet been made but unless I deny it it quite soon will be; so you got it first, this denial of an allegation that is yet to be made! But there are no secret prisons here. I have set out the position so far as the United Kingdom government is concerned, we are not responsible for third countries, but let me also make it clear that Dr Rice in her letter to me set out the position—I assume you have seen the letter and the statement, it is a very detailed statement—and she says there that the United States has respected and will continue to respect the sovereignty of other countries. So, if the United States has entered into some agreement for

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facilities with a third country, it would be with the full knowledge and understanding of that country. If you ask me whether they have, whether I have information that they have, the answer to that question is, “No”. Your other question related to

Q26 Mr Purchase: No evidence of torture camps elsewhere?

Mr Straw: None whatever.

Q27 Mr Purchase: None whatever?

Mr Straw: On the undertakings that Secretary Rice has given, nor do they exist as far as the United States is concerned. I think if someone of the position of Secretary Rice and her integrity makes statements like this they ought to be assumed to be correct. On the issue of obtaining evidence, intelligence, by torture, the position has been set out a number of times, but let me repeat it. We are against the use of torture. I am against the use of torture because it is torture and it is wholly immoral. There is a subsidiary reason why I am against the use of torture, which is that evidence obtained under torture is much less likely to be reliable and that is why British courts have always regarded evidence obtained in that way, whether it is obtained under torture or what is called duress, as unreliable, so we do not seek such evidence, we do not rely on it. I have never had piece of paper produced before me where on the rubric it says, “We believe this has been obtained under torture.” The other problem about torture is that those who commit the torture deny it to themselves as much as they deny it to other people, so to track it is very difficult, but we are alive to those countries where we think malpractice of all kinds is used and we seek to deal with it.

Q28 Mr Purchase: The third question, if such information was offered?

Mr Straw: It comes to this. First of all, I do not think it ever will be offered, because I think, if you go through the list of countries where we and America and other leading human rights NGOs believe that the mistreatment of suspects takes place, I do not think you will find a single one of those countries which says it does take place. All of us, and this applies to everybody here in this room, I am quite sure, if we were offered a piece of intelligence which, for example, said there was going to be a terrorist outrage tomorrow and it appeared to be credible, we would be duty bound to act on that regardless of the provenance of it. Everybody understands that. We have to do that. At the same time we have to take account of our suspicions as to where it has come from and not ever either to authorise the use of torture in the obtaining of intelligence or to suggest that we are somehow complicit or accommodating to this, because we are not, and I am not. I am against it.

Q29 Mr Keetch: Foreign Secretary, can we be clear about your answer yesterday to my colleague, Sir Ming Campbell, when you used the expression “UK territory and airspace”. Does that include British dependent territories overseas?

Mr Straw: Diego Garcia.

Q30 Mr Keetch: Diego Garcia or RAF Akrotiri in the southern base area of Cyprus?

Mr Straw: The search was related to the UK mainland, all right, and the requests that I received in 1998 related to the UK mainland. What I can say to you, and I will need to make some more enquiries and come back to this Committee about your question about Diego Garcia, not in relation to any rendition but certainly in relation to other activities based on Diego Garcia that United States government does seek our permission, but I cannot give you a specific answer on that.¹

Q31 Mr Keetch: Because your colleague Iain Pearson told the Committee in answer to a question from me two weeks ago that his definition when he sought advice from his officials of UK territory and airspace did include Diego Garcia, did include Akrotiri and, indeed, did include Gibraltar—I threw that one in as well—so it would be very helpful if we could have that direct view, particularly, obviously, on Diego Garcia.

Mr Straw: Can I say that had the search thrown up examples of requests, then, of course, I would have reported them to the House via the answer to Ming Campbell, but you asked me a very specific question about whether what I had in mind there was UK mainland territory.

Q32 Mr Keetch: Perhaps we can clarify that. You are absolutely certain that the accusations made in *The Times* and elsewhere today that British MI6 agents have been involved in the torture of 28 Pakistani originated detainees in Greece, we can forget that as being complete nonsense, as you said?

Mr Straw: Yes.

Q33 Mr Keetch: Excellent. Given that and given the growing concerns—Mrs Osborne referred to the inquiries in Canada, in Spain, in Italy—also given the fact that even now in the House we have an All Party Parliamentary Group set up on this subject, and I cannot speak for the Committee, but if this Committee were to seek to investigate this issue of extraordinary rendition, would you give us an assurance that any officials in the FCO and any agency that are responsible to the FCO would be prepared to give evidence to this Committee, if necessary in private, so that we could once and for all allay the fears that are quite clearly in parliament and elsewhere?

Mr Straw: Mr Keech, no, I would not, and I think you understand very readily why not: because that is getting into the territory of the Intelligence and Security Committee. Am I ready for an appropriate committee of parliamentarians to investigate such allegations? Yes. I know this is delicate territory, but you have one role and the ISC has another.

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Q34 Chairman: We will come back to this matter.

Mr Straw: Let me say too, so far as individuals who believe that they have suffered wrong at the hands of intelligence or security agencies are concerned, they have a statutory right to make a complaint to the relevant intelligence services commissioner, who are senior judicial figures who will then investigate, and that may be helpful to Mrs Osborne when she was asking me about judicial inquiry and anybody who believes they have been wronged, including these people who claim that they were ill-treated by British intelligence in Greece and feel that they can make that reference.

Q35 Chairman: But given that we have signed the Geneva Convention, given that we have signed conventions against torture in 1948, 1966, 1950 and 1984, you would confirm that any British official employed by her Majesty's Government in any sense involved in this practice or involved in the kind of action we are talking about in terms of rendition might well be in contradiction of the Geneva Convention and those other conventions we have signed?

Mr Straw: Plainly torture is illegal, complicity in torture is also illegal—it is illegal under our law and under international law—and so, if anybody were involved, they would be committing a criminal offence; but let us just come back to the reality of the way in which our intelligence and security agencies operate. They do not do this. I have been responsible for one or other of the three intelligence and security agency services over the last eight and a half years, Home Secretary, Foreign Secretary, and I have never ever seen an allegation of this kind, but if there are allegations, of course they would be investigated, and there is appropriate parliamentary oversight of the intelligence and security services as well.

Q36 Sir John Stanley: Foreign Secretary, you will be aware from the extensive coverage which this particular allegation has had in a number of newspapers that a UK civil rights lawyer, Mr Clive Stafford Smith, has produced a dossier of papers, if I can use that word in this committee, on behalf of his client, Mr Benyam Mohammed al-Habashi. You said to the Committee a moment ago that the British government was in no way complicit in the use of torture as far as any individual is concerned. You will be aware that in these allegations Mr Habashi has alleged that MI6 handed him over to the CIA, Mr Habashi describes an account of someone he believes to be an MI6 officer and details the horror of his torture. Mr Habashi says the officer told him: "I will see what we can do with the Americans." "They gave me a cup of tea with a lot sugar in it. He said, 'Where you are going you will need a lot of sugar'", and he went on to say that he was interrogated for 18 months in a Moroccan prison, had his penis cut with a scalpel; he also claims he was chained to a wall for days, chained to the floor in a pitch dark cell in Kabul and turned into a heroin addict. I should add that it is also alleged that the Americans take the view, which I believe he denies, that he is involved in some way in planning a dirty

bomb attack in America, which he denies. The question I want to put to you is when you gave the Committee an assurance a moment ago that the British government was in no way complicit in the use of torture against people who are British citizens, does that extend to not being complicit in the activities of the intelligence agencies?

Mr Straw: Look, let me just say this, and again I repeat the point. In normal circumstances, and we cannot, nobody could in my position, give a running commentary even on very extreme and totally untrue allegations, but in these two cases, because of the very fevered interest in these cases and the extent of the misinformation about them, I think it appropriate to do so, but I also preface that by saying that if Mr Stafford Smith wants to on behalf of his client, he is fully entitled to ask the Intelligence Services Commission to investigate this and to offer whatever evidence he has. The situation is this. Mr al-Habashi was interviewed once by a member of the UK Security Service while he was in detention in Karachi in 2002. The Security Service had no role in his capture or in his transfer from Pakistan. The Intelligence and Security Committee report into the handling of detainees by UK intelligence personnel gave details of the guidance under which such interviews were conducted, and the service officer did not observe any abuse and no instances of abuse were reported to him by Mr Habashi. I hope that is helpful.

Q37 Sir John Stanley: It is helpful. It does not answer the question was Mr Habashi handed over deliberately by the British intelligence services to the CIA?

Mr Straw: I have just read out, Sir John, "The service had no role in his capture or transfer from Pakistan."

Q38 Sir John Stanley: That is a different question?

Mr Straw: I do not think it is; that is the same question.

Q39 Sir John Stanley: Can you clarify it: no role in his transfer to Pakistan?

Mr Straw: From Pakistan.

Q40 Sir John Stanley: From Pakistan.

Mr Straw: It is what you asked me.

Q41 Sir John Stanley: No, I am sorry, the allegation is that he was handed over to the CIA in Pakistan.

Mr Straw: I know nothing about it.

Q42 Sir John Stanley: Could you clarify that in a further letter to the Committee?

Mr Straw: I may or may not be the answer, because I think basically these are matters for investigation by the ISC.²

Q43 Sir John Stanley: I think it is very relevant to the broad policy point which is wholly within the remit of this Committee. We are simply asking whether

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you have knowledge that MI6 were aware of this particular case. The question I am putting to you is: Was he handed over in Pakistan to the CIA?

Mr Straw: As I say, I will consider your question and offer a reply.

Q44 Mr Illsley: Given that Condoleezza Rice has stated that America does use rendition, and some other countries actually use rendition, will we now insist on records of flights in and out of this country which are taking part in rendition and will we allow this to continue?

Mr Straw: First of all, other countries do. That is pointed out in Condoleezza Rice's statement, and this includes France which has used this practice. If it is lawful, and it happens not to be lawful in this country—Sir John will remember when that was established—it was as a result of a decision which followed an arrest in Zambia of a Provisional IRA suspect called Mullen in 1988 where there was a transfer from that country by arrangement with the local authorities which by-passed the extradition arrangements and Mullen spent ten years in prison, properly convicted, but later, when information came out about the circumstances in which the transfer took place, the Court of Appeal, in 1999, decided to overturn his conviction on the grounds of abuse of the process, and that decision in the Court of Appeal established the parameters of what we call "rendition" in UK law, but it could be lawful here if Parliament so decided. There is nothing in international law which says that transfers between two countries which, provided they meet other standards of human rights and treatment, are unlawful. On the issue of flights, Mr Illsley, your question pre-supposes that there are scores and scores of people being transferred through the UK without proper extradition or rendition. I have sought to answer that.

Q45 Mr Illsley: Some.

Mr Straw: When we are moving around the world in military planes and in private planes we are not required by our allies to give a lot of detail about what is happening on those planes or the purpose, because these are normal facilitations of flights and I do not think there is a case for changing that. The Committee can propose it and we can consider it, but I have seen no paper suggesting there is a case for changing it.

Q46 Richard Younger-Ross: You were very clear in your answer to my colleague, Paul Keetch, in regarding complicity as an offence as much as torture. The US seem to have changed the definition of what is a risk and international law, I understand, says that you shall not transfer someone to a country where there is a substantial ground to believe that there is torture. Can you say whether you support that as the correct definition?

Mr Straw: If you want to ask the United States government questions, ask them. I am responsible for our practice here. I thought Secretary Rice's statement, however, was very comprehensive and I invite you to read it. It sets out the position. She

made it absolutely clear that the prohibition against United States personnel being involved in torture not only applied within the United States but across the rest of the world as well. She was absolutely explicit about this. She provided that clarification when she was in Kiev last Wednesday morning. Our position is the overriding moral position that torture is wrong. Leaving aside any international obligations we are under, I have made that position clear. Secondly, however, there is the Convention Against Torture. We apply it to its letter and its spirit.

Q47 Richard Younger-Ross: I ask you the question because if next week you had a communication from the US saying that they wished to transfer someone through the UK, at the moment, our ground would be if they are substantial they would not be transferred, but the US definition seems to be that it is more than likely not to occur.

Mr Straw: The judgment on that particular issue would be based on the way we treat it. When I looked at these cases seven years ago, that was how you judged this. Anybody making a decision, being placed in the position of the Home Secretary or the Foreign Secretary where the UK government is asked for its permission, has to apply himself or herself on the basis of UK law. That of course includes considerations about Article 3 of the European Convention on Human Rights and what is in the jurisprudence of the 1996 *Jahal* case from the European Court of Human Rights. Whatever position the United States took about it, about whether it was substantial risk, real risk or a higher probability than not, we would apply ourselves on the basis of UK law which is very careful indeed, properly, not to allow for anybody to be transferred where there is a real risk of torture.

Q48 Richard Younger-Ross: There are countries where we have an agreement now, where we can deport people, where we have an understanding they will not be tortured. Will we assume that the understanding would apply to American transfers to that country or not?

Mr Straw: These agreements are specific. They concern countries where there has been concern in the past about their treatment of prisoners. It may have been torture; it may have been ill treatment. Under these agreements, we gave specific undertakings in respect of the specific prisoners who would be transferred. Were it to be the case that we were invited to agree to a facilitation of a transfer to a Third country whose human rights record was questionable, the law applies in the same way as it does in respect of a transfer or deportation of a prisoner. If it is our responsibility, it is our responsibility. The fact that there was an MOU in respect of asylum deportees or prisoners who had been subject to a deportation order would have some relevance in the case but it would very much depend on what the MOU said and what undertakings you could gain in respect of that particular transferee. I think it is pretty academic, by the way, but if it were to happen that would be the situation.

Q49 Andrew Mackinlay: When you were Home Secretary the requests came under the auspices of the Justice Department, I assume, and certainly not the CIA, so I do not think we are necessarily comparing like with like. I do feel that all of us, journalists and politicians, are conflating two things. People who are being transferred on a Gulfstream jet are not necessarily going for torture. There could be torture without travelling on a Gulfstream aeroplane. Richard Younger-Ross earlier asked you about private flights and just a few moments ago you volunteered the fact that we do not know, because that is the international arrangement, who is being moved in private jets. I put it to you that this is the great problem you and we have and maybe even Condoleezza Rice has. If I am an intelligence agency in the United States or whatever, if I transfer people in “private jets” I can do that without presumably much more reference in their administrations. United Kingdom authorities do not know. That is the way I understood your evidence a few moments ago. You were saying, “If it is a private jet, we do not know.”

Mr Straw: What I was saying was that, as a matter of routine when we are travelling, the UK moves its RAF transport aircraft around the world. These are not the subject of detailed scrutiny by the local authorities concerned. Indeed, since I travel on RAF planes, I can confirm that when we are refuelling in Bari in Italy, which we sometimes do, the local authorities do not come on board because maintaining the integrity of the planes is very important. There are military policemen on the planes to ensure that. That practice applies, for example, for all our members of NATO. I think it is part of the arrangements of NATO. That does not mean that there is *carte blanche* for a private plane hired in by a government that is a member of NATO to undertake activities which require the permission of the domestic government but to avoid that permission. I go back to the answers I gave earlier. The answer I gave to Menzies Campbell could not have been more comprehensive than it was. Coupled with the assurances from Condoleezza Rice, I believe it is extremely improbable that any such flights have taken place through United Kingdom airspace or landing in British airports. If you are asking me to prove a negative, none of us can prove negatives. That is the nature of life. If you are asking me to make assessments of the world in which we live, I have done that.

Q50 Chairman: We have been using the word “torture” here. It is said that we have a different view in this country about rendition to the United States. Do we have a different definition of torture?

Mr Straw: No. “Torture” is clearly defined. There is also cruel and unusual punishment and general ill treatment.

Q51 Chairman: It has been reported that certain activities are permissible in the United States in interrogations which are not permissible in our definitions because the things done by the US are not defined by them as being torture.

Mr Straw: I think I know what you are talking about. I do not think either would be described as torture. I think it is about unfair treatment, less than torture. It is certainly the case that we pride ourselves in this country in being punctilious in the way in which we treat suspects and rightly so. I can get you a note on this.³

Q52 Chairman: It would be very important for clarification. Can we move on to issues relating to the European Union and other areas? Can you say something about the progress made with regard to the counter-terrorism strategy? What is that likely to include when it is agreed?

Mr Straw: There was an extraordinary JHA Council on 12 July at which it was agreed to accelerate implementation of the EU action plan for combating terrorism which had been first agreed after the Madrid bombings. At the JHA Council on 1 and 2 September, a new EU counter-terrorism strategy set out common division for counter terrorism work, identified specific priorities, and it is a framework for policy and work for the future. It adopted a common position on the Data Retention Directive which we believe will pass its first reading in the European Parliament tomorrow, a new strategy for combating radicalisation and recruitment, a report on the EU crisis coordination arrangements, principles for protecting critical infrastructure, an evaluation of national counter-terrorism arrangements and a measure to improve exchange of law enforcement information.

Q53 Chairman: Does that also have implications for the external relations of the European Union or is that separate?

Mr Straw: It is separate really. A lot of our external relations have implications for the fight against terrorism, of course.

Q54 Chairman: Was there not discussion also of developing a counter-terrorism strategy with regard to the external relations?

Mr Straw: At Barcelona we agreed. A very important product of the Barcelona European agreement was the statement on terrorism. For the first time ever, the Arab states and Israel agreed to counter terrorism, full stop. There was none of the usual equivocation that we have seen. Secondly, an action plan was agreed.

Q55 Chairman: Is that the responsibility of the Commission under its 2006 programme or is it something which is being pursued within the Council of Ministers with Mr Solana?

Mr Frost: There has been some work done during our presidency and beforehand on the external aspects of JHA which go much wider than just counter-terrorism. For example, the migration papers which come to this European Council. There is an external angle, in a way, to a good deal of justice and home affairs work. As to who is responsible, it depends on the particular bit of business you are

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talking about, whether it is the Council, the Commission, how the Parliament is involved and so on.

Q56 Andrew Mackinlay: I understand the European Union has a list of products which require export licences. It has been put to me that this is flawed because it has a catch all phrase which says, "If the things are not listed above, there is a burden on exporters to flag this up with the authorities." It has been put to me that that is wholly unsatisfactory because it puts the burden on people who are exporting and there is disparity within the European Union, partly because of this ambiguity. Is this a big lacuna?

Mr Straw: Are you talking about dual use products?

Q57 Andrew Mackinlay: Yes.

Mr Straw: I am not aware of it being a great lacuna. We have the EU common position on arms control and that sets out a series of common criteria. I think there are eight. We have all signed up to that and we all apply it. There are ways in which the procedure could be improved. At the moment, if say we receive an application for an arms control licence and we refuse it, we are under an obligation to tell our partners we have refused it but we are not under a corresponding obligation to our partners when we agree it. When the debate about the lifting of the China arms embargo was more current, we proposed that there ought to be symmetry here so that there was a much better sharing of information and other improvements in the way the arms control system operates. I am not aware of that.

Q58 Sir John Stanley: Has your department sought any information from other EU Member States as to the existing legislation in their countries as to the maximum period of days people can be detained on suspicion of terrorism—in other words comparable to the debate we have been having in this country over the 90 days? Have you sought comparative information from other countries?

Mr Straw: Yes, and I published it to Parliament going on six or seven weeks ago or maybe earlier. Officials both in London and in posts did a great deal of work on this and I published it as a command paper.

Q59 Sir John Stanley: Have you sought information about any Europol view on that particular point?

Mr Straw: I have not but it would be a matter for the Home Secretary anyway.

Q60 Mr Illsley: It is just over two years now since you led the E3 mission to Tehran when this Committee was in that city on a visit to begin this process of dialogue on Iran's nuclear programme. Since then, Iran's stance has hardened somewhat and it has been revealed that they perhaps did have the technology to begin enriching uranium. Could you tell us what the current situation is with regard to that? Have the negotiations with Russia on the

possible plan to allow Russia to conduct low grade enrichment of uranium been accepted by Iran? Will that go forward?

Mr Straw: That particular plan has not been accepted by the Iranians but nor has it been rejected. It is one of the possibilities on the table. In the September board, Iran was declared non-compliant with its safeguard obligations in a number of respects. That was by a larger margin than we had anticipated. It was 22 of the 35 members of the board of governors. There was a further report from Dr ElBaradei at the meeting on 24 November. No resolution was taken. We listened very carefully to what Dr ElBaradei and others had proposed which is that the Iranians should be given a further period of time to bring themselves into compliance. As Dr ElBaradei said in interviews which he did at the time of his installation for the Peace Prize, what that does is give Iran and the E3 until March hopefully to reach some agreement because the next meeting of the board will be in March. That is the procedural situation. There was a lot of hope after that agreement which we reached on 21 October 2003 in Tehran and that continued through last year when we got the Paris agreement made in November and even ran through to the meeting in Geneva that was held at the end of May of this year. Since then there has been no action. There is a new president, a new government and they have taken a different approach to these negotiations whilst at the same time saying that they are not developing a nuclear weapon system and they will be compliant. Also, the personalities have changed. Dr Rajani, who was head of the National Security Council, has been replaced by Mr Larijani. Meanwhile on 2 August, the day before Mahmoud Ahmadinejad formally took office, the government announced that it was restarting conversion at Isfahan which we regret and deplore. What I hope will happen is that the Iranians will make use of this opportunity that they have. They have sought a delay. That has been granted but it is very important for them to understand that the international community has a very clear red line and that is the restarting of enrichment or related activities. We have made it clear time and time again that Iran, like any other signatory to the Non-Proliferation Treaty, has every right to develop nuclear power plants but also, like every non-nuclear weapon state which is all but five of the signatories to the NPT, they are under very explicit obligations under Article 2 of the Non-Proliferation Treaty not to do anything which could lead to the development of a capability towards nuclear weapons. They have been found non-compliant with safeguard agreements which relate to those obligations. It is very important that they bring themselves back into compliance. If they were to restart enrichment, they would place themselves in very serious difficulties.

Q61 Mr Illsley: Is there any realistic prospect of Iran coming back into compliance?

Mr Straw: I hope so. We are trying to assist them to do so. They say that they wish to be compliant with the NPT. That is good. They also say that they are

not developing a nuclear weapon system and that is not the purpose of their fuel cycle. What we are seeking to do is to provide the Iranian Government with a reassurance about its nuclear power programme in a way that provides objective guarantees to the rest of the world that it is indeed the case that they are not developing a nuclear weapons capability.

Q62 Mr Hamilton: A few weeks ago, as you know, this Committee went to Israel and to Saudi Arabia. I was on the Saudi Arabian leg of the trip but before that I was on a private visit to Israel where I met a senior military intelligence source who expressed very deep concern about what was going on in Iran and expressed the view that the Israeli Government was quite content with the Iranians developing, as you have quite rightly said, nuclear power for peaceful use but was very worried about their secret plans for enrichment. That may be an expected response from the Israeli Government but when we were in Saudi Arabia and we asked our interlocutors there what their view was, knowing that relations between Saudi Arabia and Iran are not particularly brilliant, about the possibility of weaponised uranium/plutonium and therefore the development of a weapons programme by the Iranians, their view was, firstly, the United Kingdom has nuclear weapons so who are you to tell people to stop producing nuclear weapons and, secondly, you did not stop Israel. How do we respond to that? Your trip two years with the foreign ministers of Germany and France was widely praised. What more can you do as part of the European Union, the tripartite group of three, to carry on that dialogue and stop the development without appearing to be hypocritical to the rest of the world?

Mr Straw: We are carrying on the dialogue. There were meetings held at the United Nations General Assembly at the end of September with Mr Larijani and President Ahmadinejad. I put out feelers to them in advance of that and we hope that there will be scope of a restart of formal negotiations but there have to be negotiations about something. The Iranians signed up to the Paris agreement which they subsequently broke. That is the problem we have. The only way in which Iran will be able to come back into compliance and see a pathway in which over time their relationship with all the rest of the world, including the United States, can be normalised, in my judgment, is through this process. There is no other process on offer. One of the things we have been able to achieve in the last two years, although we are responsible, the E3 and the EU alone, for the policy decisions we make about the negotiations, is that we have had benign support for our position both from the United States and from the Russian federation and China. We are grateful to them for that. They will make their own judgments at each stage about what we are doing. I note what you report about the reaction of the Saudi Government but one of the reasons why it is so important to get these objective guarantees that Iran is not developing a nuclear weapons system is because, if Iran did have a nuclear weapons system, this would

radically affect the balance of power within the Middle East and more widely and could well lead to some Arab states deciding it was necessary for them to develop nuclear weapons. We could see a cycle of proliferation. My private conversations with people across the Arab world do not suggest that they are relaxed about the idea of Iran being a nuclear weapon state.

Q63 Mr Hamilton: I do not think they are for one minute. What we heard from the Saudis was that they were extremely concerned but you could not answer the question which they put to us which was, "You let the Israelis develop these nuclear weapons so why should not the Iranians?"

Mr Straw: Not us principally. The technology came from the French. First of all, the Non-Proliferation Treaty separates states into nuclear weapon states and non-nuclear weapon states. I do not regard that as hypocritical. It was part of a real effort made in the late 1960s to stop the proliferation of nuclear weapons. President Kennedy made a speech in 1960–61 saying that if we go on as we are there will be 20 or 30 countries with nuclear weapon systems by the end of the century. Everybody recognised that this could lead to the destruction of the planet. What was effected by the NPT was a deal between the five permanent members of the Security Council who each happened to have or have had nuclear weapon systems and the rest of the world, in which the bargain was that no other country would develop nuclear weapon systems. It was not in their interests to do so. At the same time, every country had a right to develop or to run nuclear power plants and the nuclear weapon states would seek to facilitate that without running against the obligations that non-nuclear weapon states had not to develop nuclear weapon systems. That is the bargain and it is one that, on the whole, has worked. The three countries which have nuclear weapon systems, India, Pakistan and Israel, are not signatories to the NPT. In respect of all three of them, we wish them to become members of the NPT. As far as Israel is concerned, what we also want to see is a nuclear free Middle East. We are making progress on that. There were a few years ago four states who, it was thought, had nuclear weapons capabilities at various stages of advancement: Libya, Iraq, Iran and Israel. Two of those have gone, Iraq following the Gulf War and Libya as a direct result of US and UK secret diplomacy. People forget this but it was not a coincidence that we had indications of earnest intentions from the Libyans that they wished to negotiate with us on 18 March 2003, having had a series of shadow negotiations before that. We were able to conclude those negotiations on 19 December 2003. They have abandoned their nuclear weapons programme, which was more advanced than we had thought, lock, stock and barrel. You have Iran which I have dealt with and you have Israel. It is for Israel to defend its decisions, not for me, but Israel is the only state in the world whose very existence is aggressively denied by some of its neighbours. Gradually some of the Arab states are coming round and recognising they have to co-exist with Israel but

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Iran does not and we all know what President Ahmadinejad said of Israel, that it should be wiped off the face of the map. I look forward to a situation where Iran's relations with the rest of the world are normalised. We are satisfied through objective guarantees that Iran has no nuclear weapons capability or intentions and Iran recognises Israel's right to exist and to exist in peace and security. When we get there, all of us can exert the strongest possible pressure on Israel not to continue with a nuclear weapon system, but we have to get there first.

Q64 Sir John Stanley: From what we read, the Americans appear to be going down the policy route of saying that the Iranians may be able to have enrichment provided the enrichment is carried out by the Russians. Does the British Government support that policy and, if so, could you explain why?

Mr Straw: You would have to ask the American Government their position. From recollection, I do not think that is a full statement of their position. We have supported ideas such as the Russian proposal for a joint venture in uranium enrichment outside Iran. It goes without saying that if countries have a right to run a nuclear power plant obviously they have to have fuel to run it. The issue here in respect of Iran is not whether they have fuel but who produces the fuel and with what safeguards. We are very benign towards the Russian proposal and believe that such ideas could be important elements in any solution. What I do not want to do is get involved in detailed negotiations about, "If the Iranians say this, will you say that?" because that is not the way to conduct a negotiation, but I think we are all clear about the overall objective.

Q65 Mr Purchase: I was interested in the defence of Israel in possessing nuclear weapons, that they were threatened with their own existence as it were. That, I assume, is a general principle and may be adopted by the Ethiopians or the Eritreans?

Mr Straw: It is for them to defend it. I am just offering that if you talk to the Israelis that is the explanation they will give. I offer that as an explanation of the position. Everybody in the Middle East understands that full well. We have no interest in seeing the proliferation of nuclear weapons.

Q66 Chairman: We have a number of questions relating to the future of the European Union. We are supposed to be in a period of reflection. Can you tell us what has been achieved in this period of reflection?

Mr Straw: The period of reflection was a term of art developed after the difficulties which the European Union ran into in respect of the ratification of the EU treaties. Part of that period of reflection has led to an almost unspoken consensus that the European Union Constitutional Treaty is not going to run for a long period, so it has been put on the back burner, but there is other work going on about trying to steer the European Union in the right direction in practical terms. Part of the purpose of the Hampton

Court summit which took place at the end of October was to do that. It is perfectly obvious that there was a decreasing appetite for major constitutional change inside the European Union. What we need to do is to concentrate on delivering tangible changes through those real benefits to our citizens. I also happen to think, by the way, there are some modest changes in the governance of the European Union which we will need to agree, but some of this might be able to be agreed without big treaty changes.

Q67 Chairman: Some aspects of the Constitution will go ahead, even though it was rejected?

Mr Straw: Not necessarily, but things like how the presidencies are run, which do not require constitutional change, do require changes agreed by the Council. Some may require treaty changes. We will have to wait and see what the appetite is for that.

Q68 Chairman: There have been a number of changes in governments recently. How do you see the German Government's position changing as a result of Chancellor Merkel?

Mr Straw: In respect of what?

Q69 Chairman: Their attitude to the European Union.

Mr Straw: There is a very wide consensus in Germany towards the European Union. After all, Germany was one of the founder members and sees its security and prosperity inextricably linked to membership of the European Union. That will not change. They were strong supporters of the Constitutional Treaty. You now have a grand coalition led by a Christian Democrat Chancellor but with many of the senior members of the Cabinet drawn from the Social Democrats. That is obviously going to change the mix.

Q70 Chairman: What about Poland? Do you have any view about the new Polish Government?

Mr Straw: It is our job to relate to whichever government is in power so I tend not to offer views about governments publicly. I think it would be very unwise to do so. The great thing about members of the European Union is that they are all democracies. It is for their electorates to elect governments, for us to respect that choice and to relate to those elected governments.

Q71 Richard Younger-Ross: There are two countries which are due to join the EU in just over a year's time, Romania and Bulgaria. The European Scrutiny Committee visited Bulgaria last week as well as Austria and Turkey. I will be very careful not to tread on their privileges over what was said on those visits. However, on visiting Bulgaria, it is very clear that there is still a lot to be done. The roads are very uneven and the houses are in poor condition. Do you believe that Bulgaria and Romania will make the grade by 2007?

Mr Straw: I think they will. I think they understand the importance of making very significant progress over the next 13 months and their governments understand that, but it is up to them. If they do not, it would be sad because their membership would be delayed. There was a brief exchange about this yesterday between the Commission and members of the Council. Commissioner Olli Rehn, who is the Commissioner for enlargement, is very clear about the need for the Commission to be objective in its analysis about progress. It is because of the rigour of Commissioner Rehn and his colleagues that we have had the reports which have said, "Hang on, progress is not going as quickly as it should" and if they feel it necessary they will produce further reports.

Q72 Richard Younger-Ross: If they fail for 1 January 2007, it is automatic that on 1 January 2008 they will join. They are obviously making strides and putting a lot of effort into complying at the moment. How would you keep that pressure up during 2007 if they do not make it by 1 January?

Mr Straw: The pressure on them will be very intense. I understand what you are saying about the default setting but I think it would still be open to the Council to say no if they thought something terrible had happened.

Mr Barrow: Although it would go forward in terms of 2008, there are transition periods, safeguards and other things which could be put in place. At the moment, there is a ratification process going forward with regard to the treaties with Bulgaria and Romania. That is still happening in this country and others, has not yet been completed and until that is completed and everybody has signed off on that it is still in doubt. I do not think that Bulgaria and Romania are feeling a diminution of pressure at the moment or up to the point when they accede.

Q73 Richard Younger-Ross: Moving on to Romania, Moldovans at the moment do not require a visa to travel, just a passport. They are looking for visa-free travel into Romania after accession. Moldova is known as a centre for people smuggling. How will the EU restrict policing of the Romania's border with Moldova after accession?

Mr Barrow: The situation with regard to Moldova is exacerbated by the position of Transnistria and the EU is already taking a greater role with regard to that issue through the special representative and through the newly published border mission on the Ukraine/Transnistria border. With regard to visas, when Romania enters, it is my understanding that visa travel will change with regard to Moldovans, certainly with regard to Schengen accession. We have already seen that in the last wave of membership there have been changes in the relationship between some of the newly acceding states and their neighbours on visas and sometimes this can cause difficulties, but it is a consequence of joining that you have to take on board the *acquis* across the board. My understanding is that would include visas.

Q74 Richard Younger-Ross: Policing of that is crucial.

Mr Barrow: Yes. One of the areas in which there is work on capacity building and putting in place effective, modern systems is border management just like others use with regard to Romania.

Q75 Mr Purchase: I want to get to the principles of enlargement again and tie that in with our current thoughts and negotiations on budgets. Do the two things cause some difficulties, particularly in the messages that are going out to Bulgaria, Romania and other applicants?

Mr Straw: One of the reasons why there is pressure on the budget is because of enlargement. You call it difficulties; I call it consequences. We agreed with enlargement. We were in the vanguard for calling for enlargement, all parties. Enlargement has to be paid for. If we want these countries fully to transform and become full members of the European Union with good, liberal economies and stable societies, we need to help them invest in their countries and we need to do essentially in the accession 10 countries, particularly the eight former Soviet countries, what the European Union has done very successfully, for example, in Spain, Portugal and Ireland. We have to spend a bit but we get much more back and I am sure you do not disagree.

Q76 Mr Purchase: I do not disagree but I wonder why we are making all the fuss now.

Mr Straw: There has never been any disagreement about this across the political divide either. The fact of enlargement is a pressure. There are some countries which are looking further down the track, not to the next financial perspective but the one after that and the one after that, to the possibility of Turkey coming into membership of the European Union, saying that unless we pin down every mechanism we will have to go slow on Turkey. That is certainly not our position.

Q77 Andrew Mackinlay: The French have indicated to you about Macedonia.

Mr Straw: There was discussion yesterday on Macedonia. The French Government's position was that they looked forward to the day when Macedonia was a member of the European Union but also said that they were not willing, as of yesterday, to ordain Macedonia as a candidate country. That is going to the European Council on Thursday but there may or may not be a decision there.

Q78 Mr Purchase: It surprises me that we are making such a fuss at the present time.

Mr Straw: Who is making a fuss?

Q79 Mr Purchase: We are.

Mr Straw: Who is "we"?

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Q80 Mr Purchase: Britain.

Mr Straw: About?

Q81 Mr Purchase: About the budget negotiations and the consequences of enlargement. Surely we knew these things?

Mr Straw: We are not making a fuss but we are right to call for budgetary restraint. We did so in company with five other Member States. We want to see real investment in the infrastructures of the new accession ten countries. We also want to see reform, particularly of the Common Agricultural Policy and other wasteful policies. Our judgment is you can get the investment through structural and cohesion funds in the A10 and you can increase the pressure for reform within the budget in the ballpark of the one that we have set. If we had agreed to a very much higher budget we might have achieved the first objective but not the second. Moreover, since there is such an imbalance in the net position of otherwise similar countries inside the European Union, this would have increased costs to a relatively small number of Member States, including Sweden, the Netherlands, Germany and ourselves.

Q82 Mr Horam: You are therefore saying that there is an increasing financial restraint on the speed of enlargement?

Mr Straw: No, I am not. I do not believe that to be the case. There are some who are saying that but it is not us at all. We have been in the vanguard of pushing for enlargement. I remember the Prime Minister making a speech in Warsaw in 2000, calling for a firm decision on enlargement in 2002 with a view to accession in 2004. Some people thought that he was being unrealistic but that was his position. It was the position of my predecessor, the late Robin Cook, and they were right about this and rather visionary. With luck, we will see the same happening in respect of the other states in the Western Balkans and with Turkey. All of us in Europe have a big, strategic choice: do we want these countries in the Western Balkans with their chequered and violent past? Do we separately want Turkey in its strategic position to come towards Europe or to go away from it?

Q83 Richard Younger-Ross: One of the successes which I am sure the government is planning for its presidency will be progress on Turkey. There is a long way to go and a lot of questions but the Turks are singing Britain's praises for all we have done to support them. However, there are two key issues—one is Cyprus and one is human rights—which need to be resolved. On the first one, are you able to say what progress has been made under the UK presidency towards resolution of the Cyprus problem?

Mr Straw: On Cyprus, what I did with colleagues was to ensure that there was a satisfactory outcome in respect of the negotiations for a start to be set of

3 October for Turkey to join. I regard that as one of the best things we have done in our presidency. It took a huge amount of effort but we got there in the small hours of 4 October. One of the things I said to our Cypriot colleagues was that, if they ever wanted there to be a united Cyprus, they had to make it possible for Turkey to come into the European Union because unless they did so the island of Cyprus would remain divided and Turkey would carry on with some thousands of troops on the island and there would be no resolution of the disputes and so on. The Republic of Cyprus representing these days the Greek Cypriot community understood that, although it is quite hard for them because they meanwhile have some arguments with the Turkish Cypriots and with Turkey. The Republic of Greece however had a clearer strategic sense about this all the way through. That is the first thing we have been doing for the resolution of the Cyprus issue. The progress in terms of meeting the requirements of Security Council resolution 1250 and others which set in train the good offices of the Secretary General otherwise has been limited in the last six months. Instead, the situation has become bogged down on some other dossier, particularly on the aid and trade regulations. I am very anxious to see progress resume but it is not going to happen before Christmas.

Q84 Richard Younger-Ross: There are cases like Orhan Pamuk who is being tried for being insulting to Turkishness because he stated that Turkey had in the past happened to kill a few Kurds and a few Armenians. We would probably take that as a statement of fact but the Turks have not. The EU Commission believes that if the laws governing this are interpreted so strictly at the moment then those laws need to be revised. The Turkish justification is to say that in the UK or in other parts of Europe they have equally restrictive laws. Do you see a way of going forward, helping Turkey through that process of reviewing its regulation on human rights, being aware that they think we are setting the hurdles higher for them than anyone else?

Mr Straw: Yes. They have to meet clear human rights standards and they understand that. I think they also understand that the prosecution of people like Orhan Pamuk has been very embarrassing, to put it at its least. I understand that Abdullah Gul, the Turkish Foreign Minister, said publicly that he expects the courts to clear Mr Pamuk. Mr Pamuk has also said that he does not want his case to be used as a reason to delay the progress on Turkey's accession. As you have said, the Commission said that if the Turkish penal code continues to be interpreted in a restrictive manner it may need to be amended in order to safeguard freedom of expression in Turkey. I think that will be true but this is a situation which can evolve over time. In the four and a half years that I have been doing this job, Turkey has changed dramatically in terms of its human rights record and much else besides. Even four and a half years ago it was a country where it would be hard to say that it was fully democratic. It has made a lot of progress since then. It is interesting

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in my view that although the party of government, the AKP, is a secular party it is the one which gives the greatest respect to Islam of all the mainstream political parties in Turkey.

Q85 Chairman: Can I take you to an issue which was quite controversial a few months ago, before the British presidency? It seems to have gone very quiet. It is the question about relations with China in regard to the lifting of the EU arms embargo. Could you update us on whether there are plans to revisit that?

Mr Straw: It has gone quiet because there is not a lot to report on it. It is raised by the Chinese Government and in various bilateral and multilateral fora. There is at the moment no consensus for lifting the embargo. We have also collectively in the European Union explained to our Chinese colleagues that although they resist the notion of a linkage between the arms embargo and human rights—I understand why they say that—at the same time there is in people’s minds a linkage of these two. In national parliaments and the European Parliament it is there and if they were to make moves towards ratifying various international instruments which they have signed or said they have approved and make other moves, that would maybe ease the overall political environment in which there could be discussion about the lifting of the arms embargo.

Q86 Chairman: We visited Israel, Gaza and the West Bank two weeks ago and we saw the very positive work being done by the carabinieri and Danish and Romanian people with them in Rafah. Those of us who went to Rafah were very impressed by the way that was being dealt with. The people there were of extremely high quality. There have however been some suggestions of difficulty since then with regard to the reaction of the Israelis to what has been going on at that crossing point. How do you see the EU’s assessment of what has been going on? In the context of the discussion within the European Union Council about what has been going on with regard to Israel and the Palestinians, could you give us a brief assessment of how you see this being taken forward?

Mr Straw: I had a meeting yesterday at the General Affairs Council with Javier Solana and Benito Ferraro-Warner and Mark Ott, who is our EU representative in that area. They were positive about progress at Rafah. There was a bit of a frisson with the government of Israel over the possible publication of a draft paper about East Jerusalem but there was no consensus in favour of its publication yesterday so it has not been published.

Q87 Chairman: Having played a big role in its writing, we are keen to have it published, are we?

Mr Straw: There was much to be said on all sides on the matter but without a consensus it could not be published.

Q88 Sir John Stanley: The whole party went at one point to the West Bank and Ken Purchase and myself spent a further whole day on the West Bank.

You will see our views in the debate we had in Westminster Hall last week, of extreme depression as to the ever growing extent to which fundamental rights of Palestinians are being violated on a daily basis. We all totally understand the security dimension and we totally respect and support Israel’s right to take proper measures within its own boundaries to protect its people. Given the ever growing degree of chronic and in some cases catastrophic disruption of the ordinary daily lives of Palestinians, is the British Government going to do anything with its EU partners to not merely remonstrate but take some specific action to ensure that the Israeli Government gives a higher priority to allowing the Palestinians to emerge as a viable state, which is our policy, and also to reduce the degree of chronic, catastrophic disruption of the every day lives of Palestinians?

Mr Straw: Yes, and we have made very positive progress on this. I know the situation is terrible in many parts of the West Bank. I have seen it myself. It is also terrible for many Israelis because of the gratuitous terrorism which they have suffered. It is the terrorism, I am afraid, which is the mother and father of the fear, deprivation and everything else which is suffered by the Palestinians and by the Israelis. What have we done? What we have done—and this is a dramatic change in terms of the position of the European Union, even in the space of a year—is, alongside the United States almost as equal partners, we have helped to facilitate the beginnings of the transformation of Gaza from being an occupied territory, occupied by Israel, to being what amounted almost to a prison, now to opening its borders with Egypt through Rafah and more and more with Israel and then building up its economy. The ties into the Wolfeson plan. That change is extraordinary. I have always believed that you have to start somewhere with this vision of a separate and viable state of Palestine. You have to give the Palestinians the opportunity to prove that they can run part of their state and give them the support to do so. That is exactly what we are doing and, bit by bit, I think it is moving forward. We have the Palestinian council elections taking place in January. We are very anxious that they should operate properly and that there should be freedom of movement for candidates, particularly on the West Bank. That is very important and we are working on that. We are also anxious to ensure that East Jerusalem is not cut off from the rest of the West Bank which is why we have all made such strong representations about the possibility of the Israelis building on the E1 area. You shake your head, Sir John.

Q89 Sir John Stanley: I am shaking my head because East Jerusalem is being cut off totally.

Mr Straw: We have to work with what we have. Everybody knows the history there but, compared to the way in which things were going during the arms intifada when Chairman Arafat was in control, things are now moving forward from a low base, I

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accept, but none of us would have wished to have started from where we are. That is where we are and with Mahmoud Abbas, the President of the Palestinian Authority, and Ariel Sharon who has surprised us all with both his determination and his courage, there are grounds for hope. Maybe this is a moment of seasonal sentiment on which to finish.

Q90 Mr Illsley: Is there any progress on the Bulgarian nurses imprisoned in Libya?

Mr Straw: Not a lot. I will write to you.⁴

Chairman: Thank you for coming. We will see you next year and good luck in the negotiations.

⁴ Ev 20

Letter to the Parliamentary Relations and Devolution Team, Foreign and Commonwealth Office from the Second Clerk of the Committee

The Foreign Secretary promised the Committee a note in response to various questions raised during the evidence session on 13 December. I would be grateful for a reply by 16 January.

1. At Q30 in the transcript, Mr Keetch asked whether British Overseas Territories including Diego Garcia and RAF Akrotiri in the Sovereign Base Areas of Cyprus had been used for the purposes of rendition of suspects by the USA.

2. At Q42 the Foreign Secretary undertook to offer a reply to Sir John Stanley's question about whether Mr Benyam Mohammed Al Habashi was handed over deliberately by the British intelligence services to the CIA in Pakistan.

3. At Q51 Mr Straw offered to send the Committee a note on "unfair treatment, less than torture" and the way in which suspects are treated in the UK, in answer to a question from the Chairman on whether certain interrogation techniques permitted in the USA would fall within UK definitions of torture.

4. At Q90 Mr Illsley asked whether there had been any progress regarding the Bulgarian nurses imprisoned in Libya.

The Chairman has also asked for replies to a number of questions which were not reached in the session:

The EU is fielding an increasing number of missions abroad, with varying functions. Is this a deliberate trend and are there any further such missions on the way?

Is the Rafah monitoring mission a model which the EU hopes to replicate, if all goes well?

Does the EU have any plans to intensify relations with India, given its growing importance on the global stage?

Sarah Ioannou

Second Clerk of the Committee

19 December 2005

Letter to the Chairman of the Committee from the Secretary of State for Foreign and Commonwealth Affairs

When I met your Committee on 13 December, I undertook to provide more detailed answers to some of the questions raised in the discussion. I attach answers to these questions, and to the questions that the Committee didn't reach during the session.

At Q30 in the transcript, Mr Keetch asked whether British Overseas Territories including Diego Garcia and RAF Akrotiri in the Sovereign Base Areas of Cyprus had been used for the purposes of rendition of suspects by the USA.

The answer is "no", as I made clear in my Written Ministerial Statement of 20 January.

At Q42 the Foreign Secretary undertook to offer a reply to Sir John Stanley's question about whether Mr Benyam Mohammed Al Habashi was handed over deliberately by the British intelligence services to the CIA in Pakistan.

As I stated at the time, these are matters for the Intelligence and Security Committee to investigate. I therefore feel it would be inappropriate to go into further details in this letter.

At Q51 Mr Straw offered to send the Committee a note on “unfair treatment, less than torture” and the way in which suspects are treated in the UK, in answer to a question from the Chairman on whether certain interrogation techniques permitted in the USA would fall within UK definitions of torture.

At Q51 you expressed concerns that certain activities may be permissible in the US in interrogations, which are not permissible in the UK, because they are not defined as torture by the US. I indicated that led us towards a consideration of cruel, inhuman and degrading treatment, on which I undertook to send the Committee a note.

First of all, it is important to note that the US Detainee Treatment Act, enacted on 30 December 2005, provides that no individual in the custody or under the physical control of the US Government, regardless of nationality or physical location, shall be subject to cruel, inhuman or degrading treatment or punishment. This legislation makes a matter of statute what President Bush has made clear was already US Government policy. We have welcomed this. We will keep in close touch with the US Government on the implementation of the Detainee Treatment Act.

On the question of definitions, the United Kingdom understands the term “torture” to have the meaning set out in Article 1 of the UN Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT). Article 1 CAT defines torture as “any act by which severe pain or suffering whether physical or mental is intentionally inflicted . . .”. It does not, however, give specific examples of what constitutes torture. The understanding of the definition of torture made by the US on ratifying CAT specifies the meaning of “mental pain or suffering” in more detail than Article 1 CAT. The UK made no reservations or understandings on ratification and has not adopted a formal definition of what constitutes mental pain or suffering for the purposes of Article 1. Section 134 of the Criminal Justice Act 1988 provides that a public official commits torture if he intentionally inflicts severe pain or suffering on another in the performance of his duties, and does not define “severe pain or suffering”.

I would add that the US Secretary of State made clear, again, in her statement of 5 December 2005 that:

- the US does not authorise or condone torture of detainees;
- torture, and conspiracy to commit torture, are crimes under US law; wherever they may occur in the world.

On the question of definitions, I would also note that under US legislation, the term “cruel, inhuman or degrading treatment” is to be interpreted according to the US Constitution. But the essential fact is that “cruel, inhuman or degrading treatment” of any detainees held by the US Government anywhere is legally banned under US law.

At Q90 Mr Illsley asked whether there had been any progress regarding the Bulgarian nurses imprisoned in Libya.

We remain concerned about their situation and want to see them released. With EU Partners we have made clear to Libya that we want it to resolve remaining EU concerns, including this case, as part of developing our engagement.

We have repeatedly raised this difficult and longstanding issue at all levels with Libya, both bilaterally and in our role as EU Presidency. With our EU Partners, the European Commission, and the US, we have been actively encouraging the parties to identify a solution acceptable to them both, including through inter-governmental meetings, held in confidence.

Following such a meeting in Tripoli on 21–22 December the UK issued a press release on behalf of representatives of the British, Libyan, Bulgarian and US governments, and of the European Commission, about the establishment of an International Benghazi Families Support Fund. It will collect and allocate financial and in-kind assistance to the Benghazi families, including continuing medical care to the HIV-infected patients, help to upgrade to international standards the medical facilities at which they receive treatment in Benghazi, and provision of financial assistance to the families. More details about the Fund are set out in the press release.¹

Following this progress, we welcome the ruling by the Libyan Supreme Court on 25 December to overturn the death sentences on the medical staff and return the case to the lower court for a fresh hearing. We have encouraged Libya to ensure this takes place soon. In addition, the UK is providing assistance to alleviate the HIV crisis in Benghazi through the EU’s “HIV Action Plan for Benghazi”. The focus of this assistance is to upgrade the Benghazi Centre to become an HIV/AIDS centre meeting international standards. The assistance will take the form of training and in particular by sharing relevant European expertise.

¹ Not printed.

The EU is fielding an increasing number of missions abroad, with varying functions. Is this a deliberate trend and are there any further such missions on the way?

The increase in the number of CFSP missions is a natural progression. ESDP began a few years ago from a UK-French initiative with the vision that it would grow into an important tool that could be used in a variety of situations internationally. It is now beginning to fulfil that role. The current missions in Rafah and Aceh in particular show that the EU is now considered by the international community as a key organisation for supporting efforts to improve peace and security around the world. ESDP has always had a number of priority areas, but it is only more recently that it has started to activate them having gained necessary experience and capabilities.

The only mission potentially on the horizon is in Kosovo. There is broad agreement amongst EU partners that some of the niche areas that the EU could fill in Kosovo include an EU policing mission as well as justice and the rule of law. This though is dependent on the outcome of the final status process.

The UK would expect to see ESDP play a role within its remit wherever it made sense and it had the right capabilities to act—always coordinating with other international actors to try to achieve best added value and ensure the appropriate instruments are deployed for each situation.

Is the Rafah monitoring mission a model which the EU hopes to replicate, if all goes well?

The Rafah Border Assistance Mission is the EU's second monitoring mission. The EU also has a monitoring mission in Aceh, and the Commission runs a customs border monitoring mission in Moldova. Monitoring is one of the priority areas for the EU's security and defence policy and it is possible that the EU could carry out a similar role elsewhere. However, each mission will differ according to the task and the environment in which it is operating. We will always be looking to ensure added value and that EU capabilities are utilised where they make best sense and make a real contribution.

Does the EU have any plans to intensify relations with India, given its growing importance on the global stage?

The EU recognises absolutely the growing importance of India. At the EU-India Summit in The Hague in November 2004 the EU and India established a strategic partnership. This was followed up at the EU-India Summit in New Delhi in September 2005, during the UK Presidency. The main focus was the agreement of a wide ranging and ambitious EU-India Joint Action Plan, which will form the framework for future EU-India engagement. This Joint Action Plan was the product of close co-operation with India over a number of months leading up to the Summit. Both sides hailed this achievement, emphasising shared values and a common interest in working together. Highlights of the Action Plan include closer collaboration on counter-terrorism; the establishment of an EU-India security dialogue covering regional security issues, disarmament and nonproliferation; the launch of an EU-India Initiative on Clean Development and Climate Change; establishing a High Level Trade Group; and establishment of dialogues on migration and consular issues, as well as on human rights. The Prime Minister was accompanied at the Summit by a large delegation of senior European CEOs who attended a parallel annual Business Summit. EU and Indian CEOs registered a strong level of interest in their respective business communities for strengthening trade and investment opportunities. Manmohan Singh, Tony Blair and Mr Barroso all addressed the Business Summit. The general spirit of co-operation received an additional boost with the announcement by Manmohan Singh at the Summit press conference of an order by Indian Airlines for the purchase of 43 Airbus, worth USD 2.2 billion.

Since the Summit the UK Presidency has taken forward a number of initiatives. The UK chaired the first meeting of the new counter-terrorism working group; and led an EU team in Delhi for an exchange under the dialogue on human rights. In the run up to the Summit the UK worked hard with EU partners to secure support for India's membership of the ITER international nuclear fusion project. Since the Summit India has formally become a member of ITER.

India's importance to the EU will continue to grow, especially as India's own understanding of the EU expands on greater engagement with the EU (the UK Presidency organised a well received briefing seminar on the EU in Delhi for senior Indian policy makers). At the Summit there was common recognition that India's young, growing population makes it an indispensable partner for the EU. Both sides are committed to report on progress under the Joint Action Plan at the next EU-India Summit under the Finnish Presidency in Helsinki in autumn 2006. In the meantime, we expect that the Austrian Presidency will take forward other elements of the Action Plan, including by hosting a Foreign Ministerial Troika. The UK will continue to work with the Indians, Presidency and Commission to further boost the EU-India relationship. I hope all this is helpful to the Committee.

Rt Hon Jack Straw MP
Secretary of State for Foreign and Commonwealth Affairs

31 January 2006

Wednesday 11 January 2006

Members present:

Mike Gapes, in the Chair

Mr Fabian Hamilton	Mr John Maples
Mr David Heathcoat-Amory	Sandra Osborne
Mr John Horam	Sir John Stanley
Mr Eric Illsley	Ms Gisela Stuart
Andrew Mackinlay	Richard Younger-Ross

Written evidence submitted by Charles Grant, Director, Centre for European Reform

The strategic implications of the EU malaise: Enlargement, variable geometry and a stronger Neighbourhood policy.

The EU's malaise in 2005 is the result of at least four problems: economic failure, institutional blockage, diminishing legitimacy and lack of leadership. The poor performance of the core euroland economies has made many people fearful of change, whether it comes in the form of new EU treaties or fresh rounds of enlargement. The failure of the constitutional treaty has left a cloud of uncertainty over the EU's institutions. Partly as a consequence of those economic and institutional problems, the legitimacy of the EU has diminished among many sections of European public opinion. And finally, in all its history the EU has never experienced such a striking leadership vacuum: the Commission is weak, while most of the large member-states have leaders who appear to care little about the fate of the European Union.

This essay examines the strategic consequences of the EU's malaise, and in particular the threat to further EU enlargement. It suggests that an extension of the principle of "variable geometry" could help to revive prospects for enlargement. And it proposes a form of associate membership for countries that have no hope of joining the EU.

Ever since the 1970s, there has been a close link between "deepening", the movement towards a more integrated Union, and "widening", the enlargement of the Union. Political elites in core countries such as France have always been reluctant to widen the EU, understanding that a larger Union would find it difficult to integrate. They feared that the British wanted enlargement in order to fulfil the Thatcherite dream of an EU that was little more a glorified free trade area, with weaker institutions and a diminished sense of solidarity. A wider Europe, of course, would also reduce the influence of France, Germany and the Benelux countries.

But despite these reservations, the EU has continued to enlarge—in 1981, 1986, 1995 and 2004. The French and others sceptical of enlargement, such as federalists, swallowed their reservations. They did so because they extracted a price: a series of treaties that created a more integrated Europe—those negotiated in 1985, 1991, 1997, 2000 and finally the constitutional treaty, signed in 2004 but unlikely to ever enter into force. The British, Nordics and some other enthusiasts for enlargement were never particularly keen on treaty-based integration, but put up with it in return for widening. (The Germans sat in the middle of this debate, pro-deepening, because of their generally federalist approach to the EU, but also pro-widening, so that their neighbours could join the club.)

This implicit bargain between deepeners and wideners has driven the EU forward for the past 20 years. The demise of the constitutional treaty has therefore done much more than bring an end to treaty-based integration for the foreseeable future: it has also created major obstacles to further enlargement of the EU.

The climate for enlargement was deteriorating even before the French and Dutch referendums. France had changed its constitution in March 2005 so that any country wishing to join after Bulgaria, Romania and Croatia cannot do so without a positive referendum in France. Indeed one reason why French people voted No to the constitutional treaty was to protest against the 2004 enlargement, which had been unpopular in France. In both France and the Netherlands some of those voting no did so because they opposed Turkish membership (although the treaty had nothing to do with Turkey).

Evidently, there are many reasons why people oppose further enlargement, in addition to the apparent end of deepening. Some voters fear that people from accession countries will steal their jobs; others do not want Muslim countries in the EU. But there is no doubt that the French and Dutch referendums have darkened the prospect of a much wider Europe. Since the referendums most of the serious contenders for the French presidency—including Nicolas Sarkozy, Dominique de Villepin and Laurent Fabius—have spoken out strongly against Turkish accession. So have Angela Merkel, Edmund Stoiber and other senior German Christian Democrats. Austrian leaders have been especially hostile to Turkey, almost vetoing the opening of accession talks in October 2005. In many EU countries, senior officials, politicians and pundits are arguing that the EU should not expand into the Balkans, Turkey or elsewhere until and unless it can strengthen its institutions.

That argument is not unreasonable. Proponents of enlargement need to show that the EU's policies and institutions could function effectively in a wider Union. Nevertheless, for the EU to postpone indefinitely further enlargement would be a tragedy. The Union's greatest success has been to spread democracy, prosperity, security and stability across most of the continent. Of course, there has to be a geographical limit at some point—North African countries are not in Europe and so cannot join. But for the EU to define precisely its future borders for all time would have a disastrous impact on would-be members beyond those borders.

If the EU ended talks with Turkey, the extreme nationalist and Islamist elements within Turkish politics and society would be strengthened. The impact of the EU shutting the door on the Western Balkans would be worse still. Would fragile constructions such as Bosnia and Macedonia hold together? Would Serbia ever be able to swallow the bitter pill of independence for Kosovo without the prospect of EU membership for itself? And if the EU said “never” to countries further afield, such as Ukraine, Moldova, Belarus and Georgia, how could it hope to influence their development?

CAN VARIABLE GEOMETRY SAVE ENLARGEMENT?

Despite enlargement's gloomy prospects, Europe's leaders could, if determined, resuscitate the process. First, they should boost Europe's economic growth. As long as millions of Europeans are unemployed, or fear for their jobs, they will naturally be reluctant to welcome new EU members and their workers. Second, EU leaders should lead, explaining to electorates that extending the single market and good governance across the continent enhances their prosperity and security.

Third, politicians should work to revive the EU's legitimacy, in two ways. They should ensure that the EU focuses on policies and actions that appear relevant to citizens' lives, such as encouraging educational exchanges, making it easier for people to live and work outside their home country, or helping to retrain those who lose from globalisation. And they should improve the way the institutions work, for example by giving national parliaments a bigger role in decision-making, and by allowing the media into the Council of Ministers. Much can be done without changing the current treaties.

This essay concerns itself not with these three points, but rather a fourth way of promoting the cause of enlargement. EU leaders should make better use of variable geometry, the idea that not every member-state need take part in every EU policy area. Already, of course, some EU countries opt out of the euro, the Schengen agreement or EU defence policy. The current treaties allow groups of member-states to move ahead in certain policy areas, under the so far unused “enhanced co-operation procedure”. An *avant-garde* group could also emerge independently of the EU institutions: Schengen started as an inter-governmental accord, before being folded into the EU treaties.

More variable geometry could help enlargement in three ways.

- If the countries that aspire to a “political union” were able to build *avant-gardes* in certain policy areas, and thus revive a sense of forward motion, they would be less likely to oppose further widening of the Union.
- EU governments should also try to persuade EU applicants to accept long or possibly indefinite transition periods that would postpone their full participation in some EU policies. Again, that would make enlargement more palatable for some doubters.
- For neighbours of the EU that are unlikely to join in the foreseeable future, the EU should offer a tighter form of association than its current neighbourhood policy. The EU should hold out the possibility of neighbours being able to join the Common Foreign and Security Policy (CFSP) as “security partners”. Such a scheme, if successful, could reduce the number of countries seeking full membership.

GREATER USE OF AVANT-GARDE GROUPS

The current trend towards variable geometry is unmistakable. For example, seven member-states signed the Treaty of Prüm in May 2005, a kind of super-Schengen agreement that among other things enables the signatories to share information on finger-prints and DNA, and to co-operate on aircraft security. More informally, the interior ministers of Britain, France, Germany, Italy and Spain—the “G-5”—collaborate on counter-terrorism. And then there are issue-based sub-groups of members, such as that of Britain, France and Germany—the “EU3”—that leads EU policy on Iran. All these groupings promote European interests or integration. In a wider, more diverse EU, it is inevitable that some countries will not take part in every policy area. This trend should be welcomed, not resisted. Any forum that has 25 or 27 governments represented around a table is seldom likely to be useful or effective.

The variable geometry envisaged here is different to the idea of a “hard core” or “concentric circles” that is periodically floated by senior French politicians, including Jacques Chirac, Valérie Giscard d'Estaing and Dominique Strauss-Kahn. Their idea is that France and Germany should lead a group of

integrationist members into a new organisation that would establish closer co-operation across a broad range of policy areas, rather than one particular area. Those left in the outer circle would be in the EU but not the new core. This scenario has never been very plausible, because of the institutional, political and judicial difficulties that would ensue, and because few German leaders fancy the idea. It has become even less plausible in recent years, because Franco-German leadership has gained a poor reputation among many other members, and because of the weakness of the governments in Paris and Berlin.

This essay suggests an alternative scenario, based on the current situation, in which several *avant-garde* groups, each with a different membership, would overlap with each other.

Evidently, variable geometry—whether in the form of treaty-based enhanced co-operation, clubs established outside the treaties, or informal groups focused on particular policies—entails risks. However, most of the potential pitfalls can be dealt with.

- *The danger of exclusion.* The British government has traditionally opposed variable geometry, fearing that if it stayed out of a group it would lose influence in the EU—and that if it later tried to join it might find the door bolted. Any *avant-garde* group is entitled to establish entry criteria for those who wish to join. But these criteria need to be interpreted in an objective manner, to ensure a member-state is not excluded for the wrong reasons. The Nice treaty's rules on enhanced co-operation give the Commission such a policing role. The countries that signed the Treaty of Prüm have said explicitly that, if their venture is a success, they will invite other member-states to sign in 2008. The problem of exclusion is more pronounced for informal groupings. When the "EU-3" began their Iranian diplomacy, other member-states resented being left out. However, the subsequent involvement of Javier Solana, the EU's foreign policy chief, who reports back to the other governments, has reassured most of them.
- *Avant-garde groups could weaken EU institutions.* Groups established outside the framework of the treaties, whether formal or informal, risk undermining the role of the Commission, Parliament and Court of Justice, to the extent that inter-governmental arrangements do not involve EU institutions. But precautions can be taken to ensure that such groups mesh smoothly with the institutions. For example, when the Schengen agreement was established—initially, outside the EU treaties—the Commission was invited along as an observer. The signatories of the Treaty of Prüm have taken care to ensure that it is compatible with EU law.
- *Variable geometry is "undemocratic".* That is true, to the extent that neither the European nor national parliaments have oversight of inter-governmental organisations. However, *avant-garde* groups are only as undemocratic as governments choose to make them. If a group of member-states created an enhanced co-operation, the European Parliament would play a role (for normal Community business, the Parliament's consent would be required; on foreign policy the Parliament would merely be informed; and on Justice and Home Affairs it would be asked for an opinion.) Other sorts of *avant-garde* grouping need not be unaccountable. Thus the president of the European Central Bank appears before the European Parliament's monetary affairs committee. The Western European Union, a defence sub-group that has largely merged with the EU, still has its own parliamentary assembly, consisting of representatives from national parliaments. Other intergovernmental groupings could create their own systems of parliamentary oversight.
- *Variable geometry could lead to the unravelling of the *acquis communautaire*.* The more you allow some countries to pick and choose, the greater the risk that others will demand the right to opt out of existing policies they dislike. British Conservatives, for example, talk of using variable geometry to pull Britain out of the common farm, fisheries and foreign policies. The EU therefore needs to define the set of policies that every member must take part in. This should include trade, competition, the single market and its four freedoms (of goods, services, capital and people), fisheries, regional policy, overseas aid, some common rules on agriculture, some environmental rules, some co-operation on borders and policing, and a common foreign policy. That leaves subjects such as the euro, the co-ordination of budgetary and tax policy, border controls, the harmonisation of criminal justice, and defence policy, as suitable for variable geometry.

The countries in the euro may well see virtue in co-ordinating their economic policies more closely. They are already talking of harmonising corporate tax bases (though not rates). They may wish to create a stronger external representation for the eurozone. Jean Pisani-Ferry, of the Bruegel think-tank, has suggested that there is a much stronger case for eurozone members to co-ordinate their structural reforms than there is for the wider EU membership to do so. At some point the euro countries may even wish to simplify and strengthen the currently ragged rules of the Stability and Growth Pact.

The other area where a growth of variable geometry is likely is in the domain of justice and home affairs. The Schengen agreement was a successful piece of variable geometry, conceived outside the treaties but later shifted into them. The recent treaty of Prüm suggests that more variability is on the way, as do the "G-5" meetings of interior ministers.

TRANSITIONAL ARRANGEMENTS

When a country joins the EU, it is normally subject to “transitional arrangements” that exclude it from full participation from certain policies for a number of years. Sometimes these work to the benefit of the new member: East Europeans who joined the EU in 2004 will not have to apply all the (very costly) environmental rules for up to seven years. Sometimes the transitional arrangements work, supposedly, in the interests of the old members. Thus 22 of the old member-states have insisted on limiting the right to work of citizens from the new member-states for seven years.

Most applicants naturally resist that kind of measure, resenting the implication of a status that is “membership minus”. However, some applicants and future applicants should think very seriously about tolerating some long or even indefinite transitional periods. The biggest reason why many people fear Turkish membership is that they fear its workers will take their jobs. Free movement of labour would be good for Turkey, and in most respects good for the existing member-states. But given Turkey’s current poverty—with per capita GDP at around 30% of the EU average—fears of Turkish immigration are understandable. Turkey should be prepared to envisage a provision that would, for example, allow a member-state to limit inflows of Turkish labour indefinitely—but only for as long as Turkey’s per capita GDP was below 50% of the EU average.

Once Turkey had been in the Union for a few years, many member-states would probably not wish to apply such restrictions. After all, the Turkey that joins the EU, if it does, will be very different to, and much richer than, the Turkey of today. Some Turks would see membership with limits on free movement of labour as an insult. But Turkish negotiators should, as a last resort, be prepared to accept such limits. Turkey would be much better off inside the EU, with restrictions, than outside. This would be a kind of variable geometry, in the sense of not every member taking part in every policy. Like the other kinds, it should make enlargement less threatening to those who fear it.

ASSOCIATE MEMBERSHIP OF THE CFSP

Turkey and Croatia have started accession negotiations. Macedonia, Serbia, Bosnia and Albania are likely to start negotiations at some point. If Montenegro and Kosovo become independent, they too will probably become candidates. Such countries are currently far from being ready for membership. However, if these Balkan states make good progress, and if they can convince the French electorate that their people share European values, they may be able to join the EU in the long run.

But there are other countries, further afield, that have very little prospect of joining. Ukraine, a large country with a lot of farmers, has enhanced its democratic credentials over the past year. But apart from Poland and Lithuania, very few member-states are keen to see it join the Union. Belarus and Moldova are unquestionably in Europe, but are very far from meeting the basic conditions for membership. Georgia believes itself in Europe, as do its neighbours Armenia and Azerbaijan, though many Europeans would disagree. Unlike Armenia and Azerbaijan, Georgia has undergone a quasi-democratic revolution and is keen to move closer to the EU.

Over the past two years the EU has started to implement a new European Neighbourhood Policy (ENP), which aims to enhance ties with the countries that have no prospect of joining in the foreseeable future. The point of the policy is to turn the countries of North Africa, the Middle East, the South Caucasus, and the EU’s eastern hinterland into a “ring of friends”. The EU has already negotiated bespoke “action plans” with Ukraine, Moldova, Israel, Palestine, Tunisia, Jordan and Morocco. Others, such as the three Caucasus countries, Egypt and Libya are now starting to negotiate action plans. Each plan sets out the reforms the neighbour intends to undertake, in order to align its economic and political system with European norms; and its sets out what the EU can offer in terms of trade, aid, political contacts and participation in its programmes.

The neighbourhood policy is a sensible initiative, and it is too soon to judge its effectiveness. But the EU seems to be having difficulty in fleshing out the promises that it has made in the action plans. Several Commission directorates-general have moved to slowly to deliver on commitments made under the ENP (DG Relex being an exception). And many of the member-states appear unenthusiastic: some of those most hostile to enlargement are in no hurry to deepen ties with countries just beyond the EU’s borders. For their part, the neighbours have moved very slowly to fulfil their promises.

In time, hopefully, both the EU and its neighbours will make a real effort to implement the action plans. But even if they do, a more fundamental problem will remain. Most of the neighbours believe that the neighbourhood policy does not go far enough in offering to integrate them with the EU. Nothing in the policy or the action plans mentions the possibility of the neighbours ultimately joining the EU. This limits the EU’s ability to influence its neighbours. The EU probably needs to offer juicier carrots in order to wield meaningful influence. It should therefore beef up the ENP by rewarding the best-performing neighbours with security partnerships—in effect, much closer ties to the CFSP.

This author owes this idea to a conversation with Salome Zurabashvili, the former Georgian foreign minister. She said that while Georgia was not yet ready for the rigours of the single market, it would benefit hugely from being part of EU foreign policy. As far as she was concerned, Georgian involvement in the CFSP would bring with it an implicit security guarantee.

She is right that the neighbours should not try to adopt most of the *acquis communautaire*. Their economies are too backward to thrive in the single market, and their administrative systems are not capable of enforcing the EU's 80,000 page rule-book. However, the neighbours could adopt the foreign policy *acquis*, which is mostly declarations rather than legislation, without much difficulty. Adopting policies is much easier than enacting laws—both technically and politically. Candidate countries often find the implementation of EU law very painful politically. But aligning a country's foreign policy with that of the EU is seldom so sensitive.

The European Economic Area could offer a kind of analogy for neighbours becoming “security partners” of the EU. In the EEA, Norway, Iceland and Liechtenstein are consulted on the shaping of single market rules, but cannot take part in the formal decision-taking. When the EU takes a decision, the EEA countries have to accept it. But while the EEA is about economics, and has no bearing on foreign policy, the proposed security partnerships would work the other way round: these partners would engage in the CFSP but not the single market.

Suppose that Georgia and Ukraine make good progress with reform, and the EU asks them to become security partners. How might this work? The EU governments and those of Georgia and Ukraine would agree that they had common interests on certain subjects. The security partners would then join in discussions on those issues. But while they would help to shape EU policy, they would not take part in decision-making. When the EU decided on a common policy, the associates would have the right to sign up to it—opting in—or not. Each partner would have a small team of diplomats in the Council of Ministers' Justus Lipsius building, sending representatives to the relevant committees and working groups. The partner would also send a senior diplomat to attend and speak at the Political and Security Committee, when the subjects covered by the security partnership were discussed.

With such arrangements, the security partners would be more intimately involved in the CFSP's institutions than are current candidate countries such as Croatia and Turkey (Bulgaria and Romania, having signed accession treaties, are allowed to take part in EU meetings). Candidates have the right to associate themselves with EU foreign policy, but they do not have diplomats in the CFSP machinery. Therefore the concept of security partnerships could not work unless candidates for full membership were included in discussions on foreign policy (that in itself could have a positive impact on the EU's accession talks with these countries).

Security partnerships should not be just about procedures and institutions. The point should be for the EU and its partners to help each other to deal with real problems. The flow of benefits should not be just one-way, from the EU to the partners, but in both directions. For example, some neighbours could help the EU to stabilise some of the very problematic regions that adjoin them.

Suitable areas for collaboration between the EU and its security partners could be, for example, the Caucasus, the Balkans, counter-terrorism, non-proliferation and the Middle East Peace Process. The partnership should also extend to the European Security and Defence Policy. Already, some countries in the ENP send troops on EU military missions, but their involvement should be extended. Security partners should be encouraged not only to send troops and other essential personnel on ESDP operations, but also to take part in their management.

This kind of link to the EU would probably have a beneficial impact on the neighbours concerned. Their diplomats would learn how the EU made policy. Their governments would be socialised into European ways of working. The model proposed is very different to the NATO-Russia council, which treats the NATO countries and Russia as two distinct entities. In contrast, this idea would aim to integrate neighbours into EU foreign policy, as a way of bringing them closer to the EU more generally.

There is a risk that the arrival of security partners in the Council of Ministers would make the EU's diplomatic machinery more complicated, and slow it down. Therefore it would be wise for the EU and its partners to start off by working together on only a limited range of issues. And if the EU did find the partners a drag, it would have the right to press ahead and decide its own policies. Conversely, if the partners found that their views were disregarded, and that their presence was merely token, they could pull out of discussions on a particular subject. Or they could resign from their security partner status.

One obvious criticism of this concept is that it would fail to deter neighbours from applying for membership. After all, Jacques Delors designed the EBA to prevent EFTA countries from seeking EU membership, but most of them did so anyway. However, faced with a choice between no membership and CFSP membership, some neighbours might prefer the latter. If a large group of member-states suddenly started campaigning for full Ukrainian membership, the government in Kiev would of course have no incentive to pursue membership of the CFSP. But in the current climate that seems unlikely.

In any case, the point of the proposed security partnerships is not to dissuade neighbours from applying to join the EU, but rather to encourage mutually beneficial co-operation. As with the action plans that exist under the ENP, the security partnerships should contain implicit conditionality: the partners that were most helpful to the EU could expect more economic and political dividends in their broader relationship with the EU.

In the long run, if Russia becomes a truer democracy and a better respecter of civil liberties than it is today, the EU should consider offering it this kind of scheme. Some analysts will argue that member-states such as Poland and Latvia would never agree to such an embrace of Russia. But if at the same

time the EU extended the same offer to the countries such as Moldova, Armenia and Azerbaijan—assuming that political and economic freedom were firmly entrenched in those countries, and in Russia—would Poles and Latvians really be so hostile?

Other analysts will say that Russia is too proud to ever agree to be treated in the same way as Ukraine and Georgia. Today that is the case, but one may imagine that, at some point in the future, Russia might see that participation in a broader CFSP zone could help it to build friendly relations with its neighbours. In any case, the prize of involvement in EU policy-making would be attractive to many liberal Russians, who may one day be more influential than they are today. If the EU could extend its CFSP across the entire continent its members and Russia and the countries between them would probably all get along better.

Charles Grant

November 2005

Written evidence submitted by Ruth Lea, Director, Centre for Policy Studies

THE AUSTRIAN PRESIDENCY

Several key issues have been identified for the Austrian Presidency. They are:

- The budget for 2007–13.
- Enlargement.
- The Constitution.
- Political popularity and the economic agenda, including the Services Directive.

THE BUDGET FOR 2007–13

The EU budget for the seven-year period was agreed by the EU25 at the December 2005 EU summit, in the dying days of the British presidency. It amounted to €862 billion. There are three aspects of particular note:

- The UK will lose some £7 billion of the abatement over the period which will be back-end loaded. According to a written answer from Gordon Brown, the estimated extra costs will be £500 million (0.09% of public spending) for 2007–08; zero for 2008–09; £1.0 billion (0.16%) for 2009–10 and between £1.6 billion and £1.9 billion (0.23% to 0.26%) for 2010–11 to 2012–13.¹
- The Prime Minister had originally claimed that any negotiation of the UK's rebate would be contingent on reform to the CAP. But the CAP was fundamentally agreed in 2002 for the budget period. The CAP remains a wholly indefensible policy, not least of all because it is one of the main obstructions to a constructive settlement of the WTO's Doha Round of trade talks. This was clear at the recent WTO Ministerial Conference in Hong Kong.
- Despite the Government's wholly sensible suggestion that Structural and Cohesion Funds (SCF) should be concentrated on the poorest EU countries (the 10 new member states as well as Romania and Bulgaria),² this policy suggestion was not implemented in the face of determined opposition from wealthy EU15 recipients of substantial SCF (including Ireland and Spain).

Even though the budget was agreed in December, Austria must still negotiate a final agreement with the Commission and the Parliament.

ENLARGEMENT

Candidates for EU membership are:

- Bulgaria and Romania, which are expected to join in January 2007, making EU27. Austria must decide on these country's memberships.
- It was agreed in October 2005 to start accession negotiations with Turkey during the British presidency, amid much scepticism (not least of all from Austria). Austria will be expected to make progress.
- It was also agreed in October 2005 to start accession negotiations with Croatia which hopes to join by 2009. Croatia's membership has been strongly supported by Austria.
- Macedonia (The Former Yugoslav Republic of Macedonia, FYROM) applied for EU membership in February 2004. It is awaiting official candidate status. Austria and other member states have expressed doubts about Macedonia's preparedness.

THE CONSTITUTION

The Austrian presidency will preside over a period in which “The Treaty Establishing a Constitution for Europe” (the “Constitution”) will be “actively discussed”. The “pause for reflection”, following the French and Dutch no votes, is apparently meant to finish over in the next six months. There are currently, arguably, three main options for dealing with the Constitution:

- The EU could abandon the whole exercise in the light of the French and Dutch no votes.
- The EU could try to revise the treaty without losing support from one of the 25.
- The EU could merely cherry-pick its most useful parts.

Cherry-picking currently looks to be the most likely way forward. In particular there are speculations that the Constitution’s key institutional proposals will be “back on the cards”. These include:

- The creation of an EU foreign minister.
- Changes to the voting rules.
- The abolition of the rotating presidency; ie the establishment of a semi-permanent presidency.

Austria’s presidency will not be the end of this reappraisal of the Constitution, however. At the very minimum the reappraisal will run into the Finnish presidency (2006H2) and, probably, into the German presidency (2007H1).

POLITICAL POPULARITY AND THE ECONOMIC AGENDA

The Austrian presidency needs to address the EU’s lack of popularity and rebuild public confidence in the EU. The priorities are surely:

- A pick up in economic growth and more buoyant jobs markets.
- A recognition that the EU political élites must listen to the voice of the people.

Economic success is of uttermost significance to any political enterprise. The EU is no exception. Economic issues beat the other issues into a corner (and this includes the Common Foreign and Security Policy)—by a mile.

There are now some signs that the French and German economies are picking up. But their progress will continue to be hampered by the protectionist, heavily-regulated and big state European Social Model which was, incidentally, explicitly enshrined in the Constitution. Given that the tectonic plates of the world economy are shifting inexorably with the rise of China and India changing the global economic landscape, the EU’s response to this historic phenomenon is, to date, quite inadequate. It is lamentable. Wake up, and smell the coffee.

There are, moreover, many economic studies that show the EU’s position as a global economic player (and hence global political player) will decline significantly during the 21st century. Without economic power the EU will simply cease to have any global political significance. This is a cruel reality that all too few people have grasped.

In order to stay this decline the EU Commission should be thinking of a serious agenda of de-regulation and it must turn the Single Market into a truly open cross-border market, with the lightest of regulatory touches. This is not happening despite the brave intentions of the re-launched Lisbon agenda. Specifically, the pro-competition Services Directive, which is a step in the right direction, was blocked last year by President Chirac. The Austrian presidency is expected to return to the Directive—but to dilute its pro-competitive thrust. This would be a retrograde step.

Apparently, a March 2006 summit is planned to discuss jobs “n” growth. It will, apparently, also discuss the development of a common energy policy, as mooted at Hampton Court during the British presidency. These are issues of the greatest importance. The EU must stop grandstanding in the world stage and get down to reality.

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Ruth Lea

January 2006

Witnesses: Mr Charles Grant, Director, Centre for European Reform, and *Ms Ruth Lea*, Director, Centre for Policy Studies, gave evidence.

Q91 Chairman: Welcome. We are delighted that you have been able to come along to our first session in 2006 about developments in the European Union. Can I ask you for your assessment of the British Presidency and what you think it meant both for the European Union and resolving the internal crises and also for the British position within the European Union.

Ms Lea: It did seem to be a rather disappointing performance, but two or three things of supreme importance were decided. Firstly, there clearly was the Budget for 2007 to 2013, and arguably, of course, it was a very disadvantageous agreement in the end for Britain; and the Chancellor of the Exchequer has made it very clear that we will be losing another 7 billion over that particular period by way of our abatement. The Government was making the point that it wanted to negotiate the abatement in connection with the reform of CAP, but that, of course, did not happen and will not happen for quite some time. The other point I would make is on the talks about enlargement. Turkey is now a candidate country, which was agreed in October, as it should be; similarly Croatia. Those are the two major achievements—if “achievements” is the right word to use—of the British presidency.

Mr Grant: I would agree with some of that. I agree about enlargement. I think that the Turkish deal in particular was really on a knife-edge, and might not have happened. The incredibly hard work by the British politicians and diplomats really helped that to happen, perhaps, as I say, against the odds. It is not just Turkey and Croatia but the whole of the Balkans has a prospective for membership now, thanks to the achievements of the last six months. It was not at all certain that the EU would agree that Macedonia should be a candidate, which they have now agreed; nor was it certain that the EU would agree to start talks on stabilisation agreements with Serbia and Bosnia, both of which are very important for giving them a perspective of modernisation and reform. The whole western Balkans has done rather nicely out of the British presidency, and none of that was certain to happen. On the Budget I take a different view from Ruth. One would have liked a different deal, with a radical agreement to reform the CAP and so on, but I think it was the best deal that was possible in the circumstances. I part company from some commentators and my former employers at *The Economist* who would have said it was better to do no deal at all. The important thing is that there was a deal. The details are less important, and the fact that it is off the agenda is a good thing. It was a poisonous thing while it was on the agenda. If we had not done a deal, we would have spent the rest of this year arguing about it instead of dealing with real problems in the real world. Today we can worry about the Lisbon process of economic reform; we can worry about enlargement, and we can worry about the Services Directive or whatever, so I am very happy that it is out of the way. On the single market generally, I think there were some modest successes in the presidency. We did not

get very far with the Services Directive, but that was not the Government’s fault. There was an agreement on the so-called REACH Directive on chemicals testing, which was a sensible compromise. There was a lot of progress on liberalising aviation between Europe and America, which was encouraging. From a British point of view they succeeded in stalling any attempt to reach an agreement on a working time directive that would have taken away British opt-out. From the British point of view, on the single market side they did all right.

Q92 John Horam: How has that left the perception of the UK’s role in the European Union? What do people now think about the UK following the presidency?

Ms Lea: I was surprised at how badly the British image suffered during the presidency because there were a lot of negotiations. Obviously the Budget was a very poisonous affair, as Charles has said. One of the aspects discussed in relation to the Budget was the idea that money should be concentrated on the new accession states and not so much on the relatively rich Member States that still take a lot of structural funds from the EU. That, in itself, seemed wholly sensible, although it did not get anywhere, but in relation to the way the debates developed, when Britain was arguing about keeping its abatement, its rebate, it seemed as though we were “taking money away from the new accession states”. The way it seemed to be handled seemed to give the British image rather a bad deal, if I may say so.

Q93 John Horam: Do you think it stuck?

Ms Lea: The image did get stuck, and it did not look particularly impressive.

Q94 John Horam: Has the result modified that perception or is it still the feeling that somehow Britain rather mismanaged it?

Ms Lea: I think now, because the Budget has been settled, it has been hugely to our disadvantage. I say that because the cuts in the abatement are quite substantial. I suspect that from the Brussels perspective, at the end of the day, because a deal was done—and, if I may say so, Britain did in the end give up rather a lot—that probably did improve its image.

Mr Grant: I would agree with some of that. I had thought that when the deal was done the east Europeans, who had been so annoyed with us when we were trying to cut their money, would be quite relaxed and happy and go back to being friends with us. It is not actually true. From my own conversations—

Q95 John Horam: They are still annoyed, do you think?

Mr Grant: They are, more than I thought they would be. I think that although on the substance of the major issues we have already discussed the British presidency did well, it did not do so well on

the style. I am a little concerned myself that we still have a bad image in east European countries. This is partly the natural British arrogance towards dealing with smaller countries.

Q96 John Horam: We tried rather hard to have a good image with east European countries.

Mr Grant: We had a very good image at the start of the British presidency. The image was very good earlier this year for the reasons we are aware of, and then it started going wrong in June, when Britain vetoed the deal that most countries were prepared to sign up to. The east Europeans were particularly unhappy with the delay on agreement on the Budget. The British diplomats were rather surprised at how badly the east Europeans took it. I think that we took them for granted and assumed they were our natural friends, that they could not stand the French and that they would follow our lead. However, when they saw their own economic interests being affected by British policy they got rather annoyed. Subsequently during the presidency I do not think we spent enough time scratching their backs and being nice to them. Of course it is difficult: the presidency is so busy. I heard, for example, complaints that during the night when we finally did the deal on the Turkish accession that the east European foreign ministers were upset at being left waiting in a room, and nobody talked to them for twelve hours and told them what was happening. Maybe if Jack Straw had spent half an hour with them, he would not have had that extra half hour with the Austrians that did the deal. I am not saying the British necessarily got it wrong, but there is a perception amongst the east Europeans that we are arrogant and haughty, and that we take them for granted.

Ms Lea: Can I add to that, because I think that what Charles has said is of great interest and great significance. When there was the accession of the 10 new countries Britain felt very much that they were in their camp, and they no longer appear to be in their camp. That is one of the real outcomes of the British presidency. Britain, of course, had always pushed for widening because they wanted extra people on their side, so to speak, who would be economic reformers and who wanted to have more free markets. There was the feeling when the new countries came in that these were reform countries; these were the ones that were friends with America. Britain was, if I may say so, feeling rather complacent about the idea that they would be their natural allies. I suspect that the situation over the last six months has changed quite significantly.

Q97 Mr Illsley: I want to ask you one or two questions on the Budget, in particular our involvement in the rebate. You mentioned in your opening statement that the Chancellor of the Exchequer has said it will cost an extra 7 billion over the period. Is that on top of the reported amount of 14 billion?

Ms Lea: Which 14 billion is this? Can I just say where I got the 7 billion from? That was in a written statement to the House of Commons on 20 December. It was a question by John McFall to Gordon Brown. I have got the numbers here, and according to Gordon Brown the estimated extra costs would be 500 million in the financial year 2007; nothing in 2008; a billion in 2009; and between 1.6 and 1.9 for 2010 to 2012. That is where I got the figure of 7 billion from. I am not quite sure what the 14 billion is.

Q98 Mr Illsley: I was looking at newspaper reports at the time, the more extreme newspaper reports at the time.

Ms Lea: These are Treasury figures. The significance for Mr Brown is that they are very much back-end loaded. The withdrawal of the abatement is very much back-end loaded into the further period into the Budget. That is at a time indeed when you do have a slow-down in public expenditure, so clearly it has quite serious implications for the Treasury's budgets.

Q99 Mr Illsley: Is there any significance in the increase in the UK rebate, the increases you are talking about?

Ms Lea: Again, I do not have those particular numbers; all I have is the Treasury estimates of the extra costs of the final negotiations and positions they thought they were in. I must say that I did trawl through the website to find some extra numbers to get the breakdown but without a great deal of positive reaction. Those are just the numbers that I have got.

Mr Grant: I would disagree that the deal we got was particularly unfair. As far as I understand, British net payments into the EU Budget over the next seven years will be about the same as France, and much less than Germany. That sounds to me a fair deal. Britain is a net contributor, but it is one of the richest countries in Europe. I am not saying that the Budget deal was perfect; I think the Spanish and the Irish did too well out of it: they are rich countries that have ridiculously high net payments to them. However, if you look at the big countries of the EU, we did pretty well. The rebate gets bigger every year automatically: because the Budget gets bigger every year the rebate itself gets bigger every year, and it is harder and harder to justify it given that we are so rich and that there are so many poor countries in the EU. Of course, we should not give it away until there is a total reform of the CAP but I think that will come, hopefully. The discussion on that will come in 2008.

Ms Lea: I would question that we will be paying the same as France. I would be very surprised if that were the case.

Q100 Mr Illsley: Jack Straw has actually told this Committee—

Ms Lea: I would just like to see the figures. Forgive me, I do not wish to say anything that I cannot back up with the data, but I would be very surprised if that is the case.

 11 January 2006 Mr Charles Grant and Ms Ruth Lea

Chairman: We had figures before Christmas that were circulated.

Q101 Mr Illsley: One of the things that the Foreign Secretary told this Committee was that the UK rebate was designed to ensure that there was equity between otherwise similar states, principally France, Italy and the UK in terms of our contribution. In other words, the issue in terms of the rebate was for us to get parity with the other major players in Europe, not simply an argument between France and the CAP but to get parity of contribution.

Ms Lea: All I can say is that I would like to see the numbers. Without the numbers in front of me, if I may say so, this is a rather sterile conversation. If somebody shows me the numbers, then I am very happy to comment on them, but I could not get them off the website; I could not find them and I tried very hard.

Q102 Mr Illsley: Would you agree with me on the principle that Jack Straw was saying, that the whole idea behind maintaining the rebate was this question of parity?

Ms Lea: I have no doubt about it; and that was why it was initially arranged way back in 1984 at Fontainebleau with Mrs Thatcher, because it was quite clear at that point that we were paying far more than we should be doing; so it was quite correct to keep the abatement. If we had not done so, then our net contributions would have become completely disproportionate. It was right to do it, but the question is whether it was right to give away so much of the abatement.

Q103 Mr Illsley: You mentioned in your first answer the review of the whole Budget—this idea of a review of the EU Budget by the Commission. How significant is that? Is that likely to come about, the idea that we are going to look at the whole thing once again in terms of the CAP?

Ms Lea: The review coming up during the Austrian presidency?

Mr Grant: In 2008.

Ms Lea: The 2008 review. There are two major things they will need to look at at that particular point. Clearly, there is the point on the Common Agricultural Policy, which still is a great block to the negotiations within the World Trade negotiations, as we saw at the time of Hong Kong. Second, if there are to be considerable structural and cohesion funds, then they must be directed towards the relatively poor accession states, the new 10 countries, of course Bulgaria and Romania as will be then; and, who knows, by then Turkey may have joined, although I personally doubt it; Macedonia may have joined, although again I personally doubt it—and away from the relatively rich countries such as Italy, and Ireland in particular and Spain that still take a lot of these structural funds. That is absolutely of supreme importance. In fact, you could argue that of the EU

15 it is only possibly Greece and Portugal that are poor enough to justify having these structural funds.

Mr Grant: I would agree with that.

Q104 Mr Illsley: You have already mentioned the impact on the new entrant states of the British negotiations: what impact do you think the British negotiations have had on the existing Member States—France, Italy and Germany? Have you any opinion as to whether it has left us in a good light or a bad light?

Mr Grant: The British behaviour?

Q105 Mr Illsley: The British presidency, the negotiations, and our position on the Budget throughout the negotiations.

Mr Grant: As I said, I think it is a problem with the east Europeans, but I do not think there has been a particular problem with others. I think they know that the British always play hard when it comes to these talks. I saw that Mr Chirac said this week that the Budget deal had cleared the air and that now we can move forward. He does not seem to bear any particular animus against the British because of the way things are happening, nor does Mrs Merkel, who seems to be very optimistic about a lot of things at the moment. Unlike Ruth perhaps, I do not think that we were ridiculously generous, but whatever balance of generosity or meanness came under the British presidency, I think most countries expected it. They were perhaps a little surprised there was a deal. The general perception of most governments until the actual night of the summit was that there probably would not be a deal because Britain had given very little reason to expect a compromise, and in the end perhaps it would be fair comment that Blair was a little more generous than some people expected.

Ms Lea: It was interesting because Mrs Merkel clearly was in some ways a power-broker over the Budget as well. I suspect that the atmosphere between Britain and France is still fairly poisonous, if I may say so; and it is not just a matter of the British presidency, but it was way back with the referendum on the constitution, where it was very much the Prime Minister, Mr Blair, who persuaded Mr Chirac to have a referendum, and who said we would have a referendum too on the constitution. And the rest was history because the French people voted “no”. That must have been an incredible shock to Mr Chirac, and he must have not been very pleased with Mr Blair at the time. I suspect that some of that animosity will remain to this date.

Mr Grant: Can I come back to the point you raised earlier about the 2008 review? I think it is likely to be quite significant. The very fact that Mr Chirac will have left the scene before the review begins is going to be significant. He has made a personal crusade of being obstructive on CAP reform. Most other senior figures in French politics take a more moderate line than him, particularly on the left but to some extent on the right. When he is removed, the balance of the argument in favour of some significant re-nationalisation of the CAP through

some mechanism such as co-financing, whereby national governments have to meet part of the cost, is highly likely. The Germans are very keen on it. If the French stop resisting so much as they have done, then I do not think that the Irish and the Spanish on their own will be enough to prevent movement towards quite a radical CAP reform. Remember that this is not just a review of the CAP; it is a review of the Budget generally. The Commission and others will, as always, propose some sort of European tax that many countries, not only Britain, will say is ridiculous. The interesting question is whether we can do what the Sapir Committee recommended in the report that André Sapir drew up and presented to Mr Prodi in 2003, when he said that we should use the Budget to promote growth and try and devote spending to things like R&D and education, rather than functions such as agriculture, which do not do a lot to help the European economy. The real question is whether we can generally re-shape the Budget. It will not be easy, but I think there will be a real argument in 2008–09 on that.

Q106 Ms Stuart: If we hold on to the rotating presidency we will not hold it until 2017, by which time our reputation will be slightly better. I am not surprised to hear you say that the French are not terribly upset with us because essentially we dug them out of a hole. France would have been the great stop of European integration, having said “no”, and then complained that Britain were the ones who really wanted to go back. One of our problems was that there were not actually the people to negotiate with. The German Government was not formed as a negotiating partner until the second half of our presidency. I would like to know from Ruth Lea whether she thinks the change of governments in Germany and in Poland will bring about a change in not just lip-service to the Lisbon agenda, but bring about economic reform; or do the Anglo-Saxons delude themselves because there are no Anglo-Saxon liberal market economies on the continent, even when they call themselves right-wing governments, and can those in the Eurozone deliver if they wanted to? I would like to know from Charles Grant whether he thinks the change in governments in Germany and in Poland changes the dynamic of the power bases. Britain has always resisted the European Union being run by a group of large countries, but both France and Germany have traditionally done—like the Weimar Triangle, which would bring in Poland, and sometimes Germany talks about the Weimar Triangle plus the UK. Has that kind of dynamic changed, particularly with Mrs Merkel’s Chancellorship, and given her background?

Ms Lea: I was always a tad sceptical, if I may say so, about Angela Merkel making a really major difference to the German approach to economic models. As you know, she is CDU and there this perception in this country that it is a centre-right party, but this is not the same thing as the Anglo-Saxon idea of the free markets; and also she is in the grand coalition with the SPD, which means that

she has to trim her sails to some extent. I feel that within Germany and even with the parties of France, however “right wing” they are meant to be and however pro-business they are meant to be, however free market they are meant to be, in our language, they are not what we would regard as Anglo-Saxon in that sense of the word, because they are still basically attached very much, as I perceive it, to the continental Rhine model of the social market. That tends to emphasise protectionism, perhaps more so in France than Germany. It tends to emphasise social regulations, a big welfare state, and the big state, which are very anti-Anglo-Saxon; so it was always a bit of a myth that somehow Mrs Merkel would change the agenda within Europe when it came to business and economic matters. It is very interesting that this week she has been talking about bringing back parts of the constitution. She was talking about having more of a social aspect to it because she thought that this somehow would make it more attractive to the peoples of the continent. It does not make it more attractive to us, but it makes it more attractive to the peoples of the continent. That, to me, almost said it all, because however right-wing she is perceived in continental Europe’s eyes, or in German eyes, that is not how we see it here in Britain.

Q107 Ms Stuart: What about Poland?

Ms Lea: I follow Poland in less detail, but I suspect that it would be very much the same there. I am not trying to be dismissive of Poland, but it is a relatively new country and it simply does not have the clout of Germany. Clearly, Germany has major clout within the European Union. I am afraid to say that at the moment I suspect Poland does not.

Mr Grant: I think it is too early to tell what impact the new Polish Government will have on the dynamics of European policy because it is still finding its feet. This week they sacked the gaff-prone finance minister who told Tesco to get out. It is unclear to me how they are going to shape up. I suspect that they will be rather more Atlanticist than the previous government; they have decided to keep their troops in Iraq and they will probably be a bit more stropky and difficult to deal with in EU negotiations and be a bit more nationalistic than the previous government, but it is too early to tell yet. As Ruth says, they are not yet a very significant actor at the highest level of EU politics. On Germany, I am much more pro-Merkel than Ruth is. I read Merkel as trying to go back to a Helmut Kohl type of foreign policy, in the sense of balance between being fairly pro-American and fairly pro-French; a balance between working with Britain and France as big members, but also having good relations with the small members and the east Europeans. I think that politically she is trying to achieve that balance, whilst Schröder clearly did not; Schröder wanted, at least at the end, to be very close to France and not at all close to Britain or America or the Poles. On economic reform, I agree with Ruth that her instincts are very liberal in continental terms but that her own party barons

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are much less liberal than she is, let alone her SPD coalition partners, so I doubt that she can have a huge impact on economic reform. The fact that she herself believes in it is better than having someone like Schröder who did not seem to believe in it at least some of the time.

Q108 Ms Stuart: What about the core Europe emerging, with a couple of large countries supporting small ones and trying to—

Mr Grant: I think that one consequence of Merkel's arrival is that the *noyau dur* (the core Europe) idea is right off the agenda for now. The French keep on pushing it. It has been a long-standing French reflex for decades. One of the reasons that it has never happened is because the Germans do not really believe in the idea of an inner group and inner sanctum built around Benelux, France and Germany. I think that Merkel is much keener to have close relations with east Europeans and the Brits, and will be much more hostile to the idea than Schröder. Schröder was quite keen on this idea. He floated this informally several times in the last few years, but without the Germans the French will not get anywhere, so core Europe is off the agenda for now.

Ms Lea: Can I comment on that, please? For a start, I am not anti Mrs Merkel; I was just commenting on her reaction to the Anglo-Saxon model of economics. There is a core Europe already, and that is called the Eurozone. I think that sometimes we forget just how significant that is. Do not forget that there are now 12 countries within the European Union that meet monthly to decide what the interest rates should be, what the economic policies should be. If this is not something approaching a core as a part of the European Union, I honestly do not know what is.

Mr Grant: Ruth is absolutely right. The question is whether the Euro Group becomes a true hard core in the sense that the Euro Group countries have their own foreign policies and their own justice policies or whatever. I do not see any evidence of that yet; it may happen one day, but it is not happening at the moment.

Q109 Mr Heathcoat-Amory: It was a declared aim of the British presidency to get the European economies moving again and to simplify and remove unnecessary regulations; but the Austrians have now taken over and they have talked approvingly of a more social Europe. I should like to ask Ruth Lea whether she has noted today any deregulatory drive from Brussels as a result of the British presidency, and, secondly, whether that might be threatened by an Austrian presidency that obviously does not believe in it.

Ms Lea: Commissioner Barroso, of course, came up with an announcement two or three months ago of 68 would-be directives, but they were either moribund or they were irrelevant to business, so I think that was the sum total of Barroso's deregulation drive. I do not see anything coming from Brussels that suggests for a second that they would wish to deregulate the European economies.

On the contrary, there is still the push towards bringing in extra regulation and the extra aspects of the social model and social protection. The latest one, if you look at the Charter of Fundamental Rights—which we were told is no more binding than the *Beano*—that was Keith Vaz—a communication has now come out of the European Union which says that every single piece of legislation that goes through the Commission must be in accordance with the Charter of Fundamental Rights. These are early days, but like many things in the European Union, things start off as early days but then they develop. When you look at what they are doing, as opposed to what they might be saying, there is always this tendency to bring in more and more regulation, more and more protection and more and more rights. I see nothing by way of a major deregulation programme at all. It is interesting that when you look at the Lisbon agenda, which was initially launched back in 2000 with the idea of making the European Union the most competitive economy by 2010, when it was re-launched last year they were talking about emphasising jobs and growth, and asking each country to come up with national policies and national frameworks. There was nothing behind it that said: "Look, what we have got to do, if we are really going to meet the China challenge that the Chancellor of Exchequer talks about, is get some serious deregulation in here, and get the single market and make it a much more free-trade area than an area where there is a lot of regulation and a lot of compliance".

Q110 Mr Heathcoat-Amory: Can I ask Charles Grant a different question, but still on the Austrian presidency, and that is about attitudes to Turkey. We have heard that it was a British achievement to get Turkey's accession talks going again, but that there is entrenched and widespread popular opposition in Austria to Turkish accession. The same is true in France, and probably in Germany. I think I am right that Austria and France have both promised referendums on the issue, so are we not in danger here of opening up another gap between what politicians want, which is Turkish accession, and what the people want, which is that they do not? This could be a cruel deception for the Turks and create popular discontent in Europe.

Mr Grant: I do not think we are opening up a gap because of the referendums. At the moment, you are absolutely right that public opinion, particularly in Austria, France and the Netherlands, is very hostile to Turkish membership. If there were referendums tomorrow the result would be in no doubt at all; there would be a resounding "no". It is possible that when Turkey finishes negotiations, which I guess would be 10, 12 or possibly 15 years hence, the world will look different. Turkey will look different and France will have overcome the kind of crisis of confidence and malaise from which it suffers today. I do not think it is impossible that Turkey can join. As for this gap, surely the whole point about referendums is that you make sure there is not a gap. Nobody is going to impose Turkey on the wishes of

the Austrian or French people; it is up to them to vote “yes” or “no”. What is happening is that the EU is becoming more populist, and it is now impossible to change the treaties or to enlarge the EU without referendums, which may or may not be a good thing. I do not see a gap opening up there.

Q111 Mr Heathcoat-Amory: Can I probe this assumption that a referendum closes the gap between the politicians and the people? There was a clear rejection of the European constitution in France and Holland by referendum, but I notice that the Austrian Foreign Minister has said: “The constitution is covered in snow and is waiting for spring.” Surely the 15 million French voters who said “no” thought they were doing more to the constitution than just covering it by a layer of snow?

Mr Grant: I think that the Austrian Foreign Minister is living in cloud-cuckoo land. As you know, David, there is absolutely no way you can adopt a constitution without every country ratifying it, and so long as no senior politician in France or the Netherlands is prepared to jump up and say, “let us have another referendum on the late-lamented constitution” there is no chance of it passing. I just say, “dream on” to the Austrian Foreign Minister. She is out of touch with reality, as are those in the German Government who say a similar thing—and indeed the Belgian and Spanish governments are also out of touch with reality. The truth will bite home eventually because you simply cannot adopt the constitution without roughly half the members having ratified it, which is where we are today.

Q112 Mr Heathcoat-Amory: There are moves in the European Parliament to so-called cherry-pick the constitution and pick out bits that are supposedly non-contentious. Indeed, there is some evidence that this has started at Council of Ministers level in the European Scrutiny Committee from which we have seen some proposals that appear to come from the constitution and not from the treaty. Do you not see that as a danger; that again the European politician class can bypass the popular will by starting to implement parts of the constitution by manipulating and extending treaty powers? Do you think this is happening, and is it a danger?

Mr Grant: Let me be precise. “Cherry-picking” as defined by you could mean two different things. It could mean implementing parts of the constitution within the framework of the existing treaties. You can do a little bit of that. You can agree to it by the subsidiarity procedure, for example, giving national parliaments more power to block EU legislation; you could agree to let the TV cameras in, which I think they have agreed to last month, at the European Council meeting. There are some things in the constitution that you can just do by governments and EU institutions saying “let us do it”; but only a very tiny fraction of the total constitution. The second meaning of “cherry-picking” is this: can we make some very minor treaty changes to the existing treaties to do something like adopt the so-called double majority voting system or to introduce the idea of an EU foreign minister? There is a discussion

of that going on. I do not think that it would be dangerous, as you put it, because I think that some of the changes promised by the treaty would help the EU to work better, and I would welcome it if there were a prospect of having a minor treaty change, for example attached to the Croatian accession treaty, in that way. I do not think it is very likely at the moment, however, because you now have a blockage. There are three groups of countries: the Germans and the Austrians, who say, “let us implement the treaty, the whole thing and nothing but the whole thing”; and you have people like the British and Swedes who do not want to do anything; and then you have Jacques Chirac and others in the middle, saying, “let us cherry-pick and do a few bits and pieces here and there”. So long as they cannot agree on the next step forward, nothing will happen. I myself am very sad that the Germans particularly are still saying, “we want the whole treaty”, because as long as they go on saying that, we cannot cherry-pick, and I would like to cherry-pick.

Ms Lea: The mere fact that so many political elites in Europe want to bring back the constitution is an act of extreme arrogance and just shows the absolute nonsense in the refusal to take notice of what the electorate think. It was quite clear from the French vote and the Dutch vote that they did not like the way the European Union was going. They did not like the idea of more and more power going to the centre; and yet here are the politicians, the great political elites, saying, “These people voted ‘no’ but really they are a little bit mistaken—and here we are, we just want to push ahead with this constitution”. The mere fact that they are now discussing it again I think is hugely arrogant, and it is the Austrian Chancellor, Wolfgang Schuessel, who has been saying, “the ratification process is still going on”. Which planet is he living on; is it Narnia or wherever? In the meantime the forces of integration within Europe are still going on and nothing is being stopped. It is not as if the politicians are saying, “well, this ‘no’ vote should tell us something, that people do not want integration to go on, whatever the niceties of the particular aspects of the constitution”; they are just carrying on with integration regardless. The final thing I was saying here is that one aspect of the constitution was a new shared competence on energy, and that was very specifically in the constitution; and yet at Hampton Court they begin to discuss energy, and we are going to discuss energy again under the Austrian presidency, irrespective of whether the constitution has been passed or not.

Q113 Mr Maples: It seems to me that these issues throw up two tensions, perhaps amongst lots of others, within the European Union. One is over the constitution, between the integrators and the “either stay where it is or roll it back a bit”; and the other on the economic model. Do we want a social protective, probably an economic protective; or do we want to join the real world and compete in a low-tariff, low-tax, well-regulated economy? You have both talked in your papers about flexibility. Ruth, you have called it *à la carte* and Charles has called it “variable

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geometry". It is not a new concept, but I am interested that you have both, from rather different points of view, articulated it. I can see this as a solution that could be bought by all the partners to the constitution issue, because it would allow those who want to integrate more to go out and do it and those of us who do not, not to, or presumably there would be a core of economic issues—the single market and this sort of stuff—trade—which we would be bound by and not voting on, but other things we could opt in and out of as we wanted to, but using the European Union framework to do those things, presumably on an inter-governmental basis. Do you both think this is alive? It is something that some of us here have been talking about here for a long time as well. Is this a practical proposition which is worth pushing and worth trying to get the British Government to push? Suppose it were successful; does it resolve or help to resolve the other issue about which kind of economic model we are getting, because I assume that if we did have a flexible or variable geometry in Europe that the economic competences would stay pretty well where they are at the moment with the Commission having the primary role, being bound by a majority vote, and that is where the blockage—or where the anti-globalisers are fighting their last stand, which is another battle that I would have thought, irrespective of the ones about further integration or not, that those of us who have accepted globalisation and can live with the consequences, as we can in this country—that we have to win that battle or we are going to fall horribly behind India, China, South East Asia and the United States. I am sorry it is a rambling question but is the variable geometry a runner on a constitutional basis, as the solution to the problem, and does it help to deal with the economic tensions?

Ms Lea: What drives my analysis of this is my concern about the economic lack of competitiveness of a lot of European countries. Indeed, I said earlier that it strikes me that the Commission is still locked in a mindset of regulation and the social market model, which I personally think is uncompetitive in this new globalised world, where we have got China and India and indeed a still highly competitive United States of America. The other thing that drives me of course is what is happening in Eurozone. It seems to me that without further political integration within the Eurozone there are going to be tensions within it that could well lead to all sorts of disruption in it. Time and time again—and this is one of the major arguments I used all the time as to why we should not join the euro—the single interest rate policy does not suit every single member of the Eurozone. These are absolutely crystal-clear economic facts now. For a long time the interest rates that the European Central Bank has to decide—and I do not blame the European Central Bank for having to do this because that is what it has to do—tended to be too low for countries like Ireland and Spain, which have been growing very quickly for a variety of reasons, but they have been too high, on the other hand, for a country like Germany or to a lesser extent France, or indeed

Italy. Italy has been losing competitiveness quite badly over the last few years. The one-size-fits-all interest rate does not fit. Within a usual currency union, whether it is the United States or the United Kingdom, you have all sorts of other economic policies that ensure the integration of the economy, not least of all funds going between the well-performing areas of the currency union to the less well-performing areas of the currency union. At the moment, that cannot happen. We talked about the Budget earlier, but the Budget does not do any of these things at all. In other words, you do not have these automatic stabilisers; you do not have the government policies that offset the problems of having a single interest rate when you have different types of successful and a lot less successful aspects of this currency union. I have argued for quite a long time that the Eurozone somehow has to go further down the road of political union. Under those circumstances, it is for those countries that are not in Eurozone to say, "Fine, off you go; do it; we will not stand in your way; if you want to go for genuine political reasons, you go ahead." In those circumstances you will inevitably get some sort of *à la carte* model, even more clearly defined than it is now. Then there is the question of whether those countries in the outer ring, so to speak, would say they wished to disassociate from some of the other policies that are already coming out of Brussels. For this country I would like to see us disassociate from a lot of the policies that are to do with the single market. The single market, for me, means regulation, and regulation means lack of competitiveness. At that stage you are actually getting to a situation where you are saying that each country that is within the European Union, for their economic futures, should be able to decide which policies they think are particularly suitable for them.

Q114 Mr Maples: So the flexibility or the variable geometry, or whatever one wants to call it—Europe *à la carte*—would have to go to the heart of the single market/free trade issues.

Ms Lea: I think so. I think some people have got it in their minds that the single market is nothing more than a free-trade area or a customs union: it is not, because the single market is about compliance with regulations. It is, if I may say, a very continental attitude to markets and not an Anglo-Saxon attitude to markets. You really are talking about getting to the very fundament of policies within the European Union.

Mr Grant: Let me try and answer your question. I would like to debate with Ruth many of the issues, but time is short. I would like to see more variable geometry policies—it is an unpleasant phrase but I cannot think of a better one. I do not think we will see very much of it in the near future. My particular reason for being so favourable to it is to do with enlargement because I am really committed to more EU enlargement. I think there has always been a very strong link throughout the EU's history between so-called deepening and widening, and countries like Britain have always wanted to enlarge for obvious reasons: it creates a less political Europe,

a looser Europe, more of a free-trading Europe. Countries like France never really wanted to enlarge for those reasons, but they did agree to enlarge. Why? There was an unwritten deal at the heart of the EU for the last twenty years, which has been a bit more deepening for a bit more widening. Successive waves of enlargement for the last twenty years have been matched by successive waves of treaty-based integration. If we are agreed, as perhaps we are in this room, that treaty-based integration has stopped because there is not going to be any big new treaty for a very long time, I am afraid that means that enlargement scepticism grows, and there is a great reluctance amongst political elites in Europe to enlarge. They think that more enlargement without changing the institutions significantly will lead to a looser, less effective, less efficient European Union. As I say, I am keen on enlargement, and therefore I want to encourage the more integrationalist countries to move ahead with little *avant garde* groups integrating here, there or wherever—and we will come back to the subjects where they might do it—so that they feel that Europe is becoming more integrated, at least for them and their friends. Then I think they will be much less hostile to the concept of a wider Europe. The Germans, for example, or the French, might feel less reluctant to allow Turkey in, or Macedonia, if they are perhaps using the euro group, as Ruth suggests, to create a closer economic union amongst themselves. Where would it happen? As Ruth says, the Euro Group is an obvious area where you might see some greater tightening of ties through external representation, through rules of fiscal policy, possibly some harmonisation of tax bases or areas like that. The other area where you may get it is justice and home affairs. You already have the Schengen Agreement, which not everybody is a full member of—not ourselves and the Irish—and there is no reason as far as I can see why some countries should not co-operate on border guards or public prosecutors without taking everybody with them. Those are the two areas where we might see it. Finally, on economics, I would like to see the British propose an enhanced co-operation on services liberalisation. This would be political and it would be tactical. At the moment, as you know, France, Germany and some others are blocking liberalisation of the service industries, and I think that we should frighten them by saying that we are going to go ahead. I have asked legal experts whether you can do this within the framework of the existing treaties, and they tend to disagree: some think it would breach the laws of the single market, but some of them certainly think you could do it. I think we should take the east Europeans, the Irish and other willing hands with us and go for complete liberalisation of services and shame the French and the Germans into therefore stop blocking the Services Directive.

Ms Lea: It is very radical, if I may say so!

Q115 Mr Maples: It is a very interesting idea. We still have a huge amount of external tariffs. I do not know if it was as many as it was last time I looked at it, but thousands, from biscuits to ski boots. Are we seeing any way of starting to reduce these?

Ms Lea: I am not an expert on trade, but I think the biggest problem still is agriculture, is it not? That is where you get the biggest protectionism.

Q116 Mr Maples: Is that where most of the tariffs are?

Ms Lea: As I understand it, but I am open to correction; I am not an expert on this. The biggest problem with protection is in the agricultural sector. As we have all suggested before, we would like to see some very major liberalisation of agriculture, and it would obviously be stopping one of the great stumbling blocks to getting a decent agreement at the World Trade talks as well. However, as we have already discussed, that is a matter for 2008 and beyond.

Mr Grant: I bought a Chinese T-shirt the other day for £1; I do not think the EU has very high tariffs on most industrial goods now. As Ruth says, the problem is agricultural goods, but also where the EU should be criticised is on re-processed agricultural goods. We have low tariffs on coffee beans, but higher tariffs on instant coffee or packaged coffee, which discourages some of the poorer countries from developing processing and packaging industries. You could criticise the EU there, but, agriculture excepted, generally the tariffs I do not think are particularly high these days.

Q117 Mr Horam: You have just been talking, very interestingly, about enlargement and the disagreement between the wideners and the deepeners, and you feel that treaty deepening is now halting, and that widening may have stopped as well. I wonder why you are so pessimistic. Could one see that now a widening may have a momentum, for other reasons than may have been behind it so far in countries like Romania, Bulgaria and Ukraine? The European Union may want to take those on board eventually for geopolitical reasons—keeping them out of the hands of Russia—a revived Russian empire. If there is a battle over Ukraine, for example, it might be part of that. Do you not think there are other reasons, other than the traditional ones, whereby the widening might continue?

Mr Grant: I would like to agree with you. Romania and Bulgaria will join in either 2007 or 2008. Croatia is highly likely to join and has started negotiations. But then you run against the French constitution, which has been changed. The French constitution says words to the effect: “No country can join the EU after Croatia without a referendum in France.” That is really important. I am not sure that the Balkan countries will get in that easily, especially those with Muslim populations like Macedonia and Bosnia and Albania. As for the geo-strategic reasons for letting in, say, Ukraine—politicians and think-tankers and academics might agree with them, but I am not sure they matter so much to the average French voter in referendums. I am therefore rather pessimistic on enlargement.

Q118 Mr Horam: Maybe on that one point about the referendum in France.

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Mr Grant: It is not just that because, obviously, Austria has talked about a referendum on Turkey and will have one, and maybe the Netherlands could have a referendum on enlargement; and other countries, conceivably Britain, could do so one day. It is not just the French problem, but the French issue I mentioned is symptomatic of a bigger problem, which is that the EU itself is really unpopular in many European countries—not all but many—and therefore if you want to add to it through a treaty change or just through enlargement, that is giving people more Europe, in a way. Ruth has talked about the reasons why the French voted “no” to the constitutional treaty, and there are many reasons of course. One thing that undoubtedly had an impact was the Services Directive. There was a big discussion about liberalisation of services and Polish plumbers taking French jobs, and this just made people in France—a country with high unemployment—very frightened of change. People associate the EU with globalisation—not in Britain but in France and other countries. If globalisation makes you fear for your job and makes you dislike immigrants, you associate the EU with that—the EU is all about opening up frontiers and letting in more foreign people with funny names! I am generally quite pessimistic about enlargement. If the European economy really picks up, then I think this whole discussion will be different. If there is low unemployment in France and Germany and the Netherlands, then the whole climate could change and we could be much more positive about enlargement.

Ms Lea: I think that Charles is right. Charles was talking about widening versus deepening; of course it was always the British strategy to widen, so they would not have deepening, but the truth is that we have got both. There has been a lot of deepening in recent years. Whether the constitution or the remnants or cherry-picked bits of the constitution survive is neither here nor there. Integration and common European policies are advancing all the time, right across the board, whether it is foreign policy, defence policy, asylum policy or immigration policy—they are all moving ahead. The truth is that we are getting further and further into a highly integrated European Union.

Q119 Mr Horam: Where does this leave the European Union project?

Ms Lea: The whole project? They are aiming for a united states of Europe; I have no doubt in my mind.

Q120 Mr Horam: No, since this gap between public opinion that has been expressed in referendums, and might be expressed in referendums in the future, about Europe, and what might be conceived as the Commission—the elite—point of view, there is now such a wide gap that something has to happen to resolve it.

Ms Lea: It is a huge gap. As I was saying earlier, the fact that I found the fact that a lot of the political elites are now talking about resuscitating the

constitution, even though the French and the Dutch have said “no” to it, was a huge arrogance. There is a huge democratic gap.

Q121 Mr Horam: In your view, they have no perception that they are being arrogant.

Ms Lea: I do not know whether they realise it or have any self-awareness about their arrogance, but I think they are jolly arrogant.

Q122 Mr Horam: Do you agree with that, that they are aware of this problem, Charles?

Mr Grant: I agree with Ruth that they are being silly. I would use the word “silly” rather than “arrogant”. I think they are just out of touch with reality. Whether they know they are, I do not know. I find it very hard to explain why some politicians still say, “we are going to keep going with this constitution”. I cannot give you any insight into the psychology of the leaders we are referring to.

Q123 Mr Illsley: On the French 2005 referendum change, of all the reasons you have listed in your variable geometry essay and what you have said, is there any particular one that stands out as the main reason for that change in the constitution—Turkey, the Services Directive, the unpopular enlargement—

Mr Grant: Why France changed its constitution?

Q124 Mr Illsley: Yes. Is it a combination of all those?

Mr Grant: I think the French constitution—the move to change was set in motion before the referendum. (Our friend from the French Embassy confirms that that is the case.) As the representative from the French Embassy knows, I can be as critical of Jacques Chirac as anybody has been, and I am no fan of his, but I would give him credit on Turkey for standing up for his principles. Although he is a populist politician, he thought it was right to start talks with Turkey for strategic reasons. Therefore, to satisfy or placate those in France who were really hostile to Turkey, which is more than half the people, he therefore said, “we will have a referendum when Turkey joins”. I think he did it to provide reassurance. He was going to start talks with Turkey but some successor of his would have to pass a referendum. I think that was tactically quite a clever move by Chirac.

Q125 Sandra Osborne: I am quite interested in what you have been saying about enlargement as well, and the British people’s attitude to enlargement of the EU. You talk about other countries being fearful about liberalisation of services. Do you think that is starting to happen in Britain as well? We do hear comments about Polish workers coming here too.

Mr Grant: That is an interesting question! Your first and general point on enlargement—I think the British people are not particularly sold on enlargement. If there had been a referendum in Britain before May 2004, I wonder what the result would have been. I am not sure we the British would have voted to take in east Europeans. I am not sure they would have voted “yes” at all. However, since

that enlargement, and although, as we now know, we have several hundred thousand workers from eastern Europe in Britain, I do not myself detect a great popular up swell of opposition to those workers. Maybe some of you in your constituencies have, and I would like to hear if you have, but I think that most people realise that the Poles and others who are here are working hard, not scrounging off the state, and that they want to go back and live in their countries eventually. If you had a referendum on the enlargement that has happened now, it would be quite easy to pass it, but it would have been very difficult beforehand. As for Turkey, it is interesting because Turkish membership has not really become an issue in Britain. I do not know quite why that is, compared to Netherlands or France or Germany. Perhaps it is because we do not have a very large Turkish population in this country; that may be part of the answer. If there was a referendum on Albanian membership of the EU, I suspect that there would be a lot of hostility. I do not think the Albanians have a very good image in this country.

Ms Lea: I would agree with Charles that there is very little hostility to the several thousands of people from central and eastern Europe that are here, but one of the main reasons for that is that we do have a growing economy, or at least we had a growing economy, and that we have low unemployment. This is something that Charles referred to earlier; that if there were more economic prosperity and dynamism in France and Germany, then perhaps you would find less hostility to having the Polish plumber, for example. I did smile when he mentioned the Polish plumber because I think the equivalent in Germany was the Polish abattoir—the idea that they were going to shift these poor dead animals over to Poland to be dealt with because they were so much cheaper to deal with there than they were in Germany. If you could get some economic dynamism into these core countries—and Italy is another country that is not doing well, and in fact is doing worse than Germany and France—if you could genuinely get some economic growth into these countries, I suspect a lot of these tensions would disappear.

Q126 Chairman: Can we move the discussion on to the imminent enlargement of Bulgaria and Romania? You mentioned 2007 or 2008; how close economically are those two countries to being able to cope with joining in 2007 or 2008, and are they politically at EU standards in the context of things like governance, corruption and other issues?

Mr Grant: I myself believe it was a mistake to give them a definite promise of membership in 2007 or 2008; I think we should have made it conditional on them making certain reforms. It was done for political reasons. The French Government was right behind that. The British Government accepted it so the Commission was bullied to accept it, but we are where we are and they will join in 2007 or 2008. I think the problem in both those countries is one of administrative capacity. Politically I think they are fairly stable and reasonable countries these days, but do they have the administrations to administer EU

rules and regulations efficiently, and do they have legal systems that can do that? The answer is probably “no”. They are very corrupt. There are already some countries in the EU that are quite corrupt, but I think Bulgaria and Romania are particularly bad; and I think that letting countries in a bit too soon is very bad for the EU because it will give enlargement a bad name. If we get criminal gangs operating out of these countries—I am not saying that we will—then people will be very reluctant to let in other countries in the future that should be let in. We have moved too quickly, but we are where we are, and we just have to do everything we can to encourage them to improve their act. To be fair to them, both those countries are working very, very hard to try and improve their performance but from a fairly low level.

Ms Lea: They are very, very poor countries indeed; when you look at the GDP *per capita* they are way, way down on the EU average, and considerably poorer than a country like Poland, so that adds extra difficulties for those countries to absorb all the changes they will be expected to absorb. I must admit that I do permit myself a wry smile when people talk about corruption in Romania and Bulgaria, when we know that the Court of Auditors has not passed the EU’s budget for the last eleven years—but there you go!

Q127 Chairman: Can I ask you about the prospects of invoking this so-called super safeguard clause and the emergency brake, as it was referred to by Douglas Alexander when speaking in the European Accessions Bill debate. What would be necessary to bring about that? I understand it would have to be done in the middle of this year to slow down the process of accession. Who would invoke that? Will it be politically impossible for the 25 to make a judgment that would clearly have serious ramifications to halt the process if they felt that either Romania or Bulgaria or both are not meeting the conditions?

Mr Grant: This is to 2008?

Q128 Chairman: Yes, if they feel that they would not be ready by 2008, what could potentially happen then?

Ms Lea: I must admit I have not heard of this, but my feeling is that Romania and Bulgaria will become members over the next two or three years. The processes look fairly advanced already. Croatia, I suspect, will get in under the wire, but beyond that, for the reasons we have discussed earlier about having referenda in France and Austria, I think that is where the enlargement process will stop. I must admit that I was not aware of this particular super safeguard procedure.

Mr Grant: I am not aware of a procedure that allows us to delay beyond 2008.

Q129 Chairman: From 2007 to 2008 has to be done this year.

Mr Grant: I am afraid I do not know the technicalities. I imagine the Commission has to make a report, and that would have to be approved

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by the Council of Ministers. It is always difficult for governments to stand up and bash an applicant in this way because they are probably trying to sell some export deal to the country concerned. I would hope that there is a delay, but I am rather sceptical that there will be.

Q130 Chairman: But there is no provision for stopping it beyond 2008.

Mr Grant: I am not aware of that. I think the accession treaty, as it is phrased, says 2007 or 2008, so if there was some crisis or some military coup in Bulgaria you could always do something, but unless something very dramatic happens I do not see how you could delay it beyond 2008.

Q131 Ms Stuart: Surely, they would have had to have closed all the chapters for accession which they had not yet closed, and if those chapters are not closed—

Ms Lea: That would be the case for any country, would it not? That is a more general problem.

Q132 Ms Stuart: I did not think Romania and Bulgaria—

Mr Grant: They have signed the treaties so they have been ratified now.

Ms Lea: That would have been the same for Poland, would it not?

Mr Grant: As far as I am aware, the chapters have been closed.

Q133 Chairman: Is there any prospect that one will be in and the other not, in 2007; or are they going to be taken together?

Ms Lea: I am just speculating, but if I were a betting person I would say they will both be in together in 2007.

Mr Grant: I would agree with that. Unless something very dreadful happens in one country that does not happen in the other, they will be kept together. It is just easier for everybody.

Q134 Mr Hamilton: May I bring you back to Turkey? Obviously it is a very hot subject at the moment! Charles, you said earlier that you thought it may be 10 or 15 years before Turkey is ready to join the EU. Four years ago we went to Turkey and did a report on Turkey, part of which included prospects for accession to the European Union. At that time their senior ministry official who was responsible for negotiations with the EU, said, "It is going to be at least 10 or 15 years". Do you realistically think there is a prospect that Turkey will be ready in 10 or 15 years, leaving aside France, because, as you said quite rightly, many things can change on the ground as far as a referendum is concerned? Will they be politically ready to join? Will they have closed all the chapters? How far do we have to go?

Mr Grant: I think it is possible that Turkey will conclude its negotiations within 10 to 15 years, but I have to say that the obstacles are enormous. I am not encouraged by the way the Turks are approaching the negotiations at the moment. The contrast with

the Croatians—I happened to see the Croatians today—is evident. The Croatians have put one chap in charge of it all and given him complete authority to boss around the various ministries and all the people around, and they have given him a huge negotiating team with the best advisors and officials, and he reports directly to the prime minister. There should not be a problem with the Croatian negotiations. The Turks have done none of that. Mr Ali Babacan, the chief negotiator, is a very intelligent, good man, but he has, as far as I can tell, very little authority over the relevant ministries. He has not been able to knock heads together. That is just one example, but the whole Turkish attitude to the negotiations worries me a bit. They do not really understand that negotiating to join the EU is not a negotiation; the EU tells you what to do and you do it. That is what happens, and you can argue about the timing of certain things, and right at the end when you get to the budget and you argue a bit about money there is a real negotiation; but most of the negotiations are not negotiations at all. If you are the negotiator for Turkey or Croatia, what really happens is that you have to negotiate with your domestic bureaucracy, with your domestic ministries, media and public opinion; and you have to persuade them that it is all good for them. One should not pre-judge Turkey because they have only just started, but I am not encouraged at the moment. Several things can go wrong. One thing that could easily happen is that Turkey walks away from the negotiations. A lot of people in Turkey are not going to be happy at the prospect of being bossed around by Brussels bureaucrats, if I could put it that way. The Turks are a very proud people, and they may decide that it is not worth going ahead. That is quite plausible. I know senior Turks who believe that that will happen several years down the road. That is not necessarily a disaster if it does happen because a period of several years of negotiation is itself modernising and reforming the country, which is very good for Turkey and very good for Europe. The other thing that could happen is that at some point Austria or the Netherlands or France or Cyprus will just refuse to close a chapter, because every single chapter, either 33 or 35, has to be closed unanimously by every member of the Council of Ministers. If one country wants to block things and be difficult or bloody-minded, it can just do so at any point during the negotiations. There could be a problem on the Turkish side or the EU side before we get to the end of the negotiations.

Ms Lea: I agree with that. I have already expressed my scepticism that Turkey will ever join the European Union. It may be that if there are all these problems about negotiating membership, Turkey will say that it just is not worth the candle. I am an economist and always tend to look at things from an economic point of view, but if this country is developing and is getting in investment from other countries, not least from other European countries and the States—if it looks as if it is in a very happy position between whatever is happening in the Middle East and in Europe, it may say, "We are developing very nicely, thank you; we do not need

the *acquis communautaire* or the deliberations from Brussels holding us back. We want to be left to develop as we are doing.” They may well say that there are more minuses than pluses in joining; and the more the debates and the negotiations go on, they may come to that conclusion.

Q135 Mr Hamilton: As well as the likelihood, as Charles said, of the French rejecting in a referendum the Turks’ accession, surely there is a thorny issue of substance? In spite of agreements that have been signed by Turkey in relation to customs negotiations with Cyprus now that it is a member of the EU, they have completely disregarded them. In fact their Deputy Prime Minister, Abdul Latif Sener, said that Turkey will not open its ports and airports to Cypriot-flag ships and aircraft, which is totally against what they have already agreed. How do we get around that? Cyprus has got to be one of the key issues as far as opening the door is concerned.

Mr Grant: I do not claim to be a great expert on the Cyprus problem, but my reading of it is that at least for the last year or two the main problem has been Cyprus and not Turkey. You can certainly say that until recently Turkey, and in particular Mr Denktash, the Turkish Cypriot leader, was a huge part of the problem, the bigger part of the problem. You have to remember that the year before last the Turks agreed to support the Annan plan. The Turkish Cypriots voted in favour; the Turkish Government was in favour; and the Greek Cypriots blocked it with their referendum. Since then, the Greek Cypriot Government has really been very, very difficult and obstructive and has prevented the EU from giving the aid to northern Cyprus which it promised, and it has prevented flights going from Turkey to northern Cyprus, which really destroyed the northern Cyprus tourist industry. The Greek Cypriots have been very difficult indeed. I am not saying that the Turks have been that reasonable either on letting Cypriot ships into their ports, but I think the real problem at the moment is that the Greek Cypriots are getting away with blue murder and nobody is prepared to get tough on them, namely the Greeks or the Americans or the British. There is a clear obvious package deal to be done; that the Turks agree to open their ports with the customs union, and the Greek Cypriots agree to stop blocking aid for northern Cyprus. There is a package deal to be done but nobody seems to be getting their act together at the moment.

Mr Hamilton: I was going to ask; who is going to do it? We are aware of that because 14 months ago we were in Cyprus ourselves and we saw exactly what was going on; it was very clear to us at the time.

Q136 Sir John Stanley: I was somewhat surprised that you were both so pessimistic about the prospects of enlargement in the western Balkans beyond Croatia. It seemed to me that you were putting extremely heavy weight on the French Government’s decision to hold a referendum on the entry of further countries. If your thinking is that the French people will vote against the entry of a country that is predominantly Muslim, in the

western Balkans there is a very variable pattern. There is a substantial non-Muslim population in BiH and in Macedonia; and there is virtually a total non-Muslim population in Serbia, and a very substantial non-Muslim majority in Montenegro. Can you clarify for us why, on the grounds of the French referendum, so pessimistic, particularly in relation to the countries I have been referring to? In the western Balkans it is only Kosovo and Albania that are Muslim, virtually a hundred per cent.

Ms Lea: I do not think it is just because the countries are necessarily Muslim; that is not the only issue. There is the issue of whether they will “take our money”. Obviously, at the moment France gets money from Brussels, not least through the agricultural system. That may well change after 2008 or after the negotiations that start then; but nevertheless there is this idea that if you have more poor countries coming in to the European Union then, clearly, whatever funds there may be for whatever reason, they will be more thinly spread and obviously will go more towards the poorer areas. In other words, economically we may miss out, and I suspect it is that economic aspect too; it is the “looking after me” aspect that leads to a lot of the populations of France and other developed western European countries saying that they do not want further enlargement, taking in very poor countries.

Mr Grant: I would agree with that. I think that the Islamic factor is only one reason why France is hostile to enlargement. It is a reason though, which is why the chances of a French referendum going in favour of Serbian membership, for example, would be much higher than one in favour of, say, Turkish membership. As Ruth said, there is a general hostility to further enlargement because of people coming to take their jobs and because of the corruption and the criminal gangs and whatever. I am perhaps a little more pessimistic than Ruth. I do not think Croatia will necessarily be the last country to join the EU, but I think it might be. I hope that it is not. As long as the west European economy picks up and we get some inspired political leadership, then there is a good chance that some of these Balkan countries will join in the long run.

Q137 Sir John Stanley: As far as the British Government’s policy towards the western Balkans applicants is concerned, can you give us any news as to what you think the priorities should be for the British Government in trying to press on at a good speed with the entry of the western Balkan countries, either generally or in relation to specific points on particular countries?

Mr Grant: We do not have any specific points. I just think that the British Government has really tried very hard to keep prospective membership open for these countries. They have had success there. I think they were right to be tough on the Croatians and to hold out on the Gotovina business, and that has turned out very nicely with Gotovina being arrested. They were quite right to say that they must try to arrest Gotovina before agreeing to start talks. The British Government has a very enlightened view on the western Balkans and understands the strategic

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significance. To be fair, I think the French Government understands that as well, and whatever the public opinion may be in France it also has an enlightened view of that. Most of the governments do because they remember the Balkans wars. That is why I am much more optimistic about these countries joining than Turkey. Although I would like Turkey to join I just think that all the reasons that make political leaders in western Europe think that we must get the Balkans in, namely the Bosnian war, the Kosovo bombing et cetera, do not really apply to Turkey. Turkey will be all right if it never joins the EU. Ukraine will still be a proper functioning country if it never joins the EU. However, will Macedonia or Bosnia ever be proper countries if they do not join the EU? They will probably not be, and are potentially politically unstable if they do not join.

Ms Lea: I think that is true. I just allowed myself to smile that Ukraine was still functioning providing it can get Russian gas, but that is another point entirely! I agree with Charles: it is right and proper to take an enlightened view of bringing in the western Balkans. Again, I would make the point that this should not be the greatest priority facing the European Union because economic reform is a bigger issue, and, at the end of the day, whether the European Union can be a strong economic area, as to whether it really will be a happy place for these countries to come to.

Q138 Sandra Osborne: I would like to ask about Ukraine. Relations between Ukraine and the EU seem to be going from strength to strength with the recent summit addressing closer co-operation. What do you think would be the costs and benefits of closer co-operation with Ukraine?

Ms Lea: I am not sure whether I quite read it that way. The events over the last fortnight have shown the truth, the difficulty and the dilemma of Ukraine's position because of its dependence, for want of a better word, on Russian gas. Russia has this huge resource that the Ukrainian economy depends on, and it comes down to economics at the end of the day. If you have economic dependency like that, then I am afraid Ukraine is almost economically dependent on Russia. Russia is clearly in a position, under Mr Putin, to play every power game that it wants to play. Although it looks as though Ukraine wants to move more to the West, I suspect it will find itself very restricted in being able to do that.

Mr Grant: I do not know if there are going to be any questions on the European Neighbourhood Policy, but this leads on to it.

Q139 Chairman: Yes.

Mr Grant: The first thing to say is that Ukraine's chance of joining the EU in the next 15 years is extremely bleak. At the moment Poland and Lithuania would love Ukraine in, but nobody else does because it is a big, complicated, very poor country. Whatever the strategic reasons we referred to earlier, it would be difficult to digest, and especially if there were no more treaties that succeeded in making EU institutions more efficient.

I think it is a step too far for most EU governments at the moment, however much they may regret Russia bullying Ukraine. That said, the action plan drawn up between the EU and Ukraine under its neighbourhood policy was a start. It was drawn up before Yuschenko became president, and they wanted a bigger and better action plan with more goodies for Ukraine, and the EU said to them: "Not for now, but we can go beyond it in certain ways." On visa facilitation, for example, the EU is talking about going quite a lot further than was initially promised. The Ukrainians like to use the argument: "Unless we are promised membership, we will not reform." That is not good enough; they jolly well have to reform because it is good for them to reform; it is in the interests of the Ukrainian people that Ukraine modernises its political and economic system. In the long run the carrot of potential membership may help them a bit, and in the short and medium-term the carrots that we can offer under the action plan in terms of trade, aid and political dialogue may help to some extent. However, it is important to get the message to the Ukrainians that it is good for them to reform; they are not doing it as a favour for us, and they should be able to do it even without the prospect of immediate membership.

Q140 Mr Hamilton: Over the Christmas and New Year period we had this soap opera played out between Russia and Ukraine on gas supply or Gazprom quadrupling the price. I accept everything you say about Ukraine, but this has a knock-on effect for the European countries. How do you think we are going to reduce our dependency on Russian gas, or are we doomed to be ever more dependent on their huge reserves?

Ms Lea: "We" Europe, or "we" the United Kingdom?

Q141 Mr Hamilton: The European Union and the UK.

Ms Lea: And the UK in particular, because I have been looking at the UK situation on energy, and in my opinion it is quite dire. At the moment obviously we have a mix of energy sources for electricity generation; we have nuclear power; we have coal; we have gas, most of which we get from the North Sea at the moment; and then there is a bit of renewables. Down the road, in 2020, a lot of the nuclear power will have gone, a lot of the coal power will have gone, and we will be even more dependent on gas. By then, about 80% of it could well be imported from Russia, unless something else happens, which is an absolutely dire situation to be in. The reaction for all the countries, but perhaps the UK in particular, is that we do have to think very hard about alternative energy sources for electricity generation. Clearly, we are trying to build up the renewables, but there are limitations to what we can do with renewables. In this country the Government is looking for a 20% target by 2020 but I think we will be very lucky to meet that. At the end of the day, it is the "N" word, nuclear power. France has a lot of nuclear power already; they have nuclear power stations very much on their rivers, and they hope that the rivers do not

dry up because they will lose the water supply. Finland is looking to have nuclear power stations. If the countries of western Europe are serious about not being dependent on imported gas from Russia, then they really do have to build up indigenous supplies, and that means nuclear.

Q142 Mr Hamilton: Are you saying that nuclear energy is the only alternative to Russian gas?

Ms Lea: It is not the only alternative because obviously there are renewables, but renewables tend to be very energy dilute; you need an awful lot of them. You need to have an awful lot of windmills to generate the electricity. If you are serious about generating intensively, then it is mainly nuclear power.

Q143 Mr Hamilton: You say you do not place any credence in the Government's White Paper of a few years ago on offshore wind generation, which could supply all our energy needs within 30 or 40 years.

Ms Lea: To be fair to the 2003 White Paper, which I read the other day, they were obviously talking about massively expanding wind power both onshore and offshore. Even then, they were only looking at an aspiration of 20% of total energy needs for electricity generation by 2020, and it was an aspiration. Even for that there was a very, very good question mark against it. It is interesting that the DTI has set up an energy review, which will report in the middle of this year; and the nuclear word was back on the agenda. I am not saying that nuclear power is the complete solution to the whole thing but it is clearly part of the solution to being less dependent on imports.

Q144 Mr Hamilton: Charles, is it nuclear or Russian gas?

Mr Grant: I happen to share Ruth's views on nuclear power; I think it will help a lot. However, there are many other ways of reducing dependence: just using energy more efficiently is the easiest thing to do. The emissions trading scheme that the EU has set up is helpful in encouraging us to use energy more efficiently. It should be extended to aviation. Diversity of supply is important. We can get liquefied natural gas from Algeria and possibly other places. But whatever we do, we in Europe will depend on Russia for gas. Whatever scenario we plan, we will need a lot of Russian gas. I do not think that that is a dreadful proposition. I am no great fan of the Putin regime, but it is not in Russia's interests to cut off our gas supply too often anyway. Some of you may have seen a very interesting paper by Dieter Helm, which was presented to the Hampton Court Summit, the last EU summit but one, on the need for greater co-ordination of EU policy on energy. It was not proposing lots more powers to the Brussels Commission but just proposing better connections between the various national gas markets, and proposing a European storage system so that people who have too little gas can get it from people who have more gas. There were some very interesting ideas in that very short paper. The other thing is that Blair himself mentioned at Hampton Court and in

his subsequent speech to the European Parliament that if we are negotiating with Russia, we might have a bit more clout if we negotiate together. It is a fairly obvious point. If it is Russia plus the Germans or Russia plus the Italians or whatever, the Russians tend to be the bigger and more powerful partner, but if the EU countries that do take Russian gas concert their efforts, maybe we will get a better deal from Russia.

Q145 Chairman: There was a big argument between some of the Baltic States and Germany about the route of that Russian pipeline, which was going under the Baltic Sea. The Lithuanian delegation came to see us a few months ago and they were extremely unhappy about the fact that Russia was doing a deal with Germany and putting it under the sea rather than putting it across. Is the potential for Russia playing off one EU state against another putting it in the best possible position, by having deals with one country to the detriment of others?

Mr Grant: On this issue I think we should not criticise the Russians for building a direct pipeline to their biggest market, which is Germany, and which may come on to Britain. I can understand, if I were a Ukrainian or a Pole, that I would be a bit upset about that. It is better for us that there is a direct route that cannot be interfered with by political disputes between Russia and Ukraine. If a big supplier wants to bring a direct link to a big consumer, it is not our business to tell them where they should build their pipeline. The Baltic argument to me is not compelling on that point.

Ms Lea: Indeed not. I have a couple of observations on what Charles was saying earlier. We have had energy efficiency as a policy for the last thirty years and yet energy demand goes up almost inexorably 1.5% a year. We just like our computers and our toys, and even with little windmills sticking on the roof I do not know how you are going to cut back on energy demand. When Charles mentioned Algeria a slight shudder went down my spine. Do we really want to be dependent on Algeria? Answer: no.

Chairman: We can obviously go on for a long time with this, but we are not just looking at energy.

Q146 Ms Stuart: This is a complete change of subject. Let us see where we are at the moment. We can always come back to cherry-picking of the constitution. We suggested such things as an external action service and a foreign minister. I want to quote to you something that a former NATO Deputy Supreme Allied Command Europe, Sir Robert Smith, said. "Ultimately the EU is potentially the most effective organisation for nations to use force collectively, more effective than NATO or the UN." I wanted to focus on the word "force". Do you see any real progress in relation to the EU becoming a power that is prepared to use force, or will it simply increase its presence and peacekeeping, which is quite a different approach to what Sir Robert Smith would say?

Ms Lea: Can I speak as a complete non-expert on this? I cannot see the European Union ever being a serious force when it comes to a defence force

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because their whole expenditure on defence is minute in comparison with the United States of America. Clearly, America, within NATO, will have supreme clout when compared with the European Union. The idea of the European Union being a serious defence power is something that simply cannot happen unless the countries of Europe are prepared to put a great deal more money into their defence expenditure.

Mr Grant: What Ruth says is undoubtedly true, but Europe could be a serious security power. It can create peace, and is creating peace in parts of the world. I find that the British public have no idea that the EU is involved in missions in places like Aceh, where they are a key element in monitoring the peace settlements; on the Gaza/Egypt border where they are policing the border; or in Transdnistria—where they may be on their way soon. Obviously, there is an EU force keeping the peace in Bosnia. This is peacekeeping, not going into a war zone with all guns blazing, although they did that once in Bunia in the Congo two or three years ago. A small EU spearhead force went in to create stability before the UN peace force went in. The EU is developing so-called battle groups, which will be up and running soon. They will be forces that are supposed to be capable of going in to a crisis zone in a fairly difficult situation, not just peace-keepers. I do not think the EU will ever be the kind of organisation that will do the bombing of Kosovo that NATO did. When there is a serious military conflict most of us will use NATO. What the EU is good at is having the whole spectrum of peace-building capabilities under one umbrella. There is a force of 5,000 policemen that can be sent to different places; there are legal officers in Georgia, for example; and of course we have the aid and humanitarian assistance, which is all under the EU umbrella. What the EU in theory at least is able to do very well, which no other organisation can do, is combine together these different elements to help nation-building. Interestingly, I notice that Jim Dobbins, a very experienced former US diplomat, who was the chief diplomat covering the Balkans and Afghanistan, has said that the problem today in Afghanistan is that NATO needs to borrow EU assets. We have all talked about the EU borrowing NATO military assets in terms of transport, planes or whatever, but the problem in Afghanistan is that NATO is in there with 15,000 troops, but they do not have the soft power capabilities that the EU does. They do not have the policemen and judicial officers and the aid workers. They need help from the EU in that kind of place. I apologise for the long-winded answer!

Q147 Gisela Stuart: Charles, there is a question of assets and there is a question of political will. Will we go on wishing to use NATO because we do not have assets, or is it because the EU will lack the combined political will?

Mr Grant: I think it is a bit of both, but we should be aware that EU defence policy, despite the total lack of interest of most heads of government and most defence ministries, is building up. In that sense Ruth is right: the EU continues to integrate even if

it does not pass new treaties. The EU is doing more in defence. The European Defence Agency that was set up last year—these battle groups are potentially quite interesting. It is too early to tell whether or not they are going to be effective, but the EU's increasing role in peacekeeping all over the world shows that it is something that is growing rather than anything else, and we should not write it off therefore.

Q148 Ms Stuart: Would I be right in saying that all this is happening on the ground in spite of the politicians but because of the politicians?

Mr Grant: Yes.

Q149 Ms Stuart: And things like the EDA are happening outside the treaties.

Ms Lea: It is happening in the second pillar. It is all happening through the second pillar.

Mr Grant: Yes, that is right.

Ms Lea: Through Maastricht.

Q150 Chairman: Do you envisage any expansion? You have referred to these increasing missions that have taken place in the last two or three years. Do you envisage any expansion of an EU role to assist some of the former Soviet Union conflicts, for example potentially Moldova? When Romania comes into the EU will we then have an EU requirement to start moving up to the Russian border and getting engaged in some of those very difficult issues?

Mr Grant: We have already gone there in a sense. The EU has approved a plan to send not soldiers but some kind of border policing force to Transdnistria/Ukraine border. They may not have gone yet, but the plan has been approved. That is something that is sensitive to the Russians because Transdnistria is effectively dominated by Russia. We have the other frozen conflicts in Abkhazia, South Ossetia and Nagorno Karabakh, and in those parts of the world use of EU peacekeepers or observers is a highly likely way of making everybody feel happy about some peace settlement. When there is a peace settlement there, I bet you that the EU is involved in policing it.

Q151 Sir John Stanley: Turning to counter-terrorism, the universal view being expressed by police and security people who are in a position to know is that we face still an extremely serious counter-terrorist threat over all the EU countries. We seem to have got most of the procedural and paper blocks in place. We have the EU Counter-Terrorism Strategy, the EU Counter Terrorism Action Plan, and we have an EU Counter-Terrorism Co-ordinator producing six-monthly reports. We now have an effective working of the new counter-terrorist extradition arrangements, and we saw that in relation to the alleged bomber who went to Italy after the July 21 bombing, who was successfully extradited back to the UK. Do you both think that in relation to the threat the EU, and particularly the British Government, are doing all they reasonably can in this area, or are there things that should be done and which have been glaringly omitted so far?

Ms Lea: I have to admit that I have no particular expertise in this area, to be completely frank.

Mr Grant: I do not have great expertise either, but I would make a couple of points. The problem for the EU as an actor in counter-terrorism is simply that it is such a big organisation with so many different committees and departments that getting them all to talk to each other is a real challenge. That is why the appointment of Gijs de Vries as the Anti-Terrorism Co-ordinator is good news, but he has no power; his job is to co-ordinate the different bits of the Council of Ministers. That does not count the European Commission, which is also involved in some important aspects. There is a lot more that could be done in terms of streamlining those committees and departments that are involved. It is a boring bureaucratic point, but despite all that there has been some real success. The most important intelligence co-operation of course is always bilateral and not at EU level. It will never be at EU level and it should not be, because the British and the French always say more to each other than they would say to 27 other countries. EU/US co-operation, both between individual Member States and the US, and between the EU as an institution and the US, has been very good. John Ashcroft had a very good relationship with his European counterparts, and the EU and the US have reached important agreements on extradition and other kinds of judicial co-operation in counter-terrorism. Just recently we saw the British presidency reach an EU agreement on data retention, which is a useful step forward, with all 25 countries agreeing to new rules on that. There is a lot that is being done, but probably a lot more could be done. The most important thing is to try and get the different bits of the EU machine to work together in sync, which has not really been the case until now.

Q152 Chairman: Can I take you back to the European Neighbourhood Policy. The EU has a lot of action plans now with different neighbouring countries, including Moldova and Ukraine but also many in North Africa—Morocco, Tunisia—as well as with Jordan, Israel and the Palestinian authority. How do you see these developing? Is there a danger that certain countries, even those that are not geographically in Europe, for example Morocco, would have some kind of aspiration that would be unrealistic, that this is the first step on a conveyor belt to joining the European Union? At the same time, how can we use this relationship to pursue policies of economic liberalisation or good governance in the neighbourhood of the European Union?

Ms Lea: Again, it is not an area of expertise, but in a country like Morocco, it clearly sees this as a first step towards membership of the European Union. I think it is a fantasy, quite honestly; I could never see that happening. When I hear of the relationship

between the European Union and these various countries, I always have a slight feeling of disquiet, I must say, because very often the French have a different set of interests to the British, say, with some of these countries, and they have a different history with some of them. You have to ask yourself, depending on how the thing develops, just how much the British interests in these particular areas will be overridden by European Union interests. That is always the problem when you have an increasingly integrated European Union that is subsuming the different Member States.

Mr Grant: I think that the neighbourhood policy is a brave attempt to try and find a way of bringing these neighbours closer to us without offering them membership. It is too early to judge it but at the moment I am not that impressed by how it is working out. The EU Commission and the Member States have moved rather too slowly to offer sufficient carrots to persuade the neighbours to make the reforms we would like them to make, in particular on trade access where we have not been as generous as we should have been. Equally, there is an issue of conditionality that is important. I personally think that the neighbourhood policy will not work unless we apply conditionality and unless we say, “You will get this trade concession if you do the following things”. The Egyptians do not like that; they say something rather rude if you say that to them. They do not want to be talked down to in that way and they find the whole concept of conditionality very patronising. Some smaller, weaker countries may accept it, but there is a whole issue to think about as to what extent one should apply conditionality. In the little paper I sent round before this session I suggested that we may have to offer something more than we are offering at the moment in order to give these countries incentives to reform and improve their ways. I floated the idea of allowing some of them into parts of our foreign policy. Ukraine and Georgia perhaps should be included in EU foreign policy without being EU members, to the extent that they are allowed to send representatives along to meetings and help take part in shaping foreign policy. That is probably unrealistic for now but the basic issue will come back: we need to find ways of offering something more to our neighbours than we are offering at the moment, which is less than membership. If we offer them nothing more than what is in the current action plans—a little bit of aid and a little bit of trade—that is not enough to bind them into our family, which is what we need to do.

Ms Lea: I would question whether we do need to bind them into our families. I suspect that a lot of these countries would do better by themselves.

Chairman: That is a debate for another day. Thank you, Charles and Ruth, for coming along. This has been a really useful session, and we have covered all the areas we wanted to ask you about, which is quite remarkable!

Wednesday 3 May 2006

Members present:

Mike Gapes, in the Chair

Mr David Heathcoat-Amory	Sandra Osborne
Mr John Horam	Sir John Stanley
Andrew Mackinlay	Ms Gisela Stuart
Mr John Maples	

Witnesses: **Mr Douglas Alexander**, a Member of the House, Minister for Europe, **Mr Anthony Smith**, Director, European Political Affairs, and **Mr Simon Manley**, Former Head, Economic/Central Europe, Foreign and Commonwealth Office, gave evidence.

Q153 Chairman: Good afternoon everybody. Douglas, thank you for coming along today and agreeing to discuss the European Union in general. We have got quite a big agenda that we want to touch on. I would like to begin by going back to the British Presidency and asking you to give an assessment of how you think it worked out in the end and what the achievements were and what the failures were.

Mr Alexander: Firstly, can I say it is a pleasure to be with the Foreign Affairs Committee. Perhaps I could just in the briefest sense introduce Simon Manley, who has served as Head of Economic/Central Europe within the Foreign Office, and Anthony Smith, who is our Director of European and Political Affairs. With your permission, Chairman, at appropriate points in the course of the evidence I may call on them for support. Reflecting back on the Presidency now just over four months since its conclusion, I would essentially begin at the beginning: what did we inherit? We inherited a Europe that was divided on the issue of the European budget after the June European Council under the Luxembourg Presidency, a Europe that was still coming to terms with the scale and significance of the rejection of the Draft Constitutional Treaty by voters respectively in France and in the Netherlands, and a Europe that was under an obligation, agreed previously at a European Council in December 2004, to open accession talks with Turkey on 3 October. The circumstance dictated that we had a fairly challenging agenda. If we take each of those issues in turn, I would argue that in what was ultimately agreed among the heads of government at the December European Council and what is now being followed through in the institutional process, we achieved what many regarded as being very unlikely, which was to find the common ground and consensus on the issue of the European budget, a matter I am sure you will wish to question me over this afternoon. On the issue of the broader constitutional future of Europe, given the rejection of the Draft Constitutional Treaty, I think there was clearly a consensus back in the June Council of 2005 that there needed to be a period of reflection. We began our Presidency, as was made clear by the speech that the Prime Minister gave before the European Parliament on the eve of the Presidency, determined that the period of reflection would not be

seen as a period of stagnation and that it was important to understand not simply the text and the judgment that the people in France and the Netherlands had reached on the text but also the broader context. That explains why we chose to use the informal heads of government meeting in Hampton Court in October to focus on those broader questions establishing in its broadest sense the challenges that Europe faced, embracing the very significant pressures of globalisation bearing down on the European Union and the European continent. I think, as was already manifest in the Spring Council of the Austrian Presidency, Hampton Court proved impressive both in some of the issues it addressed and the added impetus it gave to key areas of policy work of the European Union. There was the important and delicate work of securing the opening of accession talks with Turkey on 3 October. It is no secret that I came to the Europe job immediately after the election so it was my first exposure to negotiations of that sort. I have to say I learned a great deal working closely with Jack Straw in the course of September, the weeks immediately preceding the 3 October deal, and it is honest to say that there were various points, both in the preceding weeks and the preceding hours, where the barriers at times seemed insuperable. In that sense it turned out to be a negotiation that went literally down to the wire and the claim that the accession talks began on 3 October was achieved by using Greenwich Mean Time rather than Luxembourg time where the negotiations were taking place. I think by almost any standard the achievement of the opening of accession talks was adjudged to be of historic significance and is therefore one of the other elements of which we are very proud in the course of the Presidency. Along with those specific challenges that were dictated to us by circumstance, there were of course dossiers and areas of work which we inherited from the Luxembourg Presidency and that we were keen to see progress on, areas for example such as better regulation, advancing the Lisbon Agenda, and the other areas of work which no doubt we will have the opportunity to cover in the course of this afternoon's session. I would reflect on those six months of the British Presidency as being six months during which we did make solid and in some cases substantial achievements against a set of circumstance which did not appear propitious when we inherited the Presidency in July.

Q154 Chairman: I recall being in the European Parliament on 4 October and in fact you were not able to come and speak to us at that time because you were still in the early hours doing the deal. As a Committee we have travelled quite a bit earlier this year and certainly when we were in Warsaw we got from the Polish parliamentarians a sense of some irritation, I think is probably the best way of describing it. There was a sense perhaps that they had bigger expectations of the British Presidency being more congenial to the newer Member States and they seemed to have some sense of disappointment. I would be interested in your take on how other Member States saw the outcome. Was our standing improved, was it raised as a result of the budget deal or Turkey, or did actually we in the process have to do things which meant we came out of it not as at the centre of Europe as we might have wanted to be? There was some press comment about that as well in some articles. It would be interesting to hear your take on that.

Mr Alexander: Perhaps as the British Government Minister for Europe I am not the best person to offer an objective judgment on how others perceive our efforts. With the greatest of respect to our colleagues in the third estate, I do not take the metric of our success as being how some of the British newspapers report our performance. I think it is right to recognise that particularly amongst the new accession countries, the A10, there was a high level of concern after the failure to reach agreement on the future financing deal back in June under the Luxembourg Presidency and that concern continued in the course of the British Presidency. Again, there is something of a parallel here with the progress of negotiations on Turkey. I read with interest the evidence that Charles Grant gave before your Committee on the issue of the Turkish negotiations saying that there was some irritation amongst new Member States' foreign ministers (such as Poland) that there was not a greater level of consultation. During the 30 hours that we spent in Luxembourg I would simply say that it reflects well, I believe, on the experience and judgment of the Foreign Secretary how managed the paper flow was during those very delicate hours. Speaking candidly on the basis of the success that was achieved, I genuinely believe that had there been a more open process by which every iteration of papers was shared with every European foreign minister almost at any point preceding the final hours of negotiations, I would not be able to celebrate the fact that the opening of accession talks with Turkey was achieved on 3 October. The reason I cite that example was also it was a judgment to go late in terms of the future financing negotiations. That partly reflects the fact that the June European Council, which I attended, certainly manifested division and came close at times to manifesting animus. I think it was right to have a period immediately following the failure of the Luxembourg Presidency to secure agreement to have a pause during which officials such as Simon and others from the Treasury engaged in a detailed and unglamorous, but nonetheless ultimately important, task of speaking bilaterally to each of the

other 24 members, indeed 26 including Bulgaria and Romania, to establish what were the parameters and the ground on which a deal could potentially be struck. That process continued through the autumn. On reflection, Hampton Court played a useful role in again giving a greater degree of commonality of view as to the challenges that Europe faced in the future. Had we followed conventional orthodoxy and tabled Presidency proposals on the future financing very early in our Presidency, I am not convinced it would have made it any more likely that we would have succeeded. There is one issue in terms of other Member States in terms of the tactics that we deployed in terms of negotiation. Ultimately, the real test is not the tactics but the outcome and in that sense both on Turkey and on the budget I feel there has been a vindication by results. In terms of other aspects of our relationships with Eastern Europe, certainly the scale of funds that have been committed, the broad transfer of resource from west to east, has been achieved under the British Presidency proposals that were agreed. The consensus was secured back in December. Of course, these negotiations are inherently difficult. Every country is seeking to defend its national interests and every country is prone to see the negotiations simply in terms of a zero sum game. In that sense, rather akin to coming into government, you do not enter government simply to win the popularity stakes; you enter government to try and achieve important undertakings and I think there is a parallel there with the European Union.

Q155 Ms Stuart: Can I take you back to the budget. I am interested in what you said about tactics and the tactics being justified by the outcome, but was not part of the problem that there were 24 Member States who said the British must give up their rebate and for a very long moment we said it was non-negotiable and then we did give up the rebate?

Mr Alexander: Non-negotiable, as I recollect, was never language I used as the Europe Minister. We did claim that the rebate was justified on the basis of the prior anomaly, the fact of the structure of the European budget, both in terms of net receipts to the United Kingdom and also the continuing existence of the Common Agricultural Policy, we argued strongly and continue to argue and make the case for a British rebate. Of course, there was a focus, not least in the British papers, on the issue of the rebate, but I would point out that in June prior to the British Presidency it was not, as some would have you believe, the United Kingdom standing alone against a broad consensus of the European Union. There were five Member States who were unable to accept the Luxembourg proposals, but the consequence of the final proposals that were tabled by the Luxembourg Presidency late in the night in June was that the bar was set pretty high for both our politicians and our diplomats to argue that there should be a fundamentally different basis on which agreement should be reached. Essentially the previous Presidency proposals had involved a very significant contribution of funds in the context of a larger budget being contributed by the United

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Kingdom, although there was a significant share on the basis of radical changes to the rebate. As a consequence of that, part of our endeavours in the months following the failure to reach agreement in June was both to explain the correlation and the linkage between the abatement and the reason why the abatement came into existence, but equally to argue—and the Prime Minister was very clear on that as early as that speech he made before the Europe Parliament—that all the time he recognised we had a responsibility to make a fair contribution towards the costs of enlargement. I think that reflects the final settlement that we reached in December.

Q156 Ms Stuart: There is a counter-argument that we should have put CAP reform on the table about two years before our Presidency and we could have negotiated earlier but that is as may be. Has agreement been reached now about what the size of the budget is between the Budget Commissioner and the European Parliament?

Mr Alexander: Let me come to your first point in terms of the CAP and then I will come on to the reported comments of the Budget Commissioner. Again there is a judgment to be reached in terms of how best to effect the scale of reform that certainly we in the United Kingdom would like to see in relation to the Common Agricultural Policy. It was clear that we would not be able to secure the consensus that ideally I would have wished to see, which would have been for more radical reform of the Common Agricultural Policy. Undoubtedly, under Margaret Beckett's stewardship we did see significant progress on the sugar regime, which was one of the most anomalous aspects of the Common Agricultural Policy. I would argue that the achievement in relation to fundamental reform was not the final word but rather a platform on which those of us who remain committed to seeing fundamental reform of agriculture can build. The establishment of the review for 2008–09, which will look at all aspects of how the European Union raises its resources and then allocates them, provides us with a real opportunity in the course of the Presidency. There was a British Government paper tabled at the beginning of December which argued for the kind of agricultural policy that we would like to see Europe have in the future. I intend to make a speech in the weeks to come in Berlin on exactly that issue. It is an issue that we will continue to work and argue the case for but we have to secure the support of allies in that endeavour. That partly reflects the importance we attached not simply to the policy benefits of economic development in Eastern Europe which would be secured through the budget deal but also in terms of those countries in Eastern Europe which we would regard as being potentially natural allies in the cause of reform not just on agriculture but more generally in the European Union. I think it would have been contrary to our national interest to lose that potential alliance for reform within the Union by prejudicing their ability to access European funds, which of course is a very central focus of their concern at the moment. In

terms of the reported comments of the Budget Commissioner, we are clear that the budget set out in the IIA will amount to €864 billion. We did not recognise, and, as you can imagine, when it was brought to my attention I tasked my officials very quickly to establish the basis on which our colleague in the Commission had come up with this figure of €900 billion. Frankly, we do not regard that as an accurate reflection of the budget. Our best efforts within the Foreign Office and speaking with colleagues in the Treasury to at least understand the basis on which this figure emerged, reflects, in our judgment, an attempt to say that certain items which have never been part of the main European budget, principally the European Development Fund, which I understand is €19.9 billion for the period 2008–13, should be added on to the European Budget. Other aspects—the annual flexibility instrument, the Solidarity Fund and the Emergency Aid Reserve—which no British Government, indeed the European Union itself has regarded at any point in any terms of our discussions either bilaterally with other Member States or indeed with the Commission as being part of the European budget as being lumped together in order to try reach a figure as high as €900 billion.

Q157 Ms Stuart: Finally, you seem quite hopeful about the reviewing process by the Commission on the budget. If during those discussions in 2007–08 it was put on the table that the only way would be for the EU to raise its own resources, what would the British Government's position be on that?

Mr Alexander: We have long argued that taxation is a matter for Member States rather than for the European Union. I know there was flurry of publicity at the turn of the year, there were certain reported comments, if I recollect, from the Austrian Chancellor, but we have not changed our position during the Presidency or post the Presidency. As a matter of principle we regard taxation as a competence of Member States.

Q158 Sir John Stanley: Minister, perhaps I could turn to a housekeeping bit of the EU budget, one directly relevant to the Foreign and Commonwealth Office. I expect your attention was drawn to the extended piece in *The Sunday Times* of 23 April under the heading “High Life of the EU ‘stealth ambassadors’”. It drew attention to the rising and substantial expenditure of EU taxpayers' money on the provision of ambassadorial residences for EU ambassadors. It says: “Houses are part of a growing property portfolio, housing a cadre of ambassadors who include Tim Clarke, the brother of the Home Secretary and John Bruton the former Irish Prime Minister . . .” and it refers to the fact that there are now apparently 122 EU ambassadorial residences. Mr Bruton's 16-bedroomed mansion in Washington is featured and Tim Clarke's accommodation in Addis Ababa is described as “a splendid residence. The grounds can easily take 300 to 400 people.” The question I would like to put to you is what degree of control is being exercised by our Foreign Office and our Foreign Secretary and our Foreign Office

ministers about this burgeoning expenditure? As you are well aware, in this Committee we are taking a very close interest in the regrettable reductions of ambassadorial posts and ambassadorial residences as far as the United Kingdom is concerned, and it certainly goes against the grain, as far as I am concerned and perhaps for other members of the Committee, to see this huge expansion of both ambassadorial positions and ambassadorial residences by the EU.

Mr Alexander: Firstly let me say I think it is something of a misnomer to describe these as ambassadorial residences and these individuals as ambassadors. It raises of course the question of the European External Action Service and we are very clear that the European External Action Service cannot come into effect without a Constitutional Treaty which would provide it with a legal base. Indeed, a European Foreign Minister was anticipated as part of the Constitutional Treaty. Given the status of the Constitutional Treaty at the moment that is not where we are. My understanding in terms of John Bruton—and indeed I cannot deal with all of the individuals, but many of the individuals that I am sure the piece reflects are Commission representatives. Do I believe that there is a role for having Commission representatives working internationally? Yes, I do accept that there is a role for the European Commission to be represented internationally in certain locations, but that raises an important question both of efficiency and of principle, which is do we in perpetuity hold on to a clear distinction between the Council of Minister and the European Commission. I have argued very strongly within the Foreign Office and elsewhere that it is important that we maintain clarity as to those inter-governmental aspects, CFSP, where it is appropriate for the Council of Minister to be represented discretely and separately from the European Commission. On the other hand, there is one particular case (which has been the subject of discussions with other committees in the House) where I am sensitive on the grounds of efficiency as to avoiding a situation in the Former Yugoslav Republic of Macedonia of having an effective duplication of exactly the kind of residences and support infrastructure that the piece describes. In that sense I think it is an area where we do continue to examine the matter closely. I will take back the point that you have raised both for myself and also for the Foreign Secretary, but it is important to recognise that there is both Commission competence in certain areas of work and discretely and appropriately separate areas of responsibility for the Council of Ministers.

Q159 Sir John Stanley: Minister, may I say how absolutely delighted I was, you are the first Minister in my experience on this Committee either under this Government or under the previous Conservative Government who has been willing to describe the term “EU ambassador” as misleading. I am delighted you have used that description, which is one I would entirely share as of course the EU is not a national state or a national entity. Perhaps you

would like to follow this up with a note because you said it is misleading but it is the term which has been used by the Foreign Office for years. It has been used by other Foreign Office ministers in front of this Committee and it is used by FCO officials and ambassadors and high commissioners wherever we go. Would you like to let us have a further note as to whether Britain will take the lead in changing the terminology from “EU ambassador” to “EU representative”? Perhaps you can also give us a further note as to what is the degree of control the UK can have over the endless increasing designation of individuals as EU ambassadors and also over the increasing proliferation of EU so-called ambassadorial residences. It would be helpful to have further information.¹

Mr Alexander: Of course I will be happy to write to you. Let me be very clear, the context in which this evidence session takes place is continuing discussion and continuing questioning as to whether the European Union intends on the basis of the Draft Constitutional Treaty to establish an External Action Service. I would make clear the context in which I make the remarks reflects the fact that, notwithstanding the manner in which those particular posts were reported in *The Sunday Times*, that should not be seen as prejudging the important issue which is dependent and consequential upon the ratification of the Draft Constitutional Treaty.

Q160 Andrew Mackinlay: Just to pick up on this. I do not want to trespass into the issue of the external representation service or what it is at the present time, but it does seem to me that the article itself justifies a little bit of probing. We all recognise that people should have residences which are not demeaning; they should be appropriate and proportionate. On the face of it, it does seem that at least some of them—and I know the press choose the best examples for their story—is disproportionate. I wonder if in either that note or a separate note we could have a note of what the accommodation is and whether or not it doubles up as the office as well. I do find it painful at a time when we have not got any representation in a number of key parts of the world that the EU might have a disproportionate residence facility and/or highly prestigious office accommodation. I do think we are entitled to have that. If you can look into it, it would be useful, not that you could turf a person out, but it does seem to me that you or your successors may be able to counsel a little bit of restraint.

Mr Alexander: The Council budget is scrutinised both by the European Parliament and the Council of Ministers. I will certainly make enquiry at a higher level.

Q161 Mr Heathcoat-Amory: One’s thoughts at this time of the year turn towards the European Constitution because the so-called period of reflection is about to end. I and some other members are going to Brussels next week to attend the Inter-Parliamentary Conference which is transparently

¹ Ev 58

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about trying to revive all or part of the European Constitution. What is the British Government's attitude to widespread calls to revive at least part of the Constitution, given that the Prime Minister signed it and therefore presumably is still in favour of the Constitution? Are you sympathetic to such a device?

Mr Alexander: You are right, of course, that the Prime Minister signed it in Rome and the position of the British Government has not changed. In terms of the process of ratification in the United Kingdom our approach has also not changed. The means by which the draft constitution would be ratified here in the UK would be by means of a referendum. That being said, it is uncertain as to what would be the outcome of the period of reflection which takes place this June. We are in discussion with partners, particularly now post the Presidency, to establish the views of other Member States as well.

Q162 Mr Heathcoat-Amory: I want your views. Do not please speculate on others' views; you are not responsible for them. We want your views on what the British Government thinks is right, particularly towards calls to so-call "cherry-pick" bits of the European Constitution.

Mr Alexander: Let's take this issue of cherry-picking. There are two possible constructions that can be placed on that term of art. One description would be to say are there any elements of the Draft Constitutional Treaty which we would consider as being potentially important in and of themselves on the basis of the existing treaties, that is they do not require further treaty change? Have we ruled out any possibility of incremental improvements on the basis of existing treaty change? No, we have not. So, for example, on the issue of transparency or for example the issue of subsidiarity we have never said that we would be unwilling to look at further improvements consistent with Britain's national interests to the rules operating in the European Union. On the other hand, would we countenance at this stage seeking to implement elements of the Draft Constitutional Treaty requiring an alternative treaty base than the Draft Constitutional Treaty? No, that is not the discussion that we are having.

Q163 Mr Heathcoat-Amory: So you have said you will contemplate making treaty changes but stopping short of the Constitution?

Mr Alexander: With the greatest of respect, that is not what I have said. What I said was—

Q164 Mr Heathcoat-Amory: So you are ruling that out, are you?

Mr Alexander: If you will allow me to chose my own words.

Q165 Mr Heathcoat-Amory: One or the other, please.

Mr Alexander: If you will allow me to answer the question, I will endeavour to do so. What we have said is the period of reflection continues. I anticipate that it may be that the period of reflection continues beyond June. Have we ruled out any incremental

improvements, sensible rule improvements, on the basis of existing treaties? No, we have not. However, are we proposing at this stage such changes during the period of reflection? No, we are not. At the moment we are continuing to reflect, as befits a government during a period of reflection, on where the Constitutional Treaty now lies in the light of the decisions reached in France and in the Netherlands.

Q166 Mr Heathcoat-Amory: Please, I understand you have not ruled out non-treaty changes as a way of improving matters but what we want to know is whether you are contemplating treaty changes of any sort at all, or is your attitude towards those demands from, say, the French Government that you will not allow any part of the Draft European Constitution to be brought in if it involves changes to the existing treaties? Is that your position?

Mr Alexander: No, the focus of discussions in relation to treaty change, not just with the French but with other European partners, continues to be about the treaty changes anticipated by the Draft Constitutional Treaty. That is the focus and substance of our discussions. That being said, given the decisions that were reached both in France and the Netherlands respectively in referendums, I think the right response is not simply to carry on as if nothing had altered but instead to have a period of reflection. As I say, my personal view, and indeed the view of the Government, is that there may be cause for continuing that period of reflection, but that will be a matter to be discussed with our partners ahead of the June European Council, and that is the focus of our discussions at the moment.

Q167 Mr Heathcoat-Amory: Sorry, you must give a clear answer. You have said that you are contemplating non-treaty changes, in other words rule changes that do not require amending the existing treaties. We all understand that. What I want to know is your attitude towards modifying, amending or changing the existing treaties in order to bring in parts of the Constitution. I take it from your answer just now that you are looking at this in an overall context but you have not ruled it out, or have you?

Mr Alexander: Let me try and explain. The context is the period of reflection. The focus of our work during the period of reflection—and this was reflected in the Prime Minister's speech at St Antony's College at the turn of the year—is the practical improvements to the lives of European citizens. That was why we started the Hampton Court process and why we welcomed the fact that there was such a focus on Hampton Court at the last European Council meeting that took place in February. As a consequence of that, we believe and continue to argue to our European partners that the best use of this period of reflection is not simply to deliberate together as to why French and Dutch voters rejected the Draft Constitutional Treaty or the lessons that should be drawn from that, but instead saying as well as issues related to the text there are issues, undoubtedly as anyone with a passing familiarity with the French and Dutch

campaigns will know, about the context. That is why we need to use this period to work with partners, including the French and others, to see what practically we can look to to meet challenges such as the challenges of diversity of supply and security of supply and a genuinely open European energy market.

Q168 Mr Heathcoat-Amory: You must answer my question otherwise this is a completely fruitless exchange. I am talking about the suggestion very widespread from many Member States to amend the existing treaties in order to bring into effect parts of the Constitution. Please will you answer the question: are you ruling that out? Are you saying to the French and others, “We will not allow that incremental bringing in of the Constitution” and will we therefore confine ourselves to non-treaty based changes?

Mr Alexander: I am being clear with you that while we could contemplate non-treaty change, incremental improvements of the rules—and that was made clear as early as the initial discussions immediately following the French and Dutch referenda—the focus of our work during this period of reflection, as reflected in our discussions with other European partners, is firstly the status of the Draft Constitutional Treaty in the light of the rejection of it by the French and Dutch voters and, secondly, the necessary practical changes that Europe needs to make—and, as I say, you do not need to take my word for it, read the speech the Prime Minister made to the European Parliament, read the speech he made to St Antony’s College, Oxford, or the contributions the Foreign Secretary and others have made during our Presidency. We are absolutely sincere in saying, as the Prime Minister said back in February, “Don’t start with the rules”—and with respect your question addresses the rules—“start with the reasons they are needed.” That explains the approach we have taken to the period of reflection, which is an analysis of why the proposal was rejected, focusing not simply on a textual context. That is why during the period of reflection the main focus of our work has been driving forward that Hampton Court agenda.

Q169 Mr Heathcoat-Amory: I am not interested in the main focus of your work. I am trying to get you to answer a simple question. I really think this is a fruitless exchange. I must say, I am very disappointed that this Committee cannot get a straight answer on the European Union. It is really quite a simple point which is extremely urgent, because the period of reflection is about to end.²

Chairman: We have other members who want to come in and we have other questions to ask.

Mr Heathcoat-Amory: Can I ask you to try and help me to get some answers?

Q170 Chairman: I trying to help the Committee to move through an agenda, and it is quite clear that you are not going to get a different answer to what

you have had three times now. I am going to ask a different question. Thirteen Member States have now ratified. We are in a potential position where, by later in the year, another three or four states might have done that. At what point does the procedure come into effect whereby 80% of the states have ratified and at that point we might be in a different position with regard to the status of the Constitutional Treaty?

Mr Alexander: Candidly, I cannot anticipate where all of the other Member States who have not yet ratified the Draft Constitutional Treaty will go in terms of their own process of ratification. This will be a subject, I would expect, that will be discussed at the next informal foreign ministers meeting, which is due to take place later this month under the Austrian Presidency, where they have asked that this issue of the future of Europe be one of the main issues under discussion. I think probably we will have a clearer sense as to where we will be ahead of June and where the process of ratification rests after that meeting under the Austrian Presidency.

Q171 Sandra Osborne: Douglas, part of the period of reflection and the necessary changes that should be made must surely be to engender a more positive view of Europe in the eyes of the people of Europe, including our own people. I notice that it has been reported that a British firm has been hired to look at how the EU could be re-branded. If I refer to your pamphlet, suggesting that that there has been a kind of malaise building up in Europe with regard to Europe over a 20-year period, would you agree that certainly in the public eye credibility is at a fairly all time low? What do you see is the problem with the branding of the EU and how could it be improved?

Mr Alexander: With the greatest of respect, whichever British firm has been hired, I do not think it is an issue of branding, I think it is more one of politics. I find in my meetings, discussions, debates here in Britain that if you argue the pro-European cause which I espouse and base that case predominantly on past achievements of the European Union, considerable though I would argue that they are, all too quickly you end up with discussions of deregulation about the curvature of cucumbers, the sustainability of the British pint of milk or the British loaf of bread. I think, on the other hand, if you start the conversation from somewhere different, which is to say, are there certain challenges which any Member State, however effective and however powerful, can better meet by working effectively with partners in the 21st century, issues that I would say would include how to secure national prosperity in the globalising markets that we see, how to deal with the issue of monetisation, how to deal with the issue of counter-terrorism, even how to deal with the issue of environmental derogation, then I do not think it is difficult to bring these challenges to the fore, but if the European Union did not exist we would need to develop something akin to the European Union to allow us to work effectively and collaboratively together in addressing those challenges. In that sense, I think the case to be made for the European Union should be

² Also see Ev 60

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based not simply on past achievements but on its capacity to address future challenges. I also think, and this is reflected in the priority we attach to key areas of work coming out of Hampton Court, that it is vital that we meet citizens of the European Union on the common ground of issues that they are concerned about. A good example of that is the energy policy. There is no doubt that, prior to the Hampton Court meeting in October, there was some scepticism about the point of having an approach to energy that was European. I think fewer people, frankly, after the events in January where you saw the Russian/Ukraine dispute over gas, believed that it was not sensible for Europe to seek to work effectively together given the challenges that we face around security of supply and diversity of supply; so I am optimistic that a strong case can be made for Europe based not just on past achievements but on those future challenges. Of course, there is always more that can be done to make that case, but fundamentally I do not believe it is as much about branding as about the arguments for why Europe matters in the 21st century.

Q172 Sandra Osborne: Yes, but do you think that people have felt in the past that the EU has dealt with far too many things, some of which are irrelevant to their every day lives, and that is why there is less credibility than perhaps there could be?

Mr Alexander: I think there is a paradox here, in the sense that if you take some of the major decisions that are reached by, for example, the Commissioner around competition policy, there is no doubt that these are very significant decisions that have a very major impact on the lives and economies of Europe, but I tend to find that there is not a great deal of resiling from those decisions being taken at a European level, because I think people basically understand that, if you are going to have a single market with 460 million people, you need to have strong and effective competition policies to be able to police that market effectively. By contrast, I think there are, certainly in the way these issues are reported in the British newspapers, certain decisions where people do not have as clear a sense as to why Europe is engaged in the matter in the first place, and that is where, I think, in the past Europe has been vulnerable to some very bad publicity. It is, therefore, not a matter of the scale of the decision as much as people understanding the why of the decision as well as the outcome itself.

Q173 Mr Maples: I wanted to ask you, going back to this question of cherry-picking or piecemeal implementation of bits of the Constitution, about the use of Article 308 of the Treaty, which, if I remember rightly, allows the Council, on the unanimous recommendation of the Commission, to do things which the Treaty does not provide for. If in the course of the operation of the common market it is necessary to attain the objectives of the community, they can use this catch-all phrase, which is very wide and allows legislation outside the Treaty. What I am concerned about is that that is being, or might be used, to implement bits of the

Constitution. Are you aware of any bits of the Treaty that have been used to implement the Constitution?

Mr Alexander: I am not aware, on the basis of your description, but maybe you could give me some more detail.

Q174 Mr Maples: There was an Article in the Treaty, Article 308 of the TEC (Treaty Establishing the Community), which, in furtherance of pursuing the common market, allows the Council to be unanimous, on the recommendation of the Commission, to do things which are not otherwise provided for in the Treaty. That seems to me to be an Article which could be used, or might be used to implement bits of the Constitutional Treaty piecemeal. I wondered if you were aware of any parts of it that have been used.

Mr Alexander: No.

Q175 Mr Maples: Is the view of the British Government that that Article is for the furtherance of the common market, by which I think most of us mean the internal market, free trade, those sorts of aspects, the free movement of goods and people? Is the view of the British Government that that is what that Article is there to do and it is restricted to the furtherance of the common market?

Mr Alexander: My own background as a lawyer makes me somewhat hesitant in offering an oral answer to you, given as I do not have the technological theory in front of me, so perhaps I could write to you on that one.³

Q176 Mr Maples: Would you, because the Article was, I think, used to sort of implement the Charter of Fundamental Rights which was in the Treaty and, I am sure you will recognise, whether or not it was a good idea or a bad idea, it was certainly one of the big things that was in the Treaty and one of the most controversial debates that we have had in the House. My understanding is that a European Union Agency for Fundamental Rights has been set up under Article 308 of the Treaty. Is that correct?

Mr Alexander: My understanding was that the Fundamental Rights Agency did not have a legal base which was contingent on the Draft Constitutional Treaty, but I will certainly check that matter for you.

Mr Maples: It seems that your official perhaps knows the answer to this question.

Ms Stuart: Article 308 is a current article.

Q177 Mr Maples: I do not want to describe it as a flexibility clause if there is another flexibility clause, but there is a catch-all article which allows European legislation to be brought. My understanding is that it was used to change the Racism and Xenophobia Institute to a European Union Agency for Fundamental Rights last summer. Is that correct?

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Mr Alexander: It reinforces my point, but I would be cautious of offering you an answer without being able both to look at the issue of the Fundamental Rights Agency and also—

Q178 Mr Maples: I think I am going to ask you to tell us in writing, but I want to ask one more question. If it requires unanimity, then presumably, if this Article were used to implement anything, whether it is part of the Constitutional Treaty or something else, then it would require the British Government's approval. Unanimity is something that we could veto readily if we wanted to?

Mr Alexander: We will wait and set it out for you.

Q179 Mr Maples: I would be grateful. You are obviously not briefed to answer these questions, fair enough, but I would be grateful if you could set out to the Committee firstly what is the United Kingdom's view of the remit of Article 308 and, secondly, on what occasions has it been used. You can go back as far as you like, but I am particularly interested in the last year or two, but I would also be interested in previous uses of the Article as to whether or not the British Government (either this Government or the previous one) took a view as to exactly its ability. If we were to find that for 40 years it was only ever used for economic things to do with the common market and then suddenly it is used, for example, for fundamental rights, then that would show a difference in policy. So, if you could set it out for us. I just want to make sure these things are clear, because sometimes we say these things and then we get a letter answering a different question. Could you set out what is the British Government's view of its remit and on how many occasions it has it been used. In particular, was it used to establish or to change the name of an existing agency to the European Union Agency for Fundamental Rights?

Mr Alexander: We will endeavour to do that.

Q180 Andrew Mackinlay: I listened carefully to David Heathcoat-Amory's questioning of you which I actually enjoyed. I am completely at the other end of the pole to him, but I certainly deem myself to be pro-European, enthusiastically so, similar to yourself, but it did seem to me, listening and watching you, that were you were handicapped by one thing. The British Government had gone along with this is fiction that the Constitution was needed, whereas what you probably would have wanted to say to David Heathcoat-Amory, which I invite you to agree with, is basically, "Come off it. You are not suggesting that there should not be any more treaty changes." The history of the European Union is organic change. There have to be treaties from time to time to deal with circumstances to make the thing work. Surely that should be the response, that you cannot rule out treaty changes to meet what is sensible and agreed negotiated arrangements to facilitate the good management and stewardship of the European Union. What you do not need is all the paraphernalia and hype of the Constitution, which, I put to you, is actually now a handicap to you, because we went down that road,

but what there will clearly be, and you would encourage it because it is good governance, are sensible and agreed changes and they will inevitably involve some treaty changes.

Mr Alexander: I suppose our exchange reflected the extent to which, with no disrespect to our absent colleague, the debate has moved on, in the sense that when I read the comment of the Prime Minister saying, "Don't start with the rules, start with the reasons; they are needed", I think perhaps the honourable gentleman had difficulty believing that we were sincere in saying the focus of the Union's work should not be continually and exclusively institutional change. We actually made it worse for him than he imagines. We actually believed what we said during the British Presidency that you should start with whatever are the reasons but sensible rule changes are necessary and have an appropriate focus on those issues, and that is why the work that we initiated at Hampton Court did not conclude at the end of the British Presidency, but we are pleased to see it being continued in entering the next period of European policy-making, and so we are absolutely sincere in saying the focus of any reflection should not be a period of simple institutional internal conversation but instead the opportunity to say why is it that there are questions of efficiency in the minds of citizens cross Europe about the added value of the European Union? What practical steps can we take, both as the Presidency and as a Member of the European Union, to advance those practical issues—for example, the issue of energy that I have spoken of? As I say, I think the exchange perhaps reflected a certain degree of scepticism in his mind that the Europe Minister could be sitting in front of him telling us that the first known priority of the British Government was not institutional change. Our authority is actually practical policies which affect and benefit the lives of citizens across Europe.

Chairman: We move on to enlargement.

Q181 Mr Horam: Fascinating and eclectic as the Constitution Treaty may be to *aficionados*, of which I take it you are not one—

Mr Alexander: You know me fairly well.

Q182 Mr Horam: —perhaps we can go on to broader themes, and particularly the issue of enlargement, because even there, a very important issue which Britain has played a major role in, there are slightly contrasting views. The Dutch Commissioner, for example, said the European Union should maximise at 27 members—it has 25 at the moment—which is a very small change, whereas, perhaps understandably, the Enlargement Commission is talking about not having a break, let us carry on with this process. Where does the UK Government stand on this?

Mr Alexander: We have solidly continued to be strong advocates of enlargement. Let me explain why. I think, if you were to again take a broader view and take perhaps the most recent example, the accession of 10 predominantly former Soviet countries in the European Union in 2004, championed initially by the British Government and

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by our Prime Minister, by any reckoning, that would be judged to be of genuine historic significance. Why is that judged to be of such historical significance? Because what we have managed to do is not simply grow the European Union and the single market but effectively helped change those societies and those economies for the better. I do not believe that we have concluded the capacity of the European Union to undertake that important work. I was strengthened in that conviction by the visit I paid to the Western Balkans during the Presidency where it was made very clear to me repeatedly, in country after country, that Membership of the European Union in those states has come to be seen as the equivalent to both modernity and normality. Whether, in fact, their revelation is to be part of the world's largest single market or to uphold the democratic norms of the European Union, it succours anything is as important as the changes that the prospect of European Union Membership can effect in those countries.

Q183 Mr Horam: Good for them, but what about this question of the absorption capacity of the existing European Union?

Mr Alexander: The absorption capacity has been there—if I recollect, it was part of the convening criteria—for many years, and, of course, that is one element of the conversation; but if you are saying is it good for Europe to have grown, for example, in the 10 accession countries that I mentioned who joined in 2004, look at the respective rates of growth that have been achieved by those countries, look at the dynamism and vigour that they have brought to questions of the need for economic reform within the European Union, or, indeed, look at the diplomatic reach that a country such as Poland has brought to our engagement with a country like Ukraine at the time of the Orange revolution. I categorically believe that enlargement has strengthened and helped Europe in recent years, and I believe that the progress of future enlargement continues to hold out those potential positive gains in the future.

Q184 Mr Horam: I am sorry to go back to the issue of the Constitution, but can we continue to expand Europe without any changes in the Constitution?

Mr Alexander: The basis on which those countries entered in 2004 was, of course, not the Draft Constitutional Treaty, and, as somebody who took through the Bill in the Commons in the autumn in relation to Bulgaria and Romania, there are mechanisms outside of the Draft Constitutional Treaty by which enlargement can take place.

Q185 Mr Horam: So you are in favour of that happening even if there is no constitutional change?

Mr Alexander: I have not ever argued that the issue of enlargement should be seen as a mechanistic link to the fate of the Draft Constitutional Treaty. I think that the merits of enlargement stand on their own terms.

Q186 Mr Horam: You recognise that that could mean a very large number of countries being added to the European Union, for example there are five in the former Soviet Union countries as well as Romania, Bulgaria and Serbia. That is a lot of countries.

Mr Alexander: Of course, this is a discussion which we continue to have with our partners, but it is hard to envisage any enlargement as large, simultaneously, as the enlargement which took place in 2004 when 10 came in. If you talk about enlargement then, in the light of the decisions that were reached on 3 October, you would also discuss Turkey, but on the Turkish Government's own estimation, it will be upwards of 10 years before accession could be possible; so in that sense I think there is plenty of time both for the necessary conditionality to be achieved. You mentioned the Enlargement Commissioner. I think all your aids working at the Commission has done a great deal to strengthen the sense that there is a very clear sense of conditionality, rightly, around which countries have to work if they want to secure membership of the European Union. The way I described it when I was in the Western Balkans was to say that the bar on European Union membership has not been raised. On the other hand, the tolerance, I think, within the European Union (and I think your question reflects this) of countries slipping under that level of conditionality in order to secure membership has undoubtedly dissipated, and that is why I stand with the Commission in saying that we should have rigorous transparent procedures but that conditionality needs to be a central element of that discussion about enlargement.

Q187 Chairman: How close are Romania and Bulgaria to meeting the bar, the threshold, the criterion? Is there not a danger that they will not meet it in 2007 and that you will have to bring the emergency procedure next month for at least one of them?

Mr Alexander: To use a football term: the ball is at their feet. I was in Bulgaria on Thursday and Friday of last week. I met the Bulgarian Foreign Minister and discussed with him the progress that he and his government have been making, but all of us will be looking very carefully at the next Commission Report, which I understand is due out later this month on the 16th, and that will give us the basis on which a decision will be reached at the June European Council. Of course there was a previous Commission Report which identified particular areas of work. I do not, frankly, believe it benefits exactly the transparency and conditionality that I was just describing to your colleague for us to get into a running commentary on what the next report of the Commission is going to say. Frankly, I have not seen the report and I will give it very careful attention, as will my colleagues in the Foreign Office, when we receive it.

Q188 Chairman: Can I put it to you that, if there is insufficient progress and it either becomes clear that one or both of them are not able to meet the criteria

by 2008, that we would then be facing a very difficult situation within the European Union, given that there is an implicit assumption that automatically one or both of them will be—

Mr Alexander: A Treaty obligation?

Q189 Chairman: Exactly. Where will we be if that is the situation, if Bulgaria or Romania or both of them are in some important respects, whether it is to do with judicial systems or whether it is to do with corruption, whether it is to do with some other matters, not meeting the criteria?

Mr Alexander: You are right in imposing the so-called super safeguard clause, which means that there could be a delay of 12 months from 1 January 2007 to 2008, but, notwithstanding the existence of the super safeguard clause, and this was a matter that was discussed on the floor of the House in the course of the Bill here, there are considerable powers available to the Commission which would provide a degree of comfort to the rest of the Union if there were specific areas of concern still identified, notwithstanding the fact that the threshold had been reached for full membership. If it would be helpful, I will certainly set out for you our understanding of the powers the Commission have available to them.⁴ My understanding is that those powers were not used in 2004 against the A10 countries, but that does not diminish the fact that there are still powers available to the European Commission whatever the area of concern they continue to have.

Chairman: That would be helpful. Can we move on to the Balkans?

Q190 Andrew Mackinlay: After disagreeing with you, Chairman, I am very grateful you raised it. Of course, in 2004 there was the ultimate sanction that they might not come in. The difference between 2004 folk and Bulgaria and Romania is that under the Treaty Obligation they shall be in at 2008. There is a qualitative difference?

Mr Alexander: In response to that, I would make a couple of points. One is, I think, partly through the experience of the 2004 accession there has been a strengthening of capacity within the Commission to actually benchmark and to judge candidate countries transparently, rigorously and effectively and, secondly, I think there is also an issue, not least because the potential membership involves both Bulgaria and Romania, where neither of the countries in question, and this is on the basis of discussions I have had with colleague ministers from both of these countries, want to be the country that finds they have not reached the deadline as quickly as the other country; so I think there are factors driving performance which were not there at the time of the 2004 accession.

Q191 Andrew Mackinlay: For speed, can I say Croatia, Serbia, Montenegro and Serbia Montenegro: because there are three potential scenarios. Also news this afternoon, the European

Union has closed talks with Serbia—I assume it is Serbia and not Serbia Montenegro; it is a bit unclear—on the question of Mladic. I wonder if you could give us a view of where we are at with regard Croatia. If Montenegro goes independent, presumably there will be at least an open invitation for them to fast-track meeting the criteria. What is the position regarding the breaking off of talks today, and is that with Serbia or is that the Serbia and Montenegro federation?

Mr Alexander: I will start with the last point, because I issued a statement in response to the Commission decision today, which is available and is on the FCO website, in which I support fully the Enlargement Commissioner's decision to effectively disrupt the SAE talks, which is both for Serbia and Montenegro, not to give them the Constitutional position of a state of the Union ahead of the referendum. We fully support that, given that we believe Serbia and Montenegro have missed a number of self-imposed deadlines for full co-operation and it is a longstanding position with the British Government that we want to see Mladic and Karadzic brought to justice, and in that sense that explains the decision, which is one the British Government fully supports. In terms of if Montenegro gains independence from the State Union following the referendum, which I think is on 21 May, later this month, it is hoped that both countries will continue their commitment to make progress towards European Union integration. The current twin-track mechanism for the Serbia and Montenegro EU accession should facilitate this, but I cannot anticipate what will be out outcome of the referendum.

Q192 Andrew Mackinlay: I am genuinely surprised by your response there. Presumably if Montenegro re-establishes its sovereign independence, it is a new ball game and they can apply and they can presumably anticipate, with regard to the British Government's reaction, the same facilities which are afforded to any other applicant or potential applicant? I think it is important for Montenegro to know that the British Government will not discriminate against an independent Montenegro. If they knock on the door, we will say, "Copenhagen criteria", and presumably there should be an opportunity to open negotiations?

Mr Alexander: I can assure you we do not have a policy of discrimination towards anyone. What I will say is that I think it would be ill-judged of a Foreign Office minister at this stage, only a matter of days and weeks before the referendum, to anticipate what will be the judgment that will be reached by the people of Montenegro. In terms of other countries that you asked about, in terms of Croatia, obviously the opening of accession negotiations under our Presidency in the second half of last year we believed to be an important step, but it is now up to Croatia to work towards meeting those European Union standards and enable them to meet the standards in full before accession can take place, and, as you would expect, both the United Kingdom and the European Union is providing assistance to the

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Government of Croatia in those endeavours. Obviously, not least given the importance of full co-operation, the International War Tribunal, with the former Yugoslavia, as I mentioned, welcomed the capture of Ante Gotovina back in December and I think we reached the right decision to open negotiations with Croatia back at that 3 October meeting.

Q193 Mr Horam: On Turkey briefly, which you regard as one of the two major tests of the Presidency, Charles Grant on European reform, when he came before the Committee, was very pessimistic about the situation there. He said on the one hand he did not think the Turks entirely appreciated this was not a negotiation—"The European Union says what it wants and either the country applicant agrees with it or not"—and, equally, it is clear there is opposition to Turkey amongst several countries and they could at any moment simply block any further progress under the various treaties. What is your view?

Mr Alexander: I stand by my earlier theory that I think it was of genuine historic significance that that decision was reached on 3 October. I think it is the right decision, not just for Turkey but also for Europe, and I think we would have sent a very damaging signal if we had suggested that there was not the prospect of a European future for a country like Turkey and obliged it to turn elsewhere in terms of its future economic, social and political development. All that being said, I have never hidden the fact, and nor has the British Government, that there are very considerable challenges which Turkey will have to rise to in the years, and it will be many years of work, between now and that accession being achieved.

Q194 Mr Horam: Would you agree with Charles Grant that they do not entirely appreciate these are not negotiations?

Mr Alexander: I am not sure it is always helpful to pass comment on the conduct of other governments. As I say, the experience of the discussions prior to 3 October, both the weeks and the hours, suggest that the Turkish Government are strong negotiators, shall we say. That being said, the obligations under which they now operate are clear, and in that sense I would recognise that perhaps the sentiment underpinning Charles' statement, which is that, as a country that has been granted accession talks, the process for Turkey is exactly the same as for any other prospective Member of the European Union, the initial screening process, the opening of chapters and also the closing of chapters.

Q195 Mr Horam: I think the underlying thought of Charles Grant (to limit your response) was that they are a proud nation and that when they realise what is happening, and the process may be very long, they may object?

Mr Alexander: Well, let us not prejudge where the process will go. My understanding is that the screening process has now begun under the Austrian presidency. There are obligations, in particular the

case was declared in September 2005 that Turkey must apply the Ankara Agreement Protocol fully to all Member States and the EU will monitor this closely and evaluate full implementation in 2006; so that will be a particular challenge facing Turkey in the course of this calendar year, but my understanding, and I spoke to officials in anticipation of appearing before you today, is that progress does continue to be made in terms of the formal processes of membership being taken forward essentially through European Chapters.

Q196 Mr Maples: I want to pick up the Cyprus angle of Turkish membership issues. We have tail wagging the dog situation here in a really serious way and this Committee has taken quite an interest in Cyprus over the years, and we have produced a couple of reports on it. I wonder if you can tell us what is the state at the moment of the package that we have supported of both aid and transport links, trade links, physical trade links, I mean sea and air, into Northern Cyprus. Is that still stuck on a Cyprus veto or a threat of a Cyprus veto?

Mr Alexander: In terms of the financial aid regulation, that has now been agreed and was an important first step forwards lifting Turkish/Cypriot isolation. There were concerns in terms of the timing of that, but in February that decision was reached in terms of aid. During the British Presidency, as I recollect, there had been continued discussions about our capacity to hold together the aid regulation with the trade regulation, but ultimately we were unable to secure consensus on that and the two were decoupled so that the aid regulation has gone through but the trade regulation still continues to be a matter for discussion.

Q197 Mr Maples: When we had the Foreign Secretary giving evidence some time in the last 12 months, and I cannot remember exactly when, we split the trade links issue into area C1, C1B and E was, as I understand it, an EU issue, at least under EU competence and jurisdiction, air links having nothing to do with the European Union at all, and there was some confusion, I think, both among us and among those who were giving evidence to us as to whether countries could establish bilateral air links with Northern Cyprus or whether that had to be done multilaterally, and I think that confusion still exists. What I think is clear to most of us who have taken an interest in this issue, and I am not asking you to clarify it, but if you want to you are welcome to, was that the trade link was much more important to Northern Cyprus than the aid. I am sure that aid will be very welcome, but what Northern Cyprus needs is direct links to the outside world for its tourist business. I wonder if you can tell us if that is something that the British Government is pushing for and whether or not we have considered, and if so would be prepared to, allow bilateral air links to be established between the United Kingdom and Northern Cyprus?

Mr Alexander: I hesitate to add to the gloom that clearly descended the last time this issue was raised on the Committee but my understanding of the key

issue here is not so much the issue of individual countries as the designation of the airport, air carrier port, and can it be designated as an international airport, essentially, in order to be able to provide the necessary criteria for the arrangements which multilaterally are in place for international air travel. So the question turns in part on the designation of the airport as an international airport. Given that that has not been designated as an international airport there remain very complex legal difficulties, frankly, for any country, certainly multilaterally but, also, individually, in terms of flights operating internationally to the airport.

Q198 Mr Maples: If you can answer the next question now that is fine but if you cannot I would be very happy to take yet another note from you on what are the procedures for authorising the airport as an international airport for these purposes. It would be ironic if Greece, of all countries, with its air safety record, were allowed to veto whether or not an airport in Northern Cyprus was designated for international travel. If you can answer the question now that is fine, but if you cannot—

Mr Alexander: I will resist the temptation to even implicitly criticise one of our European partners, and provide a note.⁵

Q199 Mr Maples: Certainly, as Members of this Committee who did these two visits to Cyprus, we felt that the Greek-Cypriot Government did not negotiate in good faith with the Annan proposals, certainly after Papadopoulos became President and we have been comprehensively hoodwinked or taken for a ride over this and we have now got a situation where we have, inside the cabinet somebody who ought to have been firmly outside it until the Cyprus issue was resolved. Now inside they are in a position not just to use the EU in pursuit of its problems and the issues it has with Northern Cyprus but, also, to pursue, frankly, much more importantly from our point of view, over the negotiations for Turkish accession. It seems to me, and I would be grateful if we could have your response to this, that unless we start winning some of these arguments with Cyprus and we continue to allow the smallest countries in the European Union to dictate very important aspects of its policy and progress, we are simply storing up trouble of, at some stage, them stopping the negotiations for Turkish entry. Whether you are in favour of Turkish entry or not it ought to be decided on its merits and not because of some very small, regional, ethnic dispute on a little island in the Mediterranean. If we do not get tough with Cyprus, that, I suggest to you, is what is going to happen. It may not be you or this Government but somebody is going to have to pick up the pieces of this.

Mr Alexander: Let me begin with where we stand in terms of the Annan 5. The Foreign Secretary, I understand, following his appearance before your Committee in December, at the turn of the year travelled to the Republic of Cyprus and, indeed, then visited the so-called TRNC and met with Turk

leaders there. The reason that the Foreign Secretary made that visit was to reflect the concern that we do feel about finding a way forward in the dispute. Clearly, there was genuine disappointment in relation to the failure to achieve support on both sides of the island to Annan 5 in terms of the referendums, but nonetheless we continue to work with the Secretary General on this matter. Indeed, prior to the Foreign Secretary's visit there was a statement made by Kofi Annan welcoming the visit and encouraging the sides to participate therein. Since that visit that has been made by the Foreign Secretary there has been an agreement and I think this followed the meeting between Papadopoulos and Kofi Annan and by communal discussions on common concerns, and obviously we welcome that. The reason I cite that is that, as you recognise, this is not simply an issue for the European Union. The process, in terms of a settlement, has been led through the good offices of Javier Solana and we continue to support the Secretary General's efforts in that regard. On your subsidiary point in terms of the role of Northern Cyprus within the European Union, I suppose again I would return to October 3 as rather a counter-point to the one made in the sense that it is no secret that there were concerns raised by the country of Cyprus in the course of those negotiations, even in the final hours, but nonetheless on the basis of a great deal of hard work and effort both by our diplomats and, also, by the Foreign Secretary we were able to prevail and secure an opening of accession talks. I do think, given what I have said in terms of the need for transparency, conditionality and rigour in the process, Turkey deserves to be treated in exactly the same way—no more favourably and no less favourably—than any other candidate country, and that will continue to be our position and we will continue to argue that case within the European Union.

Q200 Chairman: We have about 10 minutes left and there are three areas that I want to touch on. You have touched on it already when you talked about the discussion about the external action service and developments, but can I put it to you that, in the absence of the constitution, with this arrangement whereby Mr Solana is in this strange position as being responsible to the Council of Ministers that putatively we would have had a different role if things had been different, is the effectiveness of the European Union and its external policy generally weakened or hampered by the current institutional arrangements?

Mr Alexander: There is no question of Javier Solana becoming, whoever is successful as high representative, a new foreign minister without addressing that issue of the draft constitutional treaty. In terms of the effectiveness of the European Union projecting itself and its values internationally, I would probably cite the most salient example, which is that of Iran. If you look at the E3 process over recent months, initiated with the full support of other European countries, it seems to me a very good example of where there has been, notwithstanding the present arrangements within

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3 May 2006 Mr Douglas Alexander MP, Mr Anthony Smith and Mr Simon Manley

the European Union, a very effective European dimension to one of the biggest single strategic challenges that we face.

Q201 Chairman: The EU policy is coming to a failure, really, with regard to Iran, despite all the great efforts and the fact that you are working together with the French and German Governments; ultimately, it has not succeeded.

Mr Alexander: I have to say it is the first time it has been suggested to me that it is the fault of the European Union.

Q202 Chairman: I did not say that. I am not saying it is the fault of the European Union, I am saying that despite all the prodigious efforts that went in it has not succeeded.

Mr Alexander: I would not recognise that characterisation of the E3 process. I think if you look at the fact that since its initiation not just the British Foreign Office but, also, the German and French foreign ministries, not just the United States but, also, Russia and China, have come behind that diplomatic effort, it is evidence of the fact that others recognise the importance of the process. Of course that process is not concluded, of course there is a long way still to go but, nonetheless, I think it is an important contribution to a very difficult international issue. As I say, the fact that political directors, or P5+1, now are meeting in Paris today (they started meeting yesterday and they will continue to meet tomorrow) and there will be further discussions at ministerial level in New York next week evidences the fact that not just the United Kingdom but other countries recognise the E3 process as an important part of a continuing, developing issue in the international community.

Q203 Sir John Stanley: Minister, I want to turn to a specific EU issue in connection with the occupied territories of Gaza and the West Bank. As you are aware, the White Paper said that during the UK Presidency the main objective for the European Union in the Middle East peace process was to support the work of James Wolfensohn, Special Envoy for Disengagement for the Quartet. A number of us, Minister, had an opportunity of having direct discussions with members of the Wolfensohn team when we were in Israel and the occupied territories at the end of last year, and if there is going to be, ultimately, a viable Palestinian State, which is the objective of the Government and the EU, and I think there are grounds for huge doubts as to whether that is going to be achieved, but if it is going to be achievable at all it will require an efficient and easily usable crossing for Palestinians between Gaza and the West Bank. As you will know, that was an issue which was a matter of very, very detailed consideration by the Wolfensohn team. Predictably, I have to say, the Israelis were putting a great deal of difficulties in the way; they were making the suggestion that the transit between Gaza and the West Bank should perhaps only be by rail and they have even come up with a fantastical proposal that Palestinians should not be allowed to go on the

surface at all but they should be only allowed to proceed by tunnel between Gaza and the West Bank. Can you assure us that the British Government and the EU have as a very high priority the policy of ensuring that the communication link between Gaza and the West Bank is going to be by road and that the Palestinians, to create the viable Palestinian State, must have ease of access, freedom of access, along that road, particularly given the fact that it is now Israeli government policy to hermetically seal off Israel from the occupied territories and are no longer going to be allowing Palestinians even to work in the State of Israel.

Mr Alexander: Let me make clear, first of all, that given my European responsibilities this is a matter that is covered within the Office by my colleague Kim Howells as Minister for the Middle East, primarily, and, also, of course, by the Foreign Secretary. So it would not be for me in any way to alter the British Government's position. Of course, we have been very supportive both of the Quartet and, indeed, of James Wolfensohn's work and have valued the contribution he has made in recent months. In terms of our position in relation to the barrier, in terms of your description of hermetically sealing areas, the position is long-standing and clear and we have made representations directly to the Israeli Government on that matter. Equally, it is clear that we continue to believe that via the road map procedure the aspiration should be a viable Palestinian State, alongside a secure and safe Israel. Beyond that, it would really be a matter better directed to the Foreign Secretary or, indeed, my colleague Kim Howells, the Minister with direct responsibility for the Middle East.

Q204 Sir John Stanley: Minister, I fully appreciate the departmental problems and that Ministers have specific issues, but you are here to represent the whole of your department. I fully understand you cannot address my specific question and we will be grateful for a full written note from you on the specific issue of British Government policy towards establishing a viable and easily accessed road link between Gaza and the occupied territories.⁶

Mr Alexander: It would be even more appropriate if I get such a letter from Kim Howells, the Minister with responsibility.

Q205 Chairman: Can you also update us now on where we are with regard to assistance to the Palestinian people, given the EU decisions about Hamas, and how we can avoid mass starvation or deprivation in the Palestinian territories whilst, at the same time, not supporting Hamas?

Mr Alexander: Again, our position remains that as set out in terms of the three key criteria set down by the Quartet: the adherence to prior international obligations; the renunciation of violence and the recognition of the State of Israel. It was the case that either at the end of last year or at the beginning of this year, during the period that the administration was being formed, there was additional support

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provided by the European Union,⁷ if I recollect correctly, agreed with the General Affairs Council, to support the Palestinian Authority, but we are very clear that the onus of responsibility now rests with the Palestinian Authority and the Hamas leadership to reach their own judgment in terms of those criteria that are set down. That being said, I understand that there will continue to be discussions within the Union and, principally, amongst foreign ministers on this issue of the need for potential humanitarian support notwithstanding the fact that we do not want in any way to remove the onus of responsibility from Hamas leadership to reach what we believe is the necessary judgment to adhere to those international norms and those international standards.

Q206 Chairman: Do you not accept that there is a potential problem, in that the difficulties that will be caused to the Palestinian people will, instead of being blamed upon Hamas itself, be blamed upon the international community and may actually reinforce Hamas's hold and its political support within the Palestinian territories when, in fact, only 44% of people voted for it?

Mr Alexander: Yes, and we have been very clear and, indeed, the Foreign Secretary has been very clear, at the time of the elections in the Palestinian Authority, to make clear that our motivation was in no way to suggest that, as the Foreign Secretary said: the "wrong" decision had been reached. It is not for us to make those decisions; the right democratic way for those decisions to be reached is for a fair and free choice to be exercised by the Palestinian people.

⁷ The UK made a £5 million contribution to the World Bank Trust fund to help stabilise the Fatah-led interim Palestinian Authority's finances. Of the €120 million Commissioner Ferrero-Waldner announced on 27 February for the interim (Fatah-led) Palestinian Authority, €40 million was for essential public utilities, €64 million for health and education services channelled through the UN relief and works agency (UNWRA) and €17.5 million as budget support for the World Bank administered Trust.

That being said, and accepting, as I say, that since then funding has been provided from the European Union in support of the Palestinian Authority, now that you have a Hamas-led government we are equally clear that the obligations set down on that Palestinian Authority by the Quartet continue to have to be answered, and in that sense, with respect, we have already made sure that there was transitional assistance provided immediately after the election. So I hope that we have answered the charge that you put to me. On the other hand, the question has still to be answered by the Hamas leadership of the Palestinian Authority as to whether they accept their responsibilities and the responsibilities contingent on being a democratic government.

Chairman: I am conscious of time and there were a number of other areas we wanted to ask but you have to get away, I know that. Can I just touch on two or three areas and ask, perhaps, if you could send us a note on them. Firstly, the current position with regard to the neighbourhood policy and, specifically, Ukraine, in light of the political changes there. Secondly, the security of energy supply within the European Union, and what the British Government's position is on that, including the German-Russian pipeline issue. Thirdly, on the point we have just been touching on, we also visited Rafah when we were there in November/December and saw the Italian-led EU operation there, which was doing an excellent job, and I would be grateful—⁸

Andrew Mackinlay: And Belarus.

Q207 Chairman:—for your update on the position with regard to where Rafah is in this current situation between Mahmoud Abbas and Hamas. My colleague has mentioned Belarus as well. I am very sorry we have not had time to go through all those matters, and I am sure we will see you again at some point in the future. Thank you very much.

Mr Alexander: Thank you very much.

⁸ Ev 62

Letter from Rt Hon Geoff Hoon MP, Minister of State for Europe, to the Chairman of the Committee

Following Douglas Alexander's Evidence Session before the Committee on Wednesday 3 May, he promised to follow up in writing on the following issues. I am responding as his successor as Minister for Europe.

TITLES OF EU OVERSEAS REPRESENTATIVES AND THEIR RESIDENCES

Douglas Alexander's statement to the Committee that these individuals are not Ambassadors, but representatives of the European Commission, was correct. The term "Ambassador" has never been correct terminology, although mention of "EU Ambassadors" is common outside the Union when talking about a group of Ambassadors belonging to individual Member States. While incorrect references sometimes occur, the important issue is that neither Commission representatives nor Commission offices can represent Member States.

On the question of EU representatives' residences overseas, the UK, with other EU Member States through the Council of Ministers, exercises significant influence on the establishment of the EC budget at the beginning of each financial period. It is from this budget that offices and residences of the Commission overseas are funded. Parliament is also given the chance to scrutinise the Government's position on the draft

EC budget before its adoption in Brussels. I shall write separately with the information you requested on the residences of Commission representatives in Moscow, Washington, Tokyo and Addis Ababa.¹

ARTICLE 308 OF THE TEC

John Maples MP asked the Government to clarify a number of issues relating to Article 308 of the Treaty Establishing the European Community. Recourse to Article 308 as the legal base for action is subject to two conditions: first the action must be necessary to attain one of the objectives of the Community in the course of the operation of the common market; and, second, there must be no other specific legal base which confers on the Community the powers to carry out the action concerned.

In practice, the phrase “in the course of the operation of the common market” has been interpreted broadly by the European Court of Justice, in the sense that the proposed action must come within the general framework of the EC Treaty.

Article 308 does not therefore require that every proposal using it as a legal basis should relate in a narrow and restrictive sense to the functioning of the internal market.

In keeping with this approach there has, in recent years, been a trend towards using Article 308 for measures on general external matters and some institutional and financial matters. Some examples are as follows:

- In 1981, a Regulation to grant exceptional food aid to the least developed countries (Council Regulation (EEC) No 3723/81 of 21 December 1981);
- In 1983, a Regulation to introduce an exceptional Community measure to promote urban renewal in Northern Ireland (Council Regulation (EEC) No 1739/83 of 21 June 1983);
- In 1994, a Regulation to set up a Translation Centre for bodies of the European Union. (Council Regulation (EC) No 2965/94 of 28 November 1994);
- In 1996, a Regulation to provide assistance to economic reform and recovery in the New Independent States and Mongolia (Council Regulation (Euratom, EC) No 1279/96 of 25 June 1996);
- In 2000, a Regulation on support for the United Nations interim Mission in Kosovo (UNMIK) and the Office of the High Representative in Bosnia and Herzegovina (OHR) (Council Regulation (EC) No 1080/2000 of 22 May 2000); and
- In 2001, a Regulation creating a rapid-reaction mechanism (Council Regulation (EC) No 381/2001).

Article 308 is the legal base for the Fundamental Rights Agency and the Government and all other Member States are clear that this is the appropriate legal base. As noted above, Article 308 provides the Council with the means to attain the objectives of the Community if the Treaty has not provided the necessary powers. While ensuring respect for fundamental rights is not specifically listed as a Community objective in Articles 2 and 3 TEC, the European Court of Justice has found that this is a condition for the lawfulness of Community acts, and thus it forms an underlying or implied objective of the Community.

POSITION OF ROMANIA AND BULGARIA REGARDING ACCESSION NEGOTIATIONS

In addition to the super safeguard clause, the Accession Treaty lists three provisions which allow the EU to remedy difficulties encountered as a result of accession (Articles 36–38): a general economic safeguard clause; a specific internal market safeguard clause; and a justice and home affairs safeguard clause. These safeguards were included in the Accession Treaty for the new member states that joined in 2004, but were never activated.

The general economic safeguard clause is designed to deal with adjustment difficulties experienced in a particular economic sector or area following the entry of a new member state into the internal market. This would normally relate to sudden strong competitive pressure in a product market. During the three years following accession, a new member state may apply for authorisation to take protective measures while adjusting its economy to the pressures of the internal market, and an old member state may apply for authorisation to take protective measures with regard to a new member state.

The internal market safeguard clause may be applied in the first three years if a new member state has not met commitments it made in the accession negotiations, or the functioning of the internal market is under serious threat. It covers the area of the four freedoms and includes sectors such as competition, energy, transport, telecommunication, agriculture and consumer and health protection—including food safety. Measures are taken on a case-by-case basis. They may be decided before accession, to be applicable as from accession, and they may be extended as long as the situation is not remedied.

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The justice and home affairs safeguard clause may be applied during the first three years after accession if there are risks of serious shortcomings in the way a new member state has transposed or implemented EU rules on mutual recognition in criminal law or civil matters. They may also be applicable beyond that date if the situation is still not remedied.

AIR LINKS WITH NORTHERN CYPRUS

The UK and the Republic of Cyprus are both contracting States to the Convention on International Civil Aviation, commonly referred to as the Chicago Convention. Article 10 of the Chicago Convention provides for each contracting State to designate the airports at which international civil flights may arrive and depart for the purposes of customs and other examinations. Under Article 68, contracting States may designate the routes to be followed by international civil flights and the airports they may use.

Article 10 further provides for the publication of the details of designated airports by the contracting State and the transmission of these details to the International Civil Aviation Organisation which may in turn pass them on to other contracting States.

The Republic of Cyprus has never designated Ercan as an airport for these purposes. We do not understand safety to be the principle obstacle to this. We already have an interest in the safety of Ercan airport given the large numbers of British tourists flying into it via Turkey. Inspections indicate safety standards at the airport are satisfactory.

The circumstances under which non-state entities, or a contracting State which is in effective control of territory over which it has no sovereignty, may be competent to designate an airport for these purposes have not been comprehensively put to the test.

GAZA AND THE WEST BANK

We regret that Quartet Special Envoy for Disengagement, James Wolfensohn, was unable to continue his excellent work. He played a significant role in several key areas. He worked extremely hard to ensure that Israeli disengagement from Gaza and parts of the West Bank delivered results for the Palestinian people. He was instrumental in securing the 15 November Agreement on Movement and Access. He worked with both parties to help build the Palestinian economy. We commend his efforts.

Secure and reliable links between Gaza and the West Bank are crucial for the success of the Palestinian economy. Dr Howells has taken a close interest in this. Sir John Stanley is right that there is a strong case for constructing a road link between Gaza and the West Bank. The European Commission, USAID and the World Bank are scoping the prospects for doing this, along with the various alternatives, such as a rail link and/or tunnel. A safe and permanent connection between Gaza and the West Bank will make a lasting impact on the prospects for a viable Palestinian state. We are concerned that the United Nations Office for the Co-ordination of Humanitarian Affairs has reported an increase in the number of obstacles to movement in the West Bank and that the deadlines for the introduction of bus convoys by 15 December 2005 and truck convoys by 15 January 2006 were missed.

We continue to urge Israel and President Abbas, bilaterally and through the Quartet, to work on the Gaza–West Bank link and other issues as set out in the 15 November Movement and Access Agreement relating to the Gaza Strip. This includes Gaza/Israel crossing points; freedom of movement in the West Bank; and the construction of an airport and seaport in Gaza.

The Committee has also written asking for two further written answers:

TREATY CHANGE

David Heathcoat-Amory asked about the Government's attitude towards modifying, amending or changing existing treaties in order to bring in parts of the Constitutional Treaty. Douglas Alexander made clear our views when he addressed the Committee on 3 May, that there is no such proposal under discussion with partners. As the former Foreign Secretary said "There is no plan, proposal or intention to slip elements of the Constitution through the back door." (Commons Debate, 6 June, Hansard Col 1000). Douglas Alexander told the Committee on 3 May, "We could contemplate non-treaty change, incremental improvements of the rules".

It would clearly be impractical to rule out all future treaty changes simply on the basis that similar provisions exist in the Constitutional Treaty. Over time, much procedural change has taken place in the EU, some of which, such as the new arrangements for transparency of the Council of Ministers agreed under the UK Presidency, has not required Treaty change; an example of change which did require Treaty change was the extension of QMV in the Maastricht Treaty. If further such change could make the EU more effective, we would not rule it out automatically, but we would look carefully at the possible benefits to the UK on a case by case basis.

 EUROPEAN FOUNDATION FOR DEMOCRACY

A reply from the Foreign Secretary to Denis MacShane regarding the latter's question in the House of Commons on a European Foundation for Democracy (27 March 2006, col 561) has not yet been issued but will be shortly. I will ensure that a copy of the correspondence is forwarded to the Clerk of the Committee.²

You asked that notes be provided on topics the Committee was unable to reach due to time constraints (the European Neighbourhood Policy, Ukraine, Belarus, security of energy supplies and EU monitoring at Rafah). These are provided at Annex A.

Rt Hon Geoff Hoon MP, Minister of State for Europe
Foreign and Commonwealth Office

22 May 2006

Annex A

EUROPEAN NEIGHBOURHOOD POLICY (ENP)

The ENP covers both the EU's eastern and southern neighbours. The UK Government supports the ENP as a means of encouraging political and economic reform in countries that wish to move closer to European standards. Action Plans for the first wave of countries (Ukraine, Moldova, Israel, Palestinian Authority, Tunisia, Morocco and Jordan) are now being implemented. The Action Plans identify areas for reform linked to closer co-operation with the EU. The first formal review of Action Plans for Moldova and Ukraine will take place this year. Action plans for Armenia, Azerbaijan, Georgia, Egypt and Lebanon are now being negotiated and we hope these will be completed as quickly as possible.

UKRAINE

An interim report in late November 2005 showed that Ukraine was making good progress under its ENP Action Plan. Since then it has conducted largely free and fair parliamentary elections (as recognised by the OSCE's Office of Democratic Institutions and Human Rights which monitored them) and entrenched media freedoms—both priorities under the Action Plan.

The 26 March parliamentary election in Ukraine returned a majority for the pro-reform "Orange" parties and cut the number of parties represented in the new parliament to just five. However, President Yushchenko's Our Ukraine Party came third behind that of his former Prime Minister, Yuli Tymoshenko. Victor Yanukovich's Party of the Regions came first in the popular vote with 33%, but lost ground in its eastern heartlands. Coalition negotiations are currently under way between Our Ukraine, Blok Yulia Tymoshenko and the Socialists and are focussed on negotiating a government programme as mandated by the revised constitution.

The UK remains strongly supportive of political and economic reform and the Prime Minister sent a letter to Yushchenko in March congratulating him on Ukraine holding largely free and fair elections and underlining our willingness to work with any government that emerges from coalition negotiations in support of reform.

BELARUS

The OSCE's observation mission to Belarus' Presidential election on 19 March characterised it as "severely flawed due to the arbitrary use of state power and restrictions on basic rights". The election was followed by a further crackdown on the opposition and the arrest of over 800 individuals, including Alexander Milinkevich and Alexander Kozulin (candidates in the presidential election and opposing leaders). The UK and EU have responded strongly, including by issuing tough statements condemning election fraud, the subsequent crackdown on peaceful demonstrations, and the arrest of demonstrators. A travel ban against thirty-one individuals (including Lukashenko) was agreed by EU foreign ministers on 10 April. (This was reinforced on 18 May by the Council agreeing to impose asset freezes against those responsible for the election fraud and actions against the opposition, civil society, and the independent media).

The EU remains open to developing relations with Belarus, including through to ENP, provided that the Belarusian authorities prove a sincere willingness to respect human rights, the rule of law and democratic freedoms, and initiate democratic reforms. This position was repeated by the GAERC in Conclusions on 6 April.

² Ev 83

SECURITY OF ENERGY SUPPLIES

The European Council in March this year asked the Commission and the Council to prepare a strategic review of EU energy policy by 2007, with work beginning this year. This builds on the Commission's Green Paper of 8 March and will look at security of energy supply, which should be achieved through full implementation of the single market in energy, diversification of supply into the EU, improved energy efficiency, and a coherent external strategy for EU dealings with source and transit countries. In the meantime, the June European Council will consider more closely external aspects of EU policy. The UK is working with EU partners to influence the outcomes both of the June Council and the Strategic Energy Review.

EU MONITORING AT RAFAH

We are pleased that the EU Border Assistance Mission at Rafah continues to allow the Palestinians to operate the border between Gaza and Egypt following Israeli disengagement. The EU's presence provides reassurance to all parties that the border is being properly operated. This makes a real difference to the lives of people in Gaza by improving their economic prospects and by allowing them greater freedom of movement.

The EU takes the security of its monitors seriously and has recently increased the size of the Specialist Security Team (to ten personnel) on the advice of the Head of Mission. In terms of the future prospects of the mission, we expect that it will continue to operate as long as the parties continue to support and meet their obligations under the Agreement for the border's operation.

Tuesday 13 June 2006

Members present:

Mike Gapes, in the Chair

Mr David Heathcoat-Amory	Andrew Mackinlay
Mr John Horam	Mr Ken Purchase
Mr Eric Illsley	Sir John Stanley
Mr Paul Keetch	Richard Younger-Ross

Memorandum submitted by the Secretary of State for Foreign and Commonwealth Affairs

PROSPECTS FOR THE EUROPEAN COUNCIL, BRUSSELS, 15–16 JUNE 2006

INTRODUCTION

1. We expect the June European Council to focus on the Constitutional Treaty, enlargement and Hampton Court follow-up, including energy and climate change.

CONSTITUTIONAL TREATY

2. 15 Member States have now approved the Constitutional Treaty. However it is not currently on track to enter into force because of the French and Dutch no votes last summer. This, and the diversity of opinion expressed in the “national debates” on the Future of Europe, mean that we expect the European Council to take stock of and extend the period of reflection.

3. We also expect the European Council to discuss the question of a target date for taking decisions on institutional reform. 2009 has been floated by the Austrian Presidency following the Informal Meeting of Foreign Ministers in Klosterneuburg last month.

4. Separately the Commission’s “Citizens’ Agenda” paper also proposes launching a “process leading to an institutional settlement”. This would include a political declaration, probably to coincide with the anniversary of the Treaty of Rome in spring 2007, on Europe’s “values and ambitions”.

ENLARGEMENT

5. In December 2005 the Council agreed to hold a fundamental debate this year on the future of enlargement. The June European Council will discuss aspects of enlargement, but we expect the full debate will come later, after the Commission has submitted its report on enlargement this autumn.

6. We want to ensure the EU sticks to its existing commitments on enlargement and to ensure that any changes to the EU’s policy do not rule out the possibility of future enlargements. Equally we want to make sure that the accession negotiation process is implemented rigorously and that all candidates meet the EU’s standards.

7. The European Council was also due to take a decision on whether Bulgaria and Romania should accede to the Union in 2007, as scheduled, or whether to delay accession until 2008. The Commission has now recommended deferring the decision until October, given their concerns about the readiness of both countries. The European Council is therefore likely simply to endorse the 16 May Commission report, welcoming progress to date, but urging more before October.

HAMPTON COURT

8. We want the European Council to agree good, forward-looking Conclusions which maintain the momentum and profile of the outcome of the Informal Meeting of the European Council at Hampton Court on 27 October 2005. This covers work on research, universities, demographics, energy policy, Justice and Home Affairs and CFSP/ESDP. It is an agenda which focuses on the concrete issues that matter to people throughout the European Union.

ENERGY

9. The European Council will discuss the external aspects of EU energy policy, as agreed by the Spring European Council. The basis for the discussion will be a short joint Commission/Solana paper. Our aim for this Council is to maintain the momentum on this work, giving a clear mandate to the next (Finnish) Presidency to develop this work with the Commission. In addition, we want to ensure that external aspects of energy policy will be reflected fully in the Commission’s Strategic Energy Review which is due for Spring 2007.

CLIMATE CHANGE

10. We are working to secure Conclusions which call for a global consensus on the scale of action needed to avoid dangerous climate change, including a long term stabilisation goal , as well as a truly global debate on climate change, involving all stakeholders. We also feel the European Council should reiterate the EU's commitment to an effective Emissions Trading Scheme, and the importance of establishing long-term certainty for it.

SUSTAINABLE DEVELOPMENT

11. The European Council should adopt the EU's revised Sustainable Development Strategy. The Strategy outlines objectives under seven key challenges including climate change and clean energy. Our aim is to see a single, coherent and accessible Strategy that effectively communicates the Community's internal and external sustainable development objectives.

JUSTICE AND HOME AFFAIRS

12. The European Commission's "Citizens' Agenda" paper makes explicit reference to the possibility of using the Qualified Majority Voting provisions of Article 42 of the Treaty on European Union (known as the "passerelle") "to improve decision taking and accountability in areas such as police and judicial cooperation and legal migration". This would have the effect of moving some JHA matters from unanimity to QMV, without treaty change. But the UK would preserve its "opt-in" in this area. While we expect some initial discussion, no decisions will be taken on the use of the passerelle at the June Council. This issue will be discussed further during the Finnish Presidency.

WESTERN BALKANS

13. The European Council will also consider the Western Balkans. We hope the final Conclusions will note the continued need for Serbia to co-operate with ICTY, will acknowledge Montenegro's recent declaration of independence (following its referendum) and note the ongoing EU preparations for contributing to the implementation of a status settlement in Kosovo.

EXTERNAL RELATIONS

14. We can expect Iran to be the main topic. The Council is also likely to consider other Middle East issues and Africa.

CRISIS RESPONSE

15. The Presidency is expected to present a paper on Crisis Response, drawing in part from a paper by former European Commissioner Michel Barnier "Pour une force europeene de protection civile: europe aid".

COHERENCE OF EXTERNAL POLICY

16. The Council will discuss a paper from Commission President Barroso on greater coherence of the EU's external policies. We expect this will contain proposals to improve internal Commission coordination, to develop co-operation between Member States, the Commission, the High Representative and the Council, and to enhance the visibility and accountability of the EU's external actions.

TRANSPARENCY

17. Presidency proposals for greater transparency of co-decision debates will also be on the Council agenda.

Foreign and Commonwealth Office

7 June 2006

Witnesses: **Rt Hon Margaret Beckett**, a Member of the House, Secretary of State for Foreign and Commonwealth Affairs, **Mr Anthony Smith**, European Political Affairs, and **Ms Shan Morgan**, Director, EU, Foreign and Commonwealth Office, gave evidence.

Q208 Chairman: Good afternoon, everybody. Secretary of State, welcome back. I am not sure if you will be before us every week but at least two weeks running!

Margaret Beckett: It would be a pleasure, Chairman.

Q209 Chairman: Can I begin by asking you how you see our policy as a Government on Europe at this moment?

Margaret Beckett: First, Chairman, perhaps I could introduce my colleagues. On my left is Anthony Smith, who is the Director of European Political Affairs, and on my right is Shan Morgan who is now Director, EU. I think the European Union itself, despite the obvious difficulties with which you are all familiar, is entering into a period of an increased degree of mutual confidence, I think I would put it like that, and hopefully mutual effectiveness. I think we are getting the beginnings of a clearer balance between what the EU can do, where the EU can add value, and what Member States can contribute. My perception, even after quite a short time in this post, building on my experience in my previous capacity, is that there is an ever closer understanding between Member States and their representatives on many issues. That does not leave out the fact that there are also lots of difficulties and different nuances of points of view, all of which you will be familiar with. My overall general impression, if you want something as general as that, is that the EU is coming together in a way which has the potential to be very positive.

Q210 Andrew Mackinlay: Secretary of State, I apologise, I have got to leave early for a funeral. When the Minister for Europe was Leader of the House it is well-known that he tried to develop interest in the Government whips' office, it might have been in the opposition whips as well, I do not know, about reviewing how we do parliamentary scrutiny of European legislation, and it came to nothing. I wonder if you could elaborate on what your vision of that is. That is bound up with the General Affairs Council in the past week which had this paper from Barroso, COM 278, *Europe in the World: Some Practical Proposals for Greater Coherence, Effectiveness and Visibility*, which talked about engaging Member States and national parliaments but did not go on to elaborate in any way. I wonder if you could see how fairly immediately the democratic deficit could be addressed involving national parliaments in greater scrutiny and openness. The final part of this is all these press reports where you are identified as being opposed to television access, press access, to Council meetings, which I do not judge about but it seems to me there is a burden on you as ministers to say where we go from here on transparency, openness and addressing the democratic deficit.

Margaret Beckett: I do not completely recall all the details of what Geoff Hoon considered and thought about, but I do know that there were concerns. I

honestly do not know what the view of the opposition whips was because, as you may or may not know, Mr Mackinlay, speaking as a former whip, the relationship between the whips' offices is often very good but they regard it as a pearl of great price from the point of view of information, so I have no idea what the attitude of the opposition whips was, but I do know there was a considerable willingness to see how we could improve scrutiny, and I will come back to that in a second, but a nervousness that was either too complex or could be unworkable in terms of the timing and demands it would make on Members. Indeed, as you will appreciate, perhaps this Committee more than many others, often the EU is quite a fast moving situation and what no-one wanted was to end up in a position where you were either having continuous scrutiny reserves that impeded progress in the direction Member States wanted or, alternatively, that you were continually lifting scrutiny reserves in a way which made it look as if there was not the regard for the views of Parliament that there ought to be just because of the practicalities. That is the first thing I would say. Second, I am aware that President Barroso has produced some proposals. I cannot recall whether this is part of his proposals but I do know that there has been some general thinking about whether or not there are ways of directly helping with the work of the national parliaments in the sense of making documents and proposals more readily and more speedily available directly to national parliaments themselves so that members of the different parliaments can follow things through from an early stage. I think things along those lines would be extremely helpful. On the issue of transparency, I think one of the things with which we all deal as politicians is the media wish to deal only in extremes because that is so much more interesting than boring shades of opinion. Actually, I am not opposed to transparency at all. Indeed, like all of the Government, I very much support it. It was a proposal of the British Presidency that we should look for ways of having greater transparency. Where we are at present is that the present Presidency has proposed what seems to me to be quite a substantial move forward on what was proposed in the British Presidency in the sense of suggesting that all deliberations on legislative proposals that are to be taken by co-decision should be in open Council. I have spent seven out of the last nine years dealing with negotiations in subject Councils and, frankly, I take the view, and I have said this to my colleagues in open Council and also in private session over lunch, because of course the General Affairs Council does have a private session over lunch, it is important to get the balance of this right. I have urged my colleagues to consider, and it remains to be seen whether or not they will do so, that we adopt an approach which we have been urging on all European Union business and approaches, which is of an impact assessment. Not saying, "no, this would not work", although personally I have great doubts about whether it would work, but saying, "Let us

move forward to greater transparency as we all agreed. Let us then assess how that works and see whether, on the basis of that experience, we judge that we could do more". I am uneasy about the idea that all processes of negotiation on legislation and, indeed, on other areas perhaps, or in terms of this case where there is co-decision, would all have to be in full Council. I cannot think of a single negotiation I have been involved in of any difficulty or delicacy that has not ultimately had to be resolved, at least to a substantial degree, behind closed doors because you have to have very frank exchanges. Indeed, I can recall saying to colleagues on one occasion when we were in the Presidency, "We understand that there are particular concerns that you may have that you may not want to disclose in full Council, but if you share them with us we can see if we can meet your main concerns". I am nervous because something like that is bound to continue and it would be a pity if we got the balance of that wrong.

Q211 Andrew Mackinlay: The Barroso paper is itself indicative of one of the deficiencies because it exists, it has not been furnished to the United Kingdom Parliament, it is not national security. We are scrutinising yourself and the executive today and it has not been made available, and I think that is regrettable. I have had the benefit of seeing a copy, not via London. It says that it is not intended to reopen the Treaty, which in a sense I would have thought a lot of people, whatever our perspective on the European Union, would be very relieved to hear. You might want to amplify upon that. That is point A. Point B is that there is this proposal that there should be "double-hatting" of diplomats. The way I understand it, for instance, is that a United Kingdom diplomat may also formally provide for the European Union External Affairs Service, or whatever it is called. Again, I have no objection to that in principle but it seems to me a major departure or institutional change which we ought to hear you on.

Margaret Beckett: First of all, on reopening the Treaty, let me say straight away that I detect no desire among colleagues at this moment in time to start to reopen all the detailed areas of the Treaty. Indeed, as you will know, a decision has just been taken to extend the period of reflection. I do not think there is any question of something along those lines taking place. I am not sure what wide circulation the Barroso document has had, I just know that it exists. We submitted some comments of our own. With regard to the issue of double-hatting, it will not work in every respect, it is just an issue of whether there are occasions when there is merit in someone who is involved in an area being the person who deals with it in the round. I do not think there is any suggestion, and certainly it is a suggestion that we would approach with great caution, that someone who is speaking for the EU would speak on behalf of the UK, except in circumstances like those that we had in Iran last week where policy was agreed by Member States and because of the wish to have a similar interlocutor on behalf of not just the European Union but on behalf of all the Permanent

5 and Germany to talk to the Iranians, it was decided to ask Javier Solana to take on that role. The policy he was conveying, communicating if you like, was the policy of Member States and, indeed, of the Americans, the Russians and the Chinese.

Q212 Mr Heathcoat-Amory: The European Scrutiny Committee, which I am on, did actually resolve to meet in public but the then Leader of the House did absolutely nothing to implement that, so the Government has not got a good record on openness and transparency as regards proceedings of this House. Foreign Secretary, you are perhaps more responsible for the Council of Ministers and you have explained your caution about allowing the public to see what is going on. Can I remind you that the last Minister for Europe wrote to the European Scrutiny Committee on 13 March this year saying that the UK objective "remains to push for all of the Council's legislative business to be opened up to the public". In your new role, why have rowed back from that and are now expressing problems with this rather modest measure to allow people into this hallowed event of legislating in private?

Margaret Beckett: First of all, it is not clear to me that I have rowed back from what Douglas Alexander said because the proposal that he made, with which I have no quarrel at all, was that the key parts of that process, any opening part of the process and, indeed, the final issue, the votes and explanation of votes, all of that should be in the public domain. It was not part of the proposal that was agreed in December that all deliberations, every bit of it on such proposals, would be in the public domain. You refer to it as "allowing" the public to see what is going on but I feel confident—you were at one time, if I recall correctly, on your party's front bench—there are times when people need to thrash out issues frankly in a way which is not always easy to explain when there are really difficult issues and differences to be resolved. That is equally true among politicians of all parties, it is true at national level, it is true in the European Union and, indeed, in any other gathering of ministers. I am totally in favour, as I said earlier, of much greater openness than we have had hitherto; what I am not in favour of is moving to a process which I personally feel might be somewhat unworkable and which I fear may mean simply that issues that could and should have been aired in that forum will not be aired in that forum, they will be aired somewhere else outside it. That is my concern. It is just a practical one based on several years of experience in doing this.

Q213 Mr Heathcoat-Amory: I am sorry but what you have said does not accord with what the Europe Minister said quite unambiguously. He was unconditional. He said, the objective "remains to push for all of the Council's legislative business to be opened up", he did not refer to the end position to be published, he was referring to all of the Council's legislative business. There is a clear difference between what the Foreign Office was saying a couple of months ago and what it is saying now. Surely there is an issue here of the public's right to know.

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One of the suspicions, even the hostilities, towards Europe is that there is this secretive body that passes laws which are binding on us all. Would it not help break that down if they could see Member State representatives arguing between themselves and reaching a compromise? Does that not enrich the democratic process? Forgive me, but you have given a very bureaucratic insider's view of keeping it all away from the children which is precisely the problem we are grappling with with this enormous gap that has opened up between the rulers and the ruled in Europe. I am really dismayed that in your first few weeks you have resiled from a position which was quite clearly put by the Minister for Europe so very recently.

Margaret Beckett: I think perhaps there is a misunderstanding here because what Douglas was talking about was the legislative business, not the legislative proceedings. I repeat, what was in the proposal which Douglas put forward, and which was accepted by the European Union, was that there should be as much as possible, certainly the opening, even if that was an oral presentation by the Commission, and there should be a clear view of what positions different Member States were taking, a clear and open public acceptance of where Member States stood, an explanation of that, all of that I do not have any quarrel with. When he talked about all the business I think you will find that what he was talking about was all of the legislative business however it arose, whether it was initially from an oral presentation by the Commission or whatever, not, if I can make that distinction, all of the proceedings because that was not the UK Government's proposal, and I have not changed the UK Government's proposal. Secondly, you say right to know where Member States stand because we are passing laws binding on us all. Of course, giving public access to how Member States have put their decision and what decision it is in the public domain, the explanation of why they have taken that stance, all of that is much greater openness than we have now and all of that, you are quite right, is something to which the public should have access, and under the proposals that are in front of the European Union can have access. I merely repeat, and maybe I should not say this to you, maybe it will give you comfort given what I rather think to be your views, getting the balance of this wrong could make the processes of decision-making in the European Union almost unworkable. That might suit you but I am not sure it would be of benefit to the peoples of Europe.

Q214 Sir John Stanley: Foreign Secretary, as you know there have been widespread reports that Britain is preparing to give up the national veto on EU law and order legislation. I noted that an official Government spokesman when asked to respond to this said: "We are not going to close the door on it". Can you tell the Committee, is Britain preparing to give up the veto on law and order legislation?

Margaret Beckett: First, can I say my understanding is that there is no formal proposal yet in this respect but there have been various observations about it

and the Commission has indicated this is something that they think perhaps we, the European Union, should consider. I am well aware that whenever it is suggested that we should move towards Qualified Majority Voting in any area new area there are always, quite rightly, anxieties and people want to know what it would mean and what would be the benefit of it and so on. Can I simply say the reason that I assume a spokesman from our Government said that we did not have a closed mind on it is because we recognise that there is a legitimate argument. We are a long way from any decision on this, there is not even a proposal yet, but there is a legitimate argument that runs that since, unfortunately, organised crime in particular, but crime in a number of other issues in this area are themselves cross-boundary, they are pan-European, and to insist that all of this can only be dealt with on the basis of not having QMV, not having a pan-European potential approach could be an area of weakness. I repeat, there is not a proposal, there is not yet a decision and it will all be aired to a greater extent than before in public.

Q215 Sir John Stanley: Foreign Secretary, as you know, there have been specific areas which the present Government and, indeed, its predecessor have made very clear are non-negotiable as far as the surrender of the right to veto is concerned. Treaty change is one I give as an illustration and, of course, there have been others. What you are saying to the Committee is this is not an area in which the Government is absolutely firm on its position and the Government is ready to make concessions if it can be persuaded to the merits of doing so, is that the position?

Margaret Beckett: I am not saying anything very exciting, I do not think, Sir John. I am saying that if such a proposal comes forward, and I repeat no such proposal has yet come forward, we will look at it very carefully to see whether there is anything in it which we believe is in the interests of the United Kingdom, and that I think is what you would wish us to do. You are absolutely right, there are a number of areas, certainly some areas in this dossier, where the Government could well have red lines where we are simply not prepared to consider giving up the veto. Given the pan-European nature of some of these problems—I do not wish to prejudge the Committee's view—you might well be equally critical of us were we to say we would never consider such a thing no matter how much it looked to be in our interests.

Q216 Mr Keetch: Foreign Secretary, will Mr Geoffrey Hoon be joining you at the next European Council meeting?

Margaret Beckett: I have not the faintest idea. I do not know what his diary is. It is possible. The matter has not come up. Do you mean the one that is just coming?

Q217 Mr Keetch: Yes.

Margaret Beckett: No, he definitely will not. I am sorry, Chairman, I was thinking you meant the one after that. If I could just say to the Committee his father died very recently so, no, he will not be there.

Q218 Mr Keetch: I am very sorry to hear that. Can I just ask about his role in terms of his predecessors' roles. Is his role as Minister for Europe the same as, for example, his immediate predecessor, Mr Douglas Alexander? Do they have the same responsibilities within your Department?

Margaret Beckett: I believe so. In fact, I think he may have a few more because there are one or two areas where we now want to give a little greater emphasis because there are issues that are arising in a way that they did not and we do not have the Presidency now so there is a little bit more room for him to take on some other things.

Q219 Mr Keetch: Do you agree with Mr Denis MacShane, another former holder of that post, that an opportunity was missed by not having a Secretary of State for Europe? There certainly was some discussion on the morning of the reshuffle that that was what Mr Hoon might have been offered or might have been seeking. Do you think it is time for Britain to have a Secretary of State for Europe?

Margaret Beckett: No, I do not, and, what is more to the point, neither did the Prime Minister.

Q220 Richard Younger-Ross: On the European scrutiny you referred to earlier, is not the risk that legislation comes forward, you meet in smoke-filled rooms because you deem that part of this process has to be done in smoke-filled rooms, those proposals then come to the light of day and are brought to this House, by which point Members of this House, the European Scrutiny Committee, which I am also a Member of along with David Heathcoat-Amory, or this Committee will be told, "We have made a decision on that now because we have done the deal behind closed doors". What kind of democratic process is that?

Margaret Beckett: I think there is a very important distinction between general debate, general issues, broad policy areas and so on that are explored in a variety of Councils. My impression is—I do not want to do my colleagues an injustice—it is quite a small number of specific subject Councils where there will be issues which arise which are extremely concrete and practical and where the detail is arcane very often and Member States have to consider how within the broad parameters that they negotiate, usually in public and that are known, their particular national circumstances sit and what it is they feel they can live with and what they feel they cannot live with. I suppose one could say that in an ideal world all of these conversations could take place but they never have and they probably never will if anybody is to reach agreement. I have had a certain experience of doing this, as I say, and in the end what happens is you sit down in a room, invariably in private, with a relatively small number of the ministers who are most affected or in some way ought to be the ones that can reach a view, and you

finally identify what are the things that people cannot live with and what are the things that they cannot go home without, and you hope that out of that a pattern of mutual compatibility emerges and if it does you have a success and you all go home, and if it does not you have a failure. You are never going to be able to do that in public. It may be sad but it is life.

Q221 Richard Younger-Ross: Yes, but should not the Members of this House be able to influence its ministers representing it in Europe on what they say and positions they take in those discussions because at the moment they do not, Minister?

Margaret Beckett: Yes, they do. With respect, Mr Younger-Ross, how do you think that members of these negotiations come to the view about what it is that they cannot go home without. It is precisely on the basis of what their national parliaments say, what the interests are they are trying to defend and represent, and what the impact would be on people within their communities. That is exactly how you come to the list of what you could just about stand and what you cannot possibly live with.

Q222 Richard Younger-Ross: Minister, that is why Geoff Hoon wished to change the process to open up scrutiny to make it more accountable to this House, a process which was closed down by the Cabinet.

Margaret Beckett: I am not sure that is an accurate description of what happened but, to be honest, I do not remember because it was some time ago. It is difficult to get the balance right between how one can practically bring forward sets of proposals, often, as you are all very well aware, substantial numbers of different proposals and get time and space and opportunity for Members to scrutinise without, for example, wiping out the rest of their workload. I doubt if the Members of this Committee would be happy to have a degree of scrutiny required of them on, say, European documents which meant that it wiped out an awful lot of their other work. There is a balance to be struck for everybody and that balance is not always easy. One of the things that I think in the long-term, or even hopefully, please God, in the short-term that could make a difference is the insistence that we put in the Presidency, and which I think has got increasing acceptance, of impact assessments at an early stage for proposals coming forward from the European Union. One of the things that would certainly help is if some of these ideas are explored more fully before they come either to national parliaments or, indeed, to the European Council and the European Parliament.

Q223 Mr Illsley: Foreign Secretary, you mentioned a few moments ago that the period of reflection in relation to the Constitution has now been extended and I just wondered whether the British Government were comfortable with that extension.

Margaret Beckett: Yes.

Q224 Mr Illsley: Or whether you have any other views on the constitutional issues bearing in mind the calls for further votes in France.

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Margaret Beckett: Further votes in France? I have not heard—

Q225 Mr Illsley: Giscard d'Estaing recently said he thought France should vote again on the Constitution.

Margaret Beckett: I am sure the French Government was very grateful for that.

Q226 Mr Illsley: I am sure they were.

Margaret Beckett: No, we are quite comfortable. It reflects the reality. There is a period of reflection. In that initial period of reflection I think Member States have thought through more and more fully some of the implications of the position in which the Union finds itself and I do not recall anybody much suggesting that they objected to the extension of the period. I think there is a general feeling that is the right thing to do at this point in time.

Q227 Mr Illsley: We have also heard Belgium's Prime Minister recently say if four or more Member States ratify the Treaty that would bring the numbers to 20, which is four-fifths, and that would create a totally new situation which under the terms of the Constitution would allow for the matter to be referred back to the Council, as I understand it. Do you have any views on that? Do you feel the matter should be referred back to the Council if four-fifths of the states do ratify?

Margaret Beckett: To be honest, Mr Illsley, I do not see any real likelihood of that happening at the present time. Belgium is one of the countries that ratifies by parliamentary process. There are a number of Member States who have not yet ratified who are committed to having a referendum should the proposal come forward, or had the Treaty come forward. I think he is entitled to have and to express his point of view, and no doubt it is an area that can be discussed, but I do not see much likelihood of that happening at this moment in time.

Q228 Mr Illsley: This brings me on to my next question. There have been suggestions of a Europe-wide referendum which would obviously circumvent the idea of individual states voting against ratification. Do you rule that out as a possibility? Do you agree with a Europe-wide referendum?

Margaret Beckett: It is not for me to rule it out on behalf of the whole of the EU. Given that there are 15 Member States who have ratified in one way or another, mostly not by referendum, suppose you were one of the Member States like Belgium, say, who has ratified by parliamentary process and then someone comes along and says, "Now you have ratified by parliamentary process, let's have a Europe-wide referendum" in which, no doubt, the votes would be counted at a national level. This would be an interesting exercise in public democracy but one which those who have already ratified might not be thrilled about. It is a very interesting idea but I cannot see it flying.

Q229 Mr Illsley: Including some of us who have not voted. Finally, Geoff Hoon has already told the Committee that he would not rule out Treaty changes in order to bring in parts of the Constitution. Does the Government have in mind at the moment any specific areas of change or will we assess this as the issues relating to the Constitution progress?

Margaret Beckett: We are not thinking about Treaty changes at the present time. Certainly there are various people, among them our French colleagues, who are suggesting that we should all think about whether there are things that could be done like, as I said to Mr Mackinlay, improving the flow of information and documents to national parliaments on the basis of current treaties. That is something that is sometimes described here as "cherry-picking". I think generally across the European Union from all sorts of quarters there is a resistance to the idea of cherry-picking from the Constitutional Treaty. By that is meant bringing forward some elements of that Treaty which would require a new legal basis. I think it is a different matter, although nobody is involved in much discussion about this yet, but the French, as I say, have put forward some suggestions which are at a very early stage of discussion, that there are ideas around which would not require a Treaty-based change which could be done on the basis of current treaties, like better involvement and involvement of parliaments and is this something we ought to be prepared to consider. That is about as far as it has gone. I am not conscious of people talking about Treaty change.

Q230 Mr Purchase: Just to follow on that general pattern, Secretary of State, I guess the term "period of reflection" could be read as procrastination. In the meantime, we have now lived without a serious change in the Constitutional Treaty for some little time. Do you see the lack of progress on that as any impediment whatsoever to our prime aim of improving prosperity across Europe? If not, are we making much ado about nothing?

Margaret Beckett: No, I do not see it as an impediment, certainly not at the present time. I think it would be unwise to assume that it could not become an impediment at some stage, especially as Europe continues to be enlarged. It is not an impediment at the present time. In fact, one of the things that I think is particularly interesting and quite encouraging, which partly influenced my response at first to the Chairman, is there is a growing welcome for the ideas that were put forward and discussed at Hampton Court, what some people call the Hampton Court process and others call the Europa projects, that what we should be doing is looking for ways in which we can produce concrete improvement on areas like economic reform, and that should be the emphasis at the present time. There is no impediment in our present governing circumstances to doing that, and a lot of interest and goodwill towards doing it.

Chairman: Thank you very much. That takes us on nicely to enlargement.

Q231 Mr Horam: Foreign Secretary, do you think that enlargement does depend on constitutional change of the kind we are discussing inside the European Union?

Margaret Beckett: No, I do not think it does. Whether you could get to a stage, which we are by no means at yet, when enlargement means that people would have to consider whether there are ways in which we could improve our administrative operations is another matter.

Q232 Mr Horam: So enlargement can proceed without a constitutional change?

Margaret Beckett: Enlargement certainly can proceed without a constitutional change.

Q233 Mr Horam: Where do you stand on enlargement? There seem to be widely differing views. For example, the Prime Minister of Poland recently said that he could not conceive of a full European family without Belarus, Ukraine and Moldova and so forth, whereas Commissioner Kroes has said that 27 is the maximum as far as she is concerned. There seem to be widely differing views and I wonder where you stand on all that.

Margaret Beckett: I was not aware of what the Commissioner had said. We recognised Macedonia as a candidate country quite recently.

Q234 Mr Horam: She is blunt about the number.

Margaret Beckett: That is clearly her view. It is a matter for discussion in the future. Obviously there is a feeling that one of the things that could help to bring about real improvement in the Western Balkans and around the edges of the European Union, and it exists, is the prospect of association or, in time, membership of the European Union. You asked me if I thought lack of Treaty change was an impediment, and no I do not, but what I do think is key is that the enlargement process is properly and rigorously conducted. I think that is the key and that is more likely to be a relevant factor in the pace of change or the pace of enlargement than anything else.

Q235 Mr Horam: So you would welcome countries like Ukraine and Moldova, providing they were properly handled, into the European Union?

Margaret Beckett: I certainly think that it could be an error to close the door on them and say never but we are quite a long way from such a process.

Q236 Mr Horam: On the other hand, we are quite a short way from countries like Bulgaria and Romania where, as you know, there are concerns about inefficiency and corruption, especially in Bulgaria. How do you feel that the Europeans should handle this if we cannot overcome these problems in the timescale that is envisaged?

Margaret Beckett: First of all, I think there is a very clear and strong message going from the whole of the European Union's existing membership to Bulgaria and Romania, and because they are accession countries they are in attendance at the Council so they are not under any illusions, they hear all of this

all the time, that they have to meet these standards and it is very important and crucial and if this requires a substantial increase and extension of effort then that is what will have to happen. But, of course, there is also the question because there is a timescale under the Accession Treaty, and I do not want to dwell on this too much because the emphasis has to be on "You must meet these standards and that is required by the European Union before you become full members" and that has to be the emphasis for them. It is perhaps worth reminding the Committee, I am sure you are conscious of the fact, written into the Accession Treaty is the possibility of applying some post-accession measures so that, for example, access to the internal market could be restricted in some way, or there are areas on JHA issues where you could establish further monitoring. There is scope for that but obviously the pressure now wants to be on meeting them before they become members, not on a process afterwards.

Q237 Mr Keetch: You mentioned the Western Balkans, can I ask about a few countries in that general area starting with Kosovo. Are there any signs of progress being made at the Contact Group on the future status of Kosovo that you are aware of?

Margaret Beckett: I know that their discussions are ongoing. I think there is a certain amount of progress. I am hunting unsuccessfully for my notes. I am not up to speed with what is coming out of the Contact Group at this moment in time. I do know though that there are very strong differences of view about the way forward for Kosovo. Everyone is trying very hard to get an agreement about the way forward, but that has not yet been achieved and the discussions are ongoing. I think we are hoping for a report later this year from President Ahtisaari but I do not have a date for that. The Special Envoy and the Contact Group are continuing to work on it.

Q238 Mr Keetch: Let me ask you something that you are going to be discussing on 12 June, and that is Montenegro, because Montenegro, as you know, on 22 May voted narrowly in favour of independence. Commissioner Rehn has already said that it might be possible by the end of this year to conclude a Stabilisation and Association Agreement with Montenegro. Do you believe it would be possible to do that by the end of the year, and what is going to be the British Government's view on that general Stabilisation and Association Agreement?

Margaret Beckett: As Commissioner Rehn said, there is the hope that might be possible. Obviously in general terms we are in favour of such agreements being reached. As you quite rightly say, it is very recent. Yesterday we made the written statement that the UK is going to recognise Montenegro as, indeed, I think are fellow Member States, and are seeking to establish diplomatic relations. It is a little early to be absolutely confident but I think the feeling is that, first of all, it is not necessarily likely to be so very difficult to establish such an agreement with Montenegro and, second, it is partly because of

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their key place in the Balkans region itself, the issues that there are across that region about crime and there are already, and we rather anticipate there may be a substantial increase in the number of British visitors going to Montenegro. Anything that can be done to improve relations could be beneficial.

Q239 Mr Keetch: It is, indeed, a very beautiful country, as you have mentioned. In the absence of Mr Mackinlay, who has long sought to increase the diplomatic representation of the United Kingdom in Podgorica, I understand a statement has been made today about that. Could you just tell the Committee what is the change of our diplomatic post in Podgorica?

Margaret Beckett: We are changing our office in Montenegro to an embassy. That will be as soon as is practicable, and we will be appointing a resident ambassador in Podgorica.

Q240 Sir John Stanley: Foreign Secretary, that decision I know will be very widely welcomed in the Committee. Before we finish the Western Balkans can we turn to Serbia. When the Committee was last in Belgrade there clearly was a widespread and strong perception of the benefits for Serbia, a former republic of Yugoslavia, to start down the process of EU accession, and clearly that would have a very, very beneficial internal effect in what is now Serbia in modernising the system of criminal justice and performing to the standards expected by EU Member States. Can you tell us, and indeed give the assurance, that providing Serbia can satisfy ICTY that it is co-operating fully with ICTY, once that hurdle has been overcome the way is open in principle for Serbia to start down the accession process into the EU?

Margaret Beckett: Yes, I can certainly give the Committee that assurance. I think it is a source of considerable disappointment to a great many people that Serbia was not willing, as appears to be the problem, to comply with ICTY. That is why the Commission, quite rightly, suspended discussions with them. I understand the Commissioner has said that should Serbia decide after all to comply he stands ready to proceed with those discussions as soon as possible.

Q241 Mr Illsley: Foreign Secretary, an incident was averted as late as yesterday when Cyprus relented and allowed the first chapter of the Turkish accession negotiations to go ahead, but there will be problems in the future as a consequence of Turkey's refusal to recognise the Republic of Cyprus. Do you see that as an ongoing obstacle? Do you see any resolution to that issue of recognition?

Margaret Beckett: Certainly, as you say, yesterday an area of difficulty was averted. Until those issues can be resolved it will continue to be a source of difficulty during the negotiations with Turkey. The Member States and the Commission continue to urge the full application of the Ankara Agreement Protocol and to move forward in the way that we all know is necessary. I should say though perhaps that we also continue to urge the Republic of Cyprus that

we should be looking to try and progress some form of agreement as, indeed, was proposed by the United Nations' Secretary-General some time ago because all of these things do represent an area of difficulty for the European Union as a whole and one which it would be helpful to all concerned to see resolved.

Q242 Mr Illsley: Given the obstacles that Turkey faces—opposition from existing members of the European Union, not just Cyprus itself but there have been doubts expressed in Germany and France, and its own internal difficulties in terms of human rights issues, the influence of the military, of the so-called deep state—is there any realistic prospect of Turkey being able to join the European Union?

Margaret Beckett: Oh, yes, I think so. Obviously we will get an updated report on issues like the Ankara Protocol in October, I believe, when the Commission makes its next report on the progress of the talks in general. It was not so long ago—I am not carrying the date in my head—that Turkey set up an independent body to look at human rights. They know very well that there is concern about issues such as domestic reform, human rights, freedom of expression, the role of women, and so on, and are very mindful of the fact that this is an area in which people hope that they will move forward. The reform package that set up the independent human rights body has also included measures to improve minority religious rights and to give tighter civilian control on military expenditure. I think it is clear that Turkey is moving in the right direction but obviously that has to continue.

Q243 Chairman: Can I ask you about the impact of the failure to have a Constitutional Treaty on the external affairs work of the European Union. I was at a meeting in the European Parliament about three weeks ago when Mr Solana said that although he was not impeded in doing his job now, he might be from November when the Constitutional Treaty would have come into effect. We have been told by Douglas Alexander that the European External Action Service cannot come into effect without the Constitutional Treaty which would provide it with a legal base, but the European Union continues to have offices in various places around the world where sometimes the people are called ambassadors, although we had a very helpful memo pointing out that they are not ambassadors. Could you clarify, in the absence of the European Union having the Constitutional Treaty, what is exactly the position of the external representation both in terms of representatives and also the role of Mr Solana.

Margaret Beckett: First of all, in terms of the external representation, that is quite correct, it cannot go ahead. As you say, it is sometimes reported that various people call EU representatives “ambassadors”, but not us, and not, I rather think, any Member States. It is absolutely clear that that cannot go ahead. I am slightly surprised to learn, I must talk to Javier, about the fact that he feels his position may be more difficult after October. That may be a point of view he expressed before he got involved in the communications and discussions

with Iran where I think he has not faced any difficulties and, indeed, is making a very valuable contribution. With regard to the offices, obviously this is Commission business, it is the Commission's budget. I know that some concerns have been aired but they are for them to answer rather than for me.

Q244 Chairman: Although we welcome steps to open some embassies, which you have already referred to, nevertheless there are embassies that have been closed in several parts of the world, including a number of Commonwealth countries and other posts have had restrictions and reductions. What scrutiny do we carry out of the Commission's representative offices in other countries? Do Member States have any control over this?

Margaret Beckett: We carry out the ordinary kind of scrutiny that goes with the budget process, in which this Parliament is involved, as is the European Parliament. I think I can fairly confidently say we do not have a great deal of involvement in scrutiny other than that because I understand that Mr Mackinlay asked for some information about those offices the last time Douglas Alexander came to this Committee and we are endeavouring to find it out, Chairman, but we have not yet totally succeeded. Perhaps I should apologise to Mr Mackinlay in his absence but I can assure him that as soon as we do have that information it will be before this Committee. Since we have not got that information I think that does suggest that we are not involved in very detailed scrutiny.

Q245 Chairman: Who has got the information that you need to get?

Margaret Beckett: The Commission presumably has got it. I do not think the feeling is that this is an issue of, how can I put this, less than full transparency, I think it is maybe an issue of whether or not they can lay their hands on it.

Q246 Chairman: It is quite worrying, is it not, because there is a serious amount of money being spent here.

Margaret Beckett: As I say, it is a budget to which we contribute but no doubt the Court of Auditors is apprised of this and should we continue to be in a position that there is no move forward on any of these areas then no doubt that is something people will look at in the future.

Q247 Mr Horam: Nonetheless, this is probably an indication that the European Commission does want to strengthen its Foreign and Security Policy and to make it more coherent. I have not seen this paper by Mr Barroso but I understand that he talks about improved co-operation between the Commission and the Council Secretariat. He wants personnel between nation states' foreign services and the Commission to be more interchangeable than they are and he wants better strategic planning between, no doubt, Mr Solana's High

Representative Unit and the Commission's external relation commissioners. Is there anything here you do not agree with?

Margaret Beckett: No. The phrases that you have quoted seem unexceptional.

Q248 Mr Horam: Unexceptional.

Margaret Beckett: However, there is a caveat to that. Who can quarrel with greater co-operation or perhaps greater exchange of personnel. For example, in my former department we exchanged personnel with the comparable French ministry. All of those things, better strategic planning, can be very useful. However, and there is a substantial however to this, better co-ordination within the Commission and between the High Representative and the Commission, fine, we would not quarrel with that, but I understand there is also a suggestion of perhaps full Commission participation alongside the Presidency and EU delegations. Well, no, maybe not, perhaps not even legally allowable. I stress to the Committee that the headline phrases that you have quoted are fine but if they contain within them detail which we question then we will question it.

Q249 Mr Horam: The general objective, which is clearly working towards a more coherent European Union Foreign Policy, the general direction of travel, are you content with that? You would like to see a more coherent European Foreign and Security Policy, would you?

Margaret Beckett: There will be times when different Member States simply cannot see eye-to-eye on particular issues but it must always be of benefit if there is genuine common ground on particular issues. Tribute was paid at the General Affairs Council yesterday to the work of my predecessor, Jack Straw, and to Dominique de Villepin and Joschka Fischer for starting off the process of engagement with Iran. Whatever is the outcome of where we now find ourselves on those negotiations there can be no question that the fact that those three Member States found common ground and worked together and co-ordinated together to move things forward is potentially of substantial benefit to Iran, to Europe, to the Middle East and to the wider world.

Q250 Mr Horam: To do that on a more consistent basis than just a one-off like Iran we do have to have, do we not, closer institutional arrangements than we have now of the kind that Mr Barroso is talking about?

Margaret Beckett: I am not sure. Possibly. If I can give you a different example from some of my experience in my former department. There is really very good co-operation between Member States on the world stage, if I can put it that way, in terms of negotiations on issues like climate change, very, very good. People do not have identical views but there is a coherence and consistency of purpose and a willingness to work together, and that is beneficial and is part of what fed my response to the Chairman's first question.

Q251 Mr Heathcoat-Amory: Foreign Secretary, as you know, it was a proposition in the European Constitution that EU representatives, most notably the proposed EU Foreign Minister but also others, should report both to the Commission and to the Council of Ministers. This was a form of so-called double-hatting designed to strengthen the Commission's position in foreign policy and dilute that of Member States. Can I put it to you that this is already happening and give you an example? The EU Special Representative in Macedonia is a Commission appointment but also reports to the Council of Ministers. When this was set up the British Government complained and made a declaration that it should not be a precedent for the future. Does it alarm you though that the European Constitution is being brought in incrementally by the back door, and this is just one small example, and can you give us an assurance that you will block any repetition such as similar people being proposed for Kosovo and elsewhere in the Balkans which would undermine the crucial involvement and accountability and primacy of Member States in foreign policy?

Margaret Beckett: It would alarm me if I thought that that was happening in any serious way. I do not think it is. You have quoted the example of Macedonia and I believe that is the only example, and as you identified, quite rightly, we did protest about it at the time and insisted that it must not be seen as a precedent. I have already, in the short time that I have been in this post, heard on a number of occasions representatives, not just of the UK but also of other Member States, talking very firmly about foreign policies being a matter for Member States, and I think you will find that Member States across the board are generally quite jealous of their rights.

Q252 Mr Heathcoat-Amory: So this will not happen in Bosnia and Kosovo and elsewhere? This is a one-off and not a precedent?

Margaret Beckett: You are asking me to give you an undertaking as to what will happen. I will simply give you an undertaking that this is certainly not a precedent that the United Kingdom Government would wish to see repeated and we would resist it.

Q253 Mr Keetch: Can I just return, Foreign Secretary, to the point that our Chairman made about the location and number of EU posts, representatives, call them what you like, overseas? This Committee has been very critical of the Foreign Office in the past for closing embassies in places like Madagascar or consul-generals in Seattle or whatever because presumably somebody in the Foreign Office has done a cost/benefit analysis as to whether it is necessary to have that post there; we may not agree with it but at least that process has begun. Are you saying to us that you are unable to find out if there is a similar process for EU representative offices throughout the world because, if that is the case, it is no criticism of you but I would have thought that the EU, who after all are spending European taxpayers' money, ought to have a

process of saying where they have the offices and why they have the offices and what is the benefit of having those offices in such places.

Margaret Beckett: I agree entirely with your contention and that is a matter for the institutions of the European Union and the Court of Auditors, the European Parliament and so on. I am simply saying to you that I would have thought—and I am pretty confident in that—that such a process is gone through at EU level just as it is, as you quite rightly say, at national level here. I am simply saying we are not part of that process because we are not running the European Union.

Chairman: Can I switch focus and ask you about EU–US relations?

Q254 Mr Purchase: We know that relations are ongoing, and we hope strengthening, as they go between Europe and the US but there are differences, as one would expect, between two continents. What are the main areas of difficulty that you see, Secretary of State, in the EU–US relationship? Do we need a little distance perhaps between the two or should we be coming ever closer together and almost indistinguishable?

Margaret Beckett: I am sure it will be a long time before we are indistinguishable, if ever. I think it is pretty clear that where there is understanding and acceptance between, for example, the United States and the countries of the European Union that is a strength to both and that we can each be even more effective, and again I quote the example of Iran where the fact that there is a lot of common ground between the United States and the other players has been beneficial so far and we must hope that it will be beneficial in the future, but there are other areas where there will undoubtedly be differences of view. Sometimes it is a matter of differences within a broad common approach. For example, in the Middle East both the United States and the European Union are committed to a two-state solution. Sometimes we do not wholly see eye to eye on the tactics of what will help to advance the peace process in the Middle East at a given point in time but obviously one area, and again the things that spring to my mind are mostly things where we do see eye to eye, is the Doha Round. There is common ground on how important and beneficial and ambitious outcomes in the Doha Round could be. Where the differences arise is that we think the United States should be making some more moves and they think we should be making some more moves, and it is repeated, of course, with the G20 and all the other players and we are on the brink more or less of discussions in Geneva where people hope that this can all be moved forward. There are areas of difference and where there are such areas of difference it is likely that there will be a degree of distance.

Q255 Mr Purchase: Can I put to you that there is a difference in the way in which mainland Europe considers its relationship with the USA and that which appears to be British policy, of ever closer relations with the USA? There does seem to be a perception there of a difference between mainland

Europe and the UK. In Vienna next week many of these arguments will be rehearsed and rehearsed again. Are they creating any tension between Britain and its approach to the US and Europe more generally in its approach to the US?

Margaret Beckett: There have been times, and no doubt there will be times again, when different Member States take a different view and have more concerns about the relationship with the United States. Yesterday, in the General Affairs Council—and I am sorry to keep going back to it but it is such an unusual but hopefully encouraging example—when there was a report back on the issue of Iran, I had fully expected (I think we had all fully expected) a certain amount—I am just trying to think of the right word; I was going to say “critical” but I do not mean unpleasantly critical—of critical scrutiny and anxiety and so on, but actually there was an extremely positive mood in the General Affairs Council and a recognition and very warm words said about the contribution made by those who had participated and a recognition of the contribution made by the United States. There are growing relationships between other Member States as well as the United Kingdom and the United States and a greater degree of multilateral engagement. Yes, there have been issues but I can only repeat what our Prime Minister has always said, that it is in the interests of this country and, we would argue, probably in the interests of every Member State that there should be good relationships within the European Union and good relationships with the United States.

Q256 Mr Keetch: Secretary of State, you have met the Israeli Prime Minister, I think this morning, and indeed the Chairman and I and further members of the Committee were also present at a meeting with him earlier today. Can I ask you about the situation and specifically about EU aid going into the Palestinian Authority because, as you know, in 2005 that was some €280 million. That has been suspended following the election of Hamas, although obviously we do not want to do anything to undermine the position of President Mahmoud Abbas. The Quartet has talked about the creation of a temporary international mechanism for channelling these funds in to ensure that they get to the people but do not in some way bankroll Hamas. Can you tell us what progress has been made on the creation of this mechanism, either discussed at yesterday’s meeting or in terms of the discussions you have had so far today with the Israeli Prime Minister?

Margaret Beckett: We discussed it briefly. To a certain extent I was reporting to the Israeli Prime Minister—I met the Israeli Foreign Minister yesterday in Luxembourg and the Prime Minister today—where we are in terms of the EU’s approach. As you quite rightly say, of course, substantial funding has gone into Palestine from this country and also from the EU and work is proceeding with urgency to try to develop this temporary international mechanism. We, the EU, were, of course, commissioned to do that by the Quartet at

their meeting. It is not quite clear to me just how close they are because there are a whole lot of practical issues and difficulties, but what I think does emerge from the discussions yesterday and the report of the Commissioner is that there is a clear agreement that there should be a relatively small number of areas where we seek to put funding. We in the UK are inclined to the view that it would be best to concentrate on support for health care. Some other Member States do not want to restrict it just to health care. That discussion is ongoing. Also, of course, should such a mechanism be successfully set up there is then the issue of whether or not other players would contribute through it in order exactly to not breach the Quartet principles by funding the Hamas Government directly at a time when they show no indication that they are prepared to move towards those principles. What was reported yesterday was that work is ongoing with some urgency. There is anxiety to get this up and running as soon as possible in order to try to stave off the development of substantial humanitarian problems and, of course, the Israeli Government itself is using some of the revenues that they have on utility bills, water, I think, as well, and has offered to pay for medicines but that offer has been rejected. I do not recall getting a deadline or a clear indication from her as to how long she thinks it will take but they are moving as fast as they can.

Q257 Chairman: Foreign Secretary, in January I think it was, when there were the difficulties in Jericho, there was then an attack on the British Council facilities in the West Bank and on the building in Gaza which was set fire to. In this current situation of potential conflict and violence between Hamas people and Al Qsa people and other people, how secure are our people in those facilities and is there any consideration that you have to give at the moment to what might need to be done if this situation deteriorates further?

Margaret Beckett: I think, Chairman, I will have to offer to write to the Committee about that.¹

Q258 Chairman: I would be grateful.

Margaret Beckett: Obviously, this is an issue that people do keep under review; you are quite right to say, and we always try to have a duty of care towards our staff and people like the British Council staff, but if I may I will come back to you on that point.

Chairman: Certainly.

Q259 Sir John Stanley: Foreign Secretary, as you are aware, neither the British Government nor, so far as I am aware, any other EU Member State regards any territory beyond Israel’s 1967 borders as being part of the internationally recognised state of Israel. Given what has been said by the Israeli Prime Minister in the last few weeks, indeed the last few days, will the UK, along with the EU, be making it quite clear to the Israeli Government that any unilateral, as opposed to negotiated, annexation of

¹ Ev 85

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part of the West Bank or east Jerusalem would be internationally unacceptable and unacceptable to the EU?

Margaret Beckett: We have made it extremely clear to the Israeli Government, and the Prime Minister did to the Israeli Prime Minister yesterday, that we are looking for negotiations and for a negotiated settlement and that we would view any unilateral action by the Israeli Government as—I was going to say very much second best, but we would be reluctant to see such unilateral action because we believe that negotiation is the right way forward. You will know that the Prime Minister has given an undertaking to the President and to the Prime Minister publicly that he will do everything he can to pursue the process of negotiation and I think the international community will want to see that that is what happens.

Q260 Sir John Stanley: Foreign Secretary, is not saying it is “second best” or “reluctant to see” an incredibly weak stance against what would be, in the previous view of the British Government and the EU, an illegal act by the Israeli Government, to acquire territory unilaterally to which it has no legal entitlement?

Margaret Beckett: I certainly do not intend the view of the British Government to sound weak. I would simply say to you though, Sir John, that although there were strong reservations about moves that were made unilaterally on Gaza there was nevertheless a rather grudging recognition in the end that some of these were moves in the right direction although there was obviously much preference for there to be negotiation. I think it is not insignificant that when Mr Olmert made his remarks about the possibility of what I think they were calling convergence in the first place the reaction from so many players in the international community, including the European and the UK, was to say, “No. What we are looking for is a resumption of negotiations and a return to the process of the road map”. Equally, what happened in the context of the Gaza changes was that there was, as I say, a grudging recognition that this was at least going in the right direction rather than the wrong direction. We have made and will continue to make it extremely clear that there has to be a serious attempt to return to the process of negotiation and that that in the long term is the only sound basis for a way forward.

Q261 Sir John Stanley: As you mentioned Gaza I am sure you would recognise that there is all the world of difference between a decision by the Israeli Government unilaterally to give land back to the Palestinians and unilaterally to take it away from them.

Margaret Beckett: I totally accept that.

Q262 Richard Younger-Ross: Just following on from Sir John Stanley’s point, I have to say that it does sound rather weak and the EU’s position sounds rather weak to say, “You should not do that. It really would be very nice if you came and

negotiated”, which is all we appear to be saying. The EU has offered Israel a number of carrots in the past to try and encourage it along that process. If it is not prepared to go along that process and play the negotiating game perhaps some of those carrots we have given it in terms of trade arrangements should be withdrawn.

Margaret Beckett: Nobody is saying that it would be very nice. What is being said to the Israeli Government is that there must be a return to the negotiating process. However, what one has to recognise is the forceful reservation by the Prime Minister of Israel that he wants someone to negotiate with. No-one is suggesting that he can negotiate with the Hamas Government unless that Hamas Government recognises the Quartet principles. Yes, there is absolutely very clear, very firm and very strong pressure on the Israeli Government that there must be a process of negotiation but there have to be two parties to that negotiation and Hamas is not at present shouldering the responsibilities which mean that it can be such a party.

Q263 Richard Younger-Ross: I accept that, but that does not necessarily mean that they should unilaterally go ahead, does it?

Margaret Beckett: I am not saying that. I am describing to you what the Israeli Government is saying to the international community and I am saying that what the international community is saying back is negotiation and the road map.

Q264 Chairman: In January, Foreign Secretary, the Government published a White Paper on the European Union and in that there is a section about Iraq, talking about expanding the European Union’s role in Iraq. In the light of the current security situation could you update us? Has anything happened on that front or is it now unrealistic to envisage an imminent expansion of the EU role in Iraq?

Margaret Beckett: No, I hope it is not at all unrealistic. The Committee may not have been told yet that one of the other people who came to the Council in Luxembourg yesterday was indeed the new Iraqi Foreign Minister and he was made very welcome. He was giving the Council an update on the position in Iraq. He was also seeking an expanding role for the European Union as an entity and support from Member States in the UN in order to assist in getting economic reforms and security reforms as the new Iraqi Government of National Unity is seeking, and there seems to me to be quite a warm response to that and a recognition of the importance and the value that can be achieved if we can establish a stable democratic government in Iraq.

Q265 Chairman: You have already touched on this in several previous answers but I would like to ask another question about Iran. I know last week you gave us quite a comprehensive statement and said you were reluctant to go any further given the sensitivities, and I think we all understand that, but

in a general sense the fact that we are where we are and that these talks are taking place is undoubtedly due to a shift in the position of the US Government. How much does this American shift really represent? Is it a tactical move or does it actually foreshadow a shift towards a policy of, if you like, constructive engagement rather than containment or hostility towards Iran?

Margaret Beckett: First can I say in fairness to our predecessors as Foreign Ministers that although you are right in saying that the present process of engagement has been contributed to massively by this very substantial shift in the position of the United States of America, actually there would not have been anything to shift on, there would have been no foundations laid, had it not been for those three EU Foreign Ministers and their initiative and I think that the credit belongs to them in starting that process, but then, of course, all credit is due to those in the United States for making a substantial shift. I do believe that we would be in much the same position at this moment in time even if the United States had not moved as far as they have, but obviously it is a huge encouragement to the Government of Iran to recognise what we were all seeking to make plain to them, that there is a choice of path open to them and that one of those paths is one of real opportunity for a better future for the Iranian people. Obviously, the move by the United States is one of the major contributory factors in fleshing out, if I can put it that way, the sheer scale of that opportunity because it is now an opportunity that does not just relate to their wish to have access to civil nuclear power but also much more widely to their relationships with the whole international community. That is why, I think, everyone is conscious of the fact that it could foreshadow—over time, obviously,—a quite dramatic change in the position of Iran in the international community and the opportunities open to the Iranian people. Equally, however, if someone is offered what one could call a golden opportunity to move away from a path of isolation and to move forward for the things that they say they are seeking and that opportunity is not taken, then that does make quite a difference. I say to you, hand on heart, no, I do not believe it is a matter of tactics by the United States. I think it signals a willingness by the United States to have a changed relationship with Iran if that is what Iran wants.

Q266 Mr Illsley: Foreign Secretary, what prospect do you see for an agreement amongst European Member States on energy on the basis of the Solana Commission paper, bearing in mind the fears that were engendered earlier this year when the Russians disconnected the supplies to the Ukraine and the fears which that created amongst other Member States for their own security of supply?

Margaret Beckett: I think there is quite a reasonable prospect for agreement on energy. Obviously, people are looking at an exploring the implications, but I have not heard any great cries of pain or anxiety or concern, so on the basis of what is being proposed now I think there is quite a good prospect of agreement.

Q267 Mr Illsley: Is not the prospect of an agreement being undermined by individual countries agreeing pipeline deals with Russia, for example the one that has been achieved by Germany which gives an importance to Russia over and above its status, if you like? Also, what role do you see within the European Union for the new priority you have established on achieving a low carbon global economy?

Margaret Beckett: First and quite briefly, obviously, people are looking at the implications of things like the decision and the relationship that has been agreed between Germany and Russia but that is a matter for them. I do not think that it is of such import that it undermines the possibility of a wider EU agreement. On the issue of our new strategic priority on climate change, it was the chief thing that the Prime Minister said to me when he asked me to take this post, that he was very keen to put emphasis on this area this year, just as we did last year through our Presidencies, and to move it forward through diplomatic channels, not merely through the familiar channels of engagement for environmental ministers, and that is something that we hope to take forward. Even those who remain, bizarrely I would say, somewhat sceptical about some of the implications and to what degree there is an issue on climate change, are becoming reluctant to run the risks that they might be wrong. Apart from all the other straws in the wind, I would take considerable encouragement from the increased anxiety among the insurance industry, both in the UK and more widely across the world, because I think few things concentrate the mind more or make people recognise risks and practicalities more than when your insurers ask you what you are doing about something. I am not saying that it will be easy to reach agreement but we do believe that it is a matter of some urgency to try to get agreement that we should have an international community establish some kind of broad, long term goal; in principle that is what we all signed up to when we joined the Convention on Climate Change, and that we should make a more urgent effort to identify such a goal over the months and the year or so that is ahead. It is a little early to say how that will proceed but we shall continue to work on it.

Chairman: Thank you, Foreign Secretary, and thank you, colleagues. We have had a very wide range of questions but there are remaining some other issues that we will write to you on. We look forward to the outcome of the summit and no doubt any statement that comes next week.

Written evidence

PARLIAMENTARY BRIEFING NOTE

COLLEGE OF COMMISSIONERS' VISIT, 1 JULY 2005

The Commission visit on 1 July marked the start of the UK Presidency of the EU. The Prime Minister said that he was delighted that the Scottish and Welsh First Ministers were participating as well as UK Ministers.

HMG told Commissioners it would use the Presidency to:

- Try to reach a future financing deal.
- Make progress on the Services and Working Time Directives, as well as the Better Regulation Agenda.
- Take forward the G8 Africa and climate change agenda, as well as the Middle East Peace Process.
- Build on the EU's work to counter terrorism, organised crime and illegal migration.
- Take effective collective action on foreign policy and development issues, showing the EU's relevance to its citizens.
- Uphold the EU's existing commitments on enlargement.

The Prime Minister announced that the UK would host an informal meeting of Heads of Government in the UK to build greater consensus on what constitutes an appropriate and competitive modern European social model. The meeting is likely to be at the end of October. No venue has yet been selected but the style of the meeting is likely to be country retreat.

The Prime Minister agreed to hold a Tripartite Social Summit before the informal Heads of Government meeting to inform discussion. The Commission will also produce a paper.

The Commission noted that the new Structural Funds Regulations would come to the Council for approval in October at the earliest and depended on agreement of the budget. Working up guidelines, frameworks and programmes could take up to two years. The Commission would do all it could to enable programmes to be put in place and expenditure made as quickly as possible. HMG underlined its commitment to agreeing the Regulations during the UK Presidency so that detailed planning could get underway as soon as agreement was reached on future financing.

The Commission undertook fully to support the UK Presidency and looked forward to it being a success.

The Scottish First Minister noted Scotland's important constitutional role on EU issues. The First Minister for Wales noted Wales' strong interest in an early budget settlement and speedy implementation of new structural funds programmes.

Foreign and Commonwealth Office

21 July 2005

Letter from the Minister of State for Europe, Foreign and Commonwealth Office to the Chairman of the Committee

I am sending this letter to highlight the UK's Presidency priorities for the General Affairs and External Relations Council (GAERC) and to include a brief forward look of the work expected to be taken forward and discussed at the 3 October GAERC. This GAERC falls during recess (21 July to 10 October).

We have, as do all incoming Presidencies, to continue work on all pending business. That is a heavy workload at any time, but we also have to take on the EU budget negotiations ("Future Financing") after the inconclusive outcome of the European Council on 16–17 June. The Prime Minister has made clear that we take our Presidency responsibilities seriously and will seek to make progress towards agreement during our Presidency. In the first instance, we will be conducting bilateral consultations with the other 24 Member States and the two Accession States to ascertain their views on the future financing of the Union and on how we should take forward the negotiations. We will consider next steps in the light of those consultations. Much wider than that, and building on the Prime Minister's speech to the European Parliament on 23 June, we also want to use this period of reflection for public debate about the future political and economic direction of the EU. The Prime Minister announced on 1 July 2005 that we will host an informal Summit in the autumn to discuss the challenges for the European social model in the 21st Century.

The main policy priorities for the UK Presidency reflect the issues identified in the cross-Presidency Multi-annual Strategic Programme for 2004–06 published in December 2003, the Luxembourg-UK work programme published in December 2004, and the White Paper on prospects for the EU under the UK Presidency published in June 2005. All three papers are in the Libraries of the House. In the field of external relations, including CFSP, the UK Presidency hopes to take forward:

DOHA DEVELOPMENT AGENDA

The WTO Ministerial meeting in Hong Kong in December 2005 will aim to take forward the current round of trade talks. The WTO Round is an important priority for the EU. Our objective is to conclude the Round by 2006, and to this end, we need to make progress in the lead up to the Hong Kong Ministerial. We have scheduled two informal EU trade ministers' meetings during our Presidency, where the WTO Round will be on the agenda. We will work with our EU Partners, the EU institutions and other WTO members to achieve a successful outcome at Hong Kong.

AFRICA/G8

The Summit at Gleneagles produced the most detailed and ambitious package on Africa ever agreed by the G8. We will now be looking to implement these commitments, including through our EU Presidency. At the Summit, heads agreed to strengthen the Africa Partnership Forum, including by establishing an Action Plan between all the major donors and Africa. The June European Council asked for a long-term strategy for Africa to be agreed at the December 2005 European Council. We will be working with our EU partners to produce this, and look forward in particular to the Commission's Communication which is due to come out in October.

On aid, the G8 agreed that the commitments made before and at the Summit would increase aid to Africa by \$25 billion a year over 2004 levels by 2010 (a doubling), as part of a wider package to increase overall aid by \$50 billion a year by the same date. The EU agreement at the May GAERC to double aid to Africa clearly set the bar high and shows the EU making a leading contribution. We will be working to implement these commitments. We will also continue discussions on innovative finance mechanisms with our Partners. On debt, the G8 agreed a proposal to cancel 100% of the debts of qualifying countries to the International Development Association (IDA), the IMF and African Development Fund. European Partners welcomed the proposal at the Council Meeting of 16–17 June. We will now work to secure agreement for the proposal at the World Bank and IMF Annual Meetings in September.

PEACE, STABILITY AND REFORM IN THE MIDDLE EAST

The EU will continue to work with the US and other international Partners to play a major role in the Middle East, in particular as a member of the Quartet for the Middle East Peace Process. The EU will continue to play, through the Quartet, a key role in supporting the Palestinian Authority's efforts at institutional reform and Prime Minister Sharon's disengagement plan. Stronger Palestinian institutions and a successful disengagement are necessary for Roadmap implementation.

IRAQ

During the UK Presidency, we will be looking for the EU to continue to increase its engagement with Iraq. In particular, for the EU to continue to support the political transitional process, including for the constitutional process, elections, referendum and subsequent elections. We also want to build up the current EU Rule of Law and Police Training mission, including moving towards some training being undertaken in Iraq; to lay the foundations for negotiations to commence on a Third Country Agreement to increase EU/Iraq political and trade cooperation; and see the Commission establish a permanent presence in Iraq.

EUROMED SUMMIT

The Presidency will use the 10th anniversary of the Barcelona Process, on 27–28 November 2005, to deepen the EU's partnership with the Mediterranean region, supporting reform efforts. We want Partners to endorse at the EuroMed Summit a Declaration and an outcomes-orientated Action Plan (AP) which meets our Arab Reform objectives. We hope that the Action Plan contains medium-term targets in key areas including governance, education and economic reform.

RUSSIA AND UKRAINE

The EU will continue to build its partnership with Russia. The UK Presidency will take this forward in a way that is based on common European values and reflective of the EU's interests in the common neighbourhood. Events in Ukraine last year marked a watershed for democracy there. The UK Presidency will continue to develop the EU's relationship with Ukraine on the basis agreed earlier this year, reflecting Ukraine's progress in implementing reform. The Prime Minister will chair Summit meetings with both Russia and Ukraine.

UN MILLENNIUM REVIEW SUMMIT

The Summit will take place on 14–16 September. We are strongly committed to a balanced and ambitious Summit outcome to enable the UN to comprehensively tackle today's inter-related challenges of development, security and human rights. As Presidency we will further co-ordinate the EU's contribution to Summit preparations.

EU-CHINA AND EU-INDIA SUMMITS

As Presidency we are working towards a successful EU-China Summit on 5 September and EU-India Summit on 7 September, both of which the Prime Minister will chair. The focus for the EU-China Summit will be on long-term objectives such as a timetable for negotiating a new EU/China framework agreement. We also hope to agree to strengthen and deepen co-operation on climate-friendly technologies. The key output of the EU-India Summit will be the launch of a comprehensive Action Plan which covers key objectives across the range of our strategic partnership over the next 10 years—from counter-terrorism work to cooperation in the fields of science and technology.

ENLARGEMENT

As Presidency we will work to deliver on the EU's existing enlargement commitments. This includes: continuing preparations for Bulgarian and Romanian accession due in January 2007; opening accession negotiations with Turkey on 3 October; and opening accession negotiations with Croatia as soon as it is cooperating fully with the International Criminal Tribunal for Yugoslavia. We will also take forward consideration of Macedonia's membership application once the Commission have issued an opinion. We will also consider Commission papers on agreeing a Stabilisation and Association Agreement with Serbia and Montenegro and Bosnia and Herzegovina.

WESTERN BALKANS

The Presidency will take forward the EU's clear commitment to the further European integration of the Western Balkan countries as they move towards meeting the necessary political and economic criteria. In particular we hope to develop the EU's role in support of the UN's work to create a stable and multi-ethnic Kosovo, and encourage further moves on the part of Serbia and Montenegro and Bosnia and Herzegovina to justify the opening of Stabilisation and Association Agreement negotiations during our Presidency.

COUNTER-TERRORISM AND SECURITY

Counter-terrorism was already a Presidency priority prior to 7 July. But the Emergency JHA Council of 13 July saw a renewed commitment from all Member States to deliver the EU's Counter-Terrorism action plan and to work to more ambitious deadlines. As Presidency we are encouraging Member States to enhance their own national efforts, to work more closely together and through EU bodies, and to enhance co-operation with other countries, in the fight against terrorism, within the framework of the Hague Work Programme and the Counter-Terrorism Action Plan. The UK Presidency will also take forward work to reinforce security within and outside the EU, focusing on organised crime and illegal immigration.

EUROPEAN SECURITY AND DEFENCE POLICY

The UK Presidency will continue to develop an active, coherent and capable ESDP. We will ensure the effective management of the EUFOR Bosnia mission, the policing missions in Bosnia, Macedonia and the Democratic Republic of Congo (DRC), the security sector reform mission also in DRC, and the training mission for Iraq. We will deliver the EU's commitments to support the African Union mission in Darfur, working closely with NATO, and look at potential missions in Aceh, Palestine and Georgia. We will also drive forward work on civil-military co-ordination, which is both the most needed capability in many security crises today and an area where, with its wide range of instruments, the EU has the potential to take a leading role. Finally, through further development of the EU Battlegroups initiative, the European Defence Agency and the Civilian Headline Goal, we will continue to focus on improving European capability to take action either within NATO or, where NATO chooses not to take part, without it.

THE EU'S RELATIONSHIP WITH THE US

Within a wider framework of a renewed transatlantic agenda, strengthening the economic partnership will be a particular priority for the Presidency.

OCTOBER GAERC

At present, the General Affairs and External Relations Council (GAERC) will meet on 18 July, 3 October, 7 November, 21–22 November, and 12 December.

On current plans, key priorities at the 3 October GAERC will be Turkey (the opening of negotiations has been scheduled for 3 October), Financial Perspectives 2007–13 (a continuation of the debate on the EU's long term budget), Western Balkans (appointment of an EU member to the UN envoy's team), Afghanistan (elections to be held on 18 September), and preparation for the EU-Russia Summit on 6 October and the EU-Ukraine Summit in w/b 17 October.

The following items may feature for political agreement or adoption as "A" points:

- Belarus—restrictive measures (renewal of the Common Position imposing a travel ban).
- ICTY—asset freeze against indictees (renewal of the Common Position).
- ESDP—EU COPPS (new Joint Action to establish an ESDP mission—dependent on the outcome of a fact finding mission).
- ESDP—Aceh (new Joint Action—dependent on the outcome of a fact finding mission).
- ESOP—EIJPM (renewal of the Joint Action).
- ESDP—EUPOL Kinshasa (renewal of the Joint Action).
- Turkey—Commission Communication Strategy.
- Small Arms and Light Weapons in Cambodia (renewal of the Joint Action).
- Small Arms and Light Weapons in SE Europe (renewal of the Joint Action).
- Small Arms and Light Weapons in Albania (renewal of the Joint Action).
- Organisation for the Prohibition of Chemical Weapons (renewal of the Joint Action) Palestinian refugees (renewal of the Common Position).

The EU Foreign Ministers informal (Gymnich) will take place on 1–2 September in Newport, Wales. The agenda has yet to be agreed. I will provide the EU Committees with further information on Gymnich discussions after the event.

I look forward to working with your Committee during the UK Presidency of the EU. The Government recognises the important role of your Committee in relation to the Presidency and sees your Committee, and Parliament more widely, as holding a key stake in the Presidency and its success. The Government also recognises that examination of Presidency priorities will place an extra burden on the Committee and is grateful for the Committee's willingness to undertake this important role. It is important for me to remain in close contact with your Committee, as efficient working between the FCO and Parliament will be crucial in delivering a business-like, professional Presidency that enhances the UK's reputation among our European and global Partners.

I have written in similar terms to Jimmy Hood MP, Chairman of the House of Commons European Scrutiny Committee, and to Lord Grenfell, Chairman of the House of Lords Select Committee on the European Union. I am copying this letter to the Clerks of both Committees; James Eke, FCO Scrutiny Coordinator; Philip Kendall, FCO Parliamentary Relations Coordinator; and to the Cabinet Office European Secretariat.

Douglas Alexander MP
Minister of State for Europe
Foreign and Commonwealth Office

28 July 2005

Letter to the Chairman of the Committee from the Minister of State for Europe, Foreign and Commonwealth Office

I am writing to let you know about a decision the FCO has recently taken to phase out grant-in-aid funding for the British Association for Central and Eastern Europe (BACEE). In view of the current debate surrounding the future of enlargement I felt it important to set out the reasons for our decision, and to reassure the members of your Committee that it in no way represents any diminishing of our support for the enlargement process.

BACEE is a Non-Departmental Public Body (NDPB) chaired by Lord Radice. Two FAC members—Gisela Stuart and Paul Keetch—are also members of BACEE's board. BACEE was established in 1967 to promote democracy, human rights and the rule of law in Central and Eastern Europe, and its project activities have helped to underpin the remarkable reforms that we have witnessed in the region in recent years. In recent years their focus has shifted towards the Balkans and the enlarged EU's Eastern neighbours. Grant-in-aid in the current financial year is £267,440.

NDPBs have come under increasing scrutiny in recent years, reflecting government policy to keep their numbers to a minimum. There are two criteria for determining whether or not the status is justified: that there is a clear continuing need for their work, and that an NDPB can be shown to be the best way of carrying out that work.

BACEE clearly meets the first criterion: there is a continuing need for project work to support HMG objectives in the EU candidate countries, Western Balkans and Eastern neighbours. The growth in FCO programme funds directed at this region illustrates this. But BACEE no longer meets the second criterion. Now that relationships with the target countries have been normalised it is much easier for our Embassies to operate directly to promote stability and democracy. Similarly, there is now a plethora of organisations which can implement projects on the FCO's behalf: NGOs, Other Government Departments and agencies, universities, trades unions and consultancies. Increasingly we are working directly through indigenous NGOs or through organisations in new member states, who are eager to share their experience of reform and integration with EU norms. All of these offer good, cost-effective channels for the FCO to pursue its objectives.

BACEE have been aware for some time now that the climate surrounding their future has been uncertain. In a letter to the Chairman in December 2002 the Foreign Secretary made clear that no guarantees could be made about future levels of funding and a review of BACEE in summer 2004 noted that in retaining its grant-in-aid BACEE was swimming against the tide. There is already one precedent: the Britain–Russia Centre/British East-West Centre lost its NDPB status two years ago. Other FCO-sponsored NDPBs are also under regular review.

The FCO proposes to phase out BACEE's grant-in-aid funding gradually over the next two financial years. We hope this will allow BACEE sufficient time to consider its position and make any necessary arrangements to handle the transition to independent status, if that is what its board and membership chooses.

It is important to underline that this decision in no way represents any lessening of the Government's commitment to the enlargement process. We remain among the foremost proponents of further enlargement, which we see as the EU's most successful foreign policy tool. Aspirant countries are well aware of our support which is evidenced on both a political and a practical level, including our emphasis on the issue during our Presidency, increased levels of programme funding and a redoubling of our efforts on twinning. We believe that a gradual, planned transition for BACEE from government sponsorship is compatible with our overall stance. We stand ready to assist BACEE in explaining the move to its stakeholders, including in the beneficiary countries.

FCO officials are already closely involved in explaining the decision to BACEE's staff, board and membership and will do all they can to facilitate discussion on BACEE's future and to handle the practical implications of the move away from NDPB status. Should members of your Committee require any further information or clarification I will be glad to oblige.

Douglas Alexander MP
Minister of State for Europe
Foreign and Commonwealth Office

30 September 2005

**Letter to the Secretary of State for Foreign and Commonwealth Affairs from
the Chairman of the Committee**

The Committee this week considered the Government's Response to the Report on Cyprus, published in February.

We will wish to follow up a number of the specific responses at the end of the UK Presidency. Meanwhile, however, my colleagues and I are anxious to ensure that there is no loss of momentum in efforts to resolve the two communities' differences. I would be grateful, therefore, to learn what the Government has been doing to, in the words of your response, "place a high emphasis on the successful resolution of Cyprus-related issues during our own EU Presidency" and whether any new initiative is planned, be it in the context of the EU, the UN or some other forum.

Mike Gapes MP
Chairman of the Committee

26 October 2005

**Letter from the Secretary of State for Foreign and Commonwealth Affairs to
the Chairman of the Committee**

Thank you for your letter of 26 October. I welcome the continuing interest of the Committee in the Government's work on Cyprus issues, and I look forward to answering any points you will wish to raise at the end of our term as Presidency of the European Union.

In the meantime, let me reassure you that the successful resolution of Cyprus-related issues remains a major priority. One of the most significant achievements of our Presidency so far has been the successful opening of EU accession negotiations with Turkey on 3 October. This is of key importance in the search for a Cyprus settlement. I believe that, as part of Turkey's accession process, a steady normalisation of relations between Turkey and Cyprus will in turn help increase trust and interaction between the parties and provide a surer context for a resumption of negotiations. And ultimately a comprehensive settlement will have to be reached before Turkey can eventually accede to the Union.

Naturally I hope that a settlement can be reached long before that. I fully agree with the Committee's conclusions that we must seize any opportunities to make progress. Time is not on our side — indeed, the problems are becoming more intractable as time passes. I spoke to UN Secretary General Kofi Annan on 5 October to discuss the prospects for progress. We are also in contact with other members of the UN Security Council. But ultimately the impetus for renewed efforts has to come from the parties on the island demonstrating their readiness to re-engage and their willingness to make the necessary compromises and commitments that a successful resumption of negotiations would require. This was a message that both the Prime Minister and I reinforced to President Papadopoulos and Foreign Minister George Iacovou during their visit in July. The Deputy Prime Minister also took the same message to representatives of both communities during his visit to Cyprus last month.

In this context, I would like to see President Papadopoulos agreeing to face to face meetings with Mr Talat, which must surely be a necessary condition for recreating the conditions in which progress towards a settlement might be made.

I also agree with the conclusion reached by the Committee that the EU must honour the undertakings it made to the Turkish Cypriots. We were in close contact with the Luxembourg Presidency on this issue. The Luxembourg Presidency made efforts to reach agreement on a package of measures including a trading arrangement through the port of Famagusta. In the end these efforts proved unsuccessful, but nonetheless I believe the process of trying to establish common ground through direct negotiation involving both sides and the Commission was useful.

In our own Presidency, it remains our intention to adopt the aid regulation as soon as possible, in order to preserve the flow of EU assistance to the north of the island. The related issue of trade for the Turkish Cypriots remains difficult—as Presidency our challenge will be to find consensus between those Member States who wish to see the Commission's trade proposal adopted quickly, and others, including the Republic of Cyprus, who remain opposed to this regulation. Whilst I cannot predict the outcome at this stage, I will say that we continue to believe that allowing the Turkish Cypriots to trade freely with the rest of the EU would make a settlement more likely, less costly and easier to consolidate.

The Government is also continuing its support for efforts to promote reconciliation and interaction between the two communities in Cyprus in other areas. Both our High Commission in Nicosia and the British contingent of UN peacekeeping forces have been active in this regard, on issues such as preparations for opening new crossing points on the Green Line, and finding facilities in the buffer zone to assist in work by the Committee for Missing Persons.

I would be glad to discuss or provide further information on any points of interest in greater detail.

Rt Hon Jack Straw MP
Secretary of State for Foreign and Commonwealth Affairs

16 November 2005

Letter to the Parliamentary Relations and Devolution Team from the Clerk of the Committee

You now have the uncorrected transcript of Douglas Alexander's evidence to the Committee on 3 May, and I have agreed with Mark Turner a number of points on which the Minister was asked for or volunteered further material.

I am writing to request answers on two further points.

First, the Committee discussed after the evidence session Mr Heathcoat-Amory's questions to the Minister at Qq 163–169. The Committee resolved to seek a full written answer to Mr Heathcoat-Amory's question about treaty changes. I would be grateful if that answer could be included with the notes already promised.

Second, had the Committee had more time with the Minister, it would have asked about the proposal of a prominent German politician, Markus Meckel, to create a European Foundation for Democracy. On 27 March, the then Foreign Secretary told Denis MacShane MP that he would “follow up” this question (HC Deb, 27 March 2006, col 561). The Committee would like to know what was the outcome of this follow-up.

I would be grateful for a response not later than Monday 5 June.

Steve Priestley
Clerk of the Committee

8 May 2006

**Letter to the Chairman of the Committee from Rt Hon Geoff Hoon MP, Minister of State for Europe,
Foreign and Commonwealth Office**

In my letter of 22 May 2006, I addressed some of your points about European Commission offices and residences. I promised to write separately with information on Commission residences in Moscow, Washington, Tokyo and Addis Ababa. Please accept my apologies for the time taken to respond to this point. As you are aware from your discussion with the Foreign Secretary during the evidence session of 13 June, this was due to the timing of the Commission’s response to the FCO.

The Head of Delegation’s residence in Washington totals 891 sq metres. 354 sq meters of this is used for official business (including representational duties and trade promotion) and 216 sq metres for private use by the Head of Delegation. The remainder is made up of a garage and “service and technical” rooms (laundry, cellars, technical installations, corridors, etc). The residence is owned by the European Commission.

In Tokyo, the residence is 705 sq metres, of which 331 sq metres are for private use by the Head of Delegation, with the remaining 374 sq metres used for official business. The residence is rented and is smaller than the average for an EU (Member State) Ambassador’s residence in Tokyo, and a third of the size of the British Ambassador’s residence.

The Commission delegation in Addis Ababa is 448 sq metres, of which 219 sq metres is used for official business, 141 square metres is used for private purposes, and the remainder for “service and technical” services. The size of this delegation in Ethiopia is partly due to the fact that the Commission also leads on administering spending from the European Development Fund, through which many Member States channel their funding for Africa. The size of the residence also reflects the difficulty of finding suitably secure premises in the city.

The Foreign Secretary agreed to write to Denis MacShane regarding his question in the House of Commons on a European Foundation for Democracy (27 March 2006). In my letter of 22 May, I undertook to forward you a copy of the response. I responded to the query myself after a further written request from Mr. MacShane. I attach a copy of the correspondence.

22 June 2006

**Letter to Rt Hon Denis MacShane MP, from Rt Hon Geoff Hoon MP, Minister of State for Europe,
Foreign and Commonwealth Office**

Thank you for your letter of 8 May enclosing proposals by Edward McMillan-Scott MEP to improve the EU’s promotion of democracy in third countries.

I entirely agree that the promotion of democracy, good governance and human rights should be at the heart of the EU’s external policies. So I share Edward’s and your desire to explore ways in which the EU could do more in this field, both in its immediate neighbourhood and the wider world.

Detailed discussions are currently underway between the EU institutions to agree legislative instruments to bring the next Financial Perspective (FP) into effect, including in relation to the place of democracy and human rights in the new Heading 4 Instruments. This provides an opportunity to look critically at the impact and effectiveness of existing mechanisms, such as the European Initiative on Democracy and Human Rights (EIDHR). The UK is keen to support successor arrangements that will enhance the EU’s ability to encourage democracy-building around the world.

In the meantime I have asked officials to examine in more detail how the kind of Foundation proposed by Edward McMillan-Scott might be established and funded, and to consider the read across to existing institutions. As part of this assessment we will also seek the views of other European governments.

Rt Hon Geoff Hoon MP
Minister of State for Europe
Foreign and Commonwealth Office

22 June 2006

Letter from Nevin Gaye Erbatur, Turkey–UK Parliamentary Friendship Group, Grand National Assembly of Turkey, to the Chairman of the Committee

I am writing to congratulate you on your election to the Chair of the Foreign Affairs Committee and to request your valuable support for Turkey's accession process to the European Union.

As you are aware, at its Summit meeting in Brussels on 17 December 2004, the European Union decided to begin accession negotiations with Turkey. Negotiations will begin on 3 October 2005, during UK's Presidency. This decision, which is the culmination of a process going back to 1963, has been hailed around the world as a historic step. The EU's decision reflects strategic vision, the positive effects of which will be felt far beyond the borders of the EU and Turkey.

Turkey, a vibrant regional power with a vigorous multi-party democracy, a pluralist political system, a pivotal geo-strategic role, a dynamic private sector, an energy terminal country and the 20th largest economy in the world, is uniquely placed to make an invaluable contribution to the peace, security and prosperity of Europe in the period ahead.

Turkey and Europe have been in close interaction for over 700 years. The relationship today is as vibrant as it is complex. Turkey's annual trade volume with EU Member states has approached 100 billion USD, making Turkey the EU's 6th largest trading partner. Over 10 million EU citizens visit Turkey every year. The Turkish community in Europe has significant economic power; Turkish-owned businesses provide hundreds of thousands of jobs.

Turkey's membership in the EU will be a powerful symbol of the harmonious co-existence of cultures. The accession of Turkey, a modern, secular and prosperous country with a predominantly Muslim population to the EU will be a reconfirmation of the universality of the European Idea. It will prove that Europe is defined not by religion or geography, but by values.

Second, Turkey's membership to the EU will enhance the Union's global reach, be it strategic or economic, and thus its influence. As a key regional actor and ally located in close proximity to many existing or potential hot spots of tension that are high on the European and international agenda, and with the second largest armed forces in NATO, Turkey can help enhance peace and stability and promote welfare in the Balkans, the Caucasus, Central Asia, the Middle East and beyond.

Third, Turkey's accession process will contribute to the appeal of secular values among Muslim communities of Europe. This could assist in the marginalisation of Muslim extremism in EU countries.

Fourth, the integration of the European Turks and their contribution to the economies of Europe will be further advanced

Fifth, EU membership will put Turkey firmly and irreversibly on the path to pluralism, modernity and progress, thereby proving once and for all that Islam can, and must, co-exist with modern universal values

All of us in Turkey recognise that many additional adjustments will be required before membership can happen. Turkey will have ample time to deal with any remaining shortcomings while the accession negotiations are underway.

We are optimistic that the accession process will be brought to a speedy and successful conclusion with the end result of full membership, entailing the same rights and obligations for Turkey as for all other Member States. We have every confidence that EU leaders will show genuine statesmanship to achieve a truly historic moment when Turkey joins the EU.

Britain has been a strong supporter of Turkey's EU membership, for which we are deeply thankful. Britain's continued commitment and support to Turkey's EU accession process will be crucial. The role of the British Parliament will be particularly important.

In this regard, my colleagues and I, in the Turkish Parliament will highly appreciate your personal support to Turkey's accession process. I am very keen to explore further contact and cooperation with the British Parliament on this matter in the period ahead.

Nevin Gaye Erbatur
Chairman
Turkey–UK Parliamentary Friendship Group
Grand National Assembly of Turkey, Ankara”

29 September 2005

**Letter to the Chairman of the Committee from the Secretary of State for Foreign and
Commonwealth Affairs**

PALESTINIAN TERRITORIES

Following the recent evidence session of 13 June, I am writing as promised to provide a response to Question 257 about the British Council.

The British Council is keenly aware of its duty of care towards its staff and visitors in the Palestinian Territories, as elsewhere, and gives high priority to ensuring their safety. In mid-February of this year it delivered two courses on security for its staff in the Middle East: three staff from the Palestinian Territories participated and followed the guidance they had been given, during the attacks on their offices in March. Feedback from individuals showed that training helped them in this crisis situation.

Since the attacks, the British Council has decided to move to new premises in Gaza and Ramallah. The aim is to re-open the Council's physical presence as a matter of priority. A security specialist has visited both cities and identified premises which would be suitable both from a security and from an operational point of view, and the Council is currently in the process of agreeing terms with landlords. The Council keeps in daily contact with the Consulate General on security and travel movements.

Over the last few months, staff have worked from temporary premises in Gaza but, with the current difficulties, are now working from home. Core services, including running examinations, educational enquiries and events, are being maintained by staff working from a temporary location in Ramallah and from the East Jerusalem office. The Council is currently reviewing its strategy for the longer term in order to maintain services while minimising risk to staff and visitors. This will include a greater emphasis on indirect and virtual services.

Sir David Green, the Director General of the British Council, has stated:

“Our centres in both Gaza and Ramallah provide an important service for students and young people who otherwise have little access to educational opportunities. We are determined to ensure that we can find ways of continuing our valuable work in the Palestinian Territories. While security at the offices had been reinforced in recent years, having open access to the public has been an important principle for our operations in the Palestinian Territories.”

Rt Hon Margaret Beckett MP

Secretary of State for Foreign and Commonwealth Affairs

18 July 2006
