

'CLUB OF THREE'

**Record of Inaugural Meeting at
Spencer House**

8/9 March 1996

Session One: What Club of Three?

1. Lord Weidenfeld welcomed the participants. This was a timely and important moment for representatives of Europe's three leading nations to come together. The European orchestra was playing out of tune, to sloppy tempi, and differing versions of the score. There was an urgent need for more rehearsal to achieve a real concert of Europe. Lord Alexander explained that the approach in this forum would be sceptical, agnostic, enquiring, but not neutral. There were momentous events in prospect within and beyond the EU. Britain was not part of the central axis of European power, dominated by the impressive alliance of France and Germany. Should we seek to join them? Would Europe be more powerful if trilateralism were more effective? These were the tantalising questions for the group to explore.

2. Josef Joffe said his approach in answering these questions would be provocative rather than exhortatory. According to Truffaut in the film *Jules et Jim*, three is a crowd. Triangles are inherently unstable, its members doomed to separate or gang up on each other. On the other hand, Bismarck believed you had to be a *trois* on the European chessboard - though that was in a Europe of five major powers. Joffe was of the Truffaut school rather than Bismarck's. For three to work then either one of them must be stronger than the others, or else it must face two partners who would never align against it (ie Imperial Germany, Russia and Austria). France, Germany and the UK were a postmodern trio roughly equal in size, power and influence. None would defer to the other.

3. This was part of the explanation for Europe's dismal performance in Bosnia. Richard Holbrooke stood on the shoulders of a real superpower. It had been easier for the three to submit to a superpower than to each other. They were best at working together when their interests coincided, as for instance France and Germany on EMU, or Britain and France when eventually they saw their common interest in Bosnia. As Germany's weight and confidence increased through the end of the Cold War and the changing political geography of Europe, it would need France less. This would presage greater flexibility and ad-hockery. To the extent that interests coincided, there would be good co-operation within the triangle. But the interests would bring them together, not the rules of the club.

4. As for Britain, it did not wish to be a part of any club just now. The mood was dominated by a feeling of separateness, hostility, even fear, perhaps not in business and the quality press, but certainly in other parts of the elite. As of now there was a club of maybe two-and-a-half....

5. Sir Christopher Mallaby said it was clear that individual European nations did not have the clout required in the modern world and it was entirely logical that the leadership of Europe should derive from the three powers with 56% of the population, 64% of the wealth and 48% of the armed forces. There was an apparent option for the UK to go off to pursue a vision of being a mid-Atlantic European "tiger" on the basis of open markets and financial services. Equally France might turn in on itself to be more statist and protectionist; Germany could outdistance its partners, dominate the EU and look to Central and Eastern Europe. But this was all unlikely.

6. France and Germany shared an overriding political commitment to work together and would make concessions to each other to preserve their joint role as the motor of Europe. They were committed to the CAP and at elite level to EMU. France and the UK were agreed on the importance of the nation state, their global roles, and the need to resist supra-nationalism from Brussels. The UK and Germany were united against protectionism, and in favour of competition and subsidiarity. All agreed on the Single Market, EU budget discipline, the need to work together on peacekeeping operations and the need to create an effective EU post-enlargement. With France moving towards NATO, Germany accepting out-of-area military activity, and the UK accepting a joint policy in Bosnia, there were hopeful signs that they could all move closer together. The three must make common cause at the IGC on matters like greater weighting of votes for large states, the size of the Commission and an effective Common Foreign and Security Policy (CFSP).

7. For the Club to realise its potential, each member still had some way to go. The UK must understand better the game of give and take and recognise that the US would cherish Britain more if it was fully engaged in the EU. France should not be so obsessed with fear of Germany and should recognise that including Britain in the leadership of Europe would be more likely to turn them into good Europeans than rejecting her. The Germans should play down their supra-nationalism and accept the nation state more explicitly; be less nervous of military power; and recognise that the world was much bigger than Europe. Greater flexibility between the three was the only way to a more powerful Europe which could hold together. By promoting our interests through trilateral co-operation - which had never been properly tried - we would make the whole greater than the sum of the parts.

8. Daniel Vernet took as his starting point the failure of the Fouchet Plan which set the pattern for France and Germany persisting with the European adventure when Britain dropped out - which had happened in 1972, 1981, 1986 and 1993. Official Britain still had a fundamentally different conception of Europe's shared future. Even where the UK and France agreed on the detail, as on weightings for

qualified majority voting (QMV), or the role of the European Commission or of the Parliament, their approach to Europe's role in the world was different. This did not exclude close co-operation on subjects like Bosnia or nuclear weapons. But the underlying approach was not the same. There was a need for fundamental agreement on the legitimacy of the European Union.

9. France's relationship with Germany had been far closer, both before and after unification. It was not a Club of Three if there were two sets of bilateral relations, say France and Germany on monetary union, and the UK and France on defence co-operation. Each of these dialogues must be opened up to the third partner. The Club would not itself create the common interests, but it might yet be possible to create the Club on the basis of a common view of Europe and the world.

10. Peter Hartmann brought two practical arguments: there could not be a Club of 15 on foreign policy questions and leadership must come from the Three. But by the same token, not everyone in the Union seemed to be ready to share the responsibility linked with such policy. François Heisbourg said we had yet to absorb the significance of recent events: the fall of the Soviet Union meant that the US would not always be there when we needed them as we saw in ex-Yugoslavia. Our social and economic systems were in crisis and there had to be a unified European response, including the UK if possible. We would have to work hard too avoid the unravelling of what already existed: on Single Market questions the EU was far more liberal together than the member states individually. There had to be QMV on CFSP questions. The Franco-German document from Freiburg was disappointing for its lack of ambition.

11. Werner Weidenfeld was disturbed by a shift in the presentations into old-fashioned balance of power thinking. They had been descriptive of the realities of recent years, but insufficiently attentive to the key question: what could the Club of Three do to address the real problems of "internationalised facts" which Europe faced. Common interests were not always obvious. France and Germany had worked so well together on the basis of their common political will. The question was whether the UK was able and willing to work within this European framework.

12. Sir Nicholas Henderson said this hit the nail on the head. Britain was the handicap, an undesirable partner under this government. Germany thought further QMV was essential and the French were going along with this. The only hope lay with a new British government.

13. Jonathan Powell unsurprisingly agreed with this. Closer co-operation would also be helped by a change of generations and a change in approach within

Germany. The alternatives to co-operation were being overrun by the Franco-German juggernaut, seeking to undermine them, or seeking alliances with other Europeans - all unattractive options.

14. Pauline Neville-Jones noted the language of these exchanges: interests, co-operation, but not power. Influence in the world would flow from power, and QMV was not the route. It would simply diffuse power. UK/French co-operation in Bosnia showed how efficient machinery could be set up. This must be done more widely through more sustained policy consultation, and a *trois*, if the three countries' collective muscle were to be exerted.

15. Joachim Bitterlich added that CFSP would not become like the classical EC pillar but could perhaps be better compared with the UN Security Council in the way leadership could be exercised. The terms of political trade were working not so much in favour of Germany as against the UK. It was in many areas though not all (eg Bosnia) a reluctant partner. Pauline Neville-Jones was right in saying the key question of CFSP was not about QMV but about how we project our influence and power in exercising our common European interests.

16. Dominique Moïsi thought we were confusing two tasks: to prevent UK self-isolation and to break the deadlock reached in Europe. There was indeed too much balance of power thinking in our minds. The 19th century type of balance within the triangle was irrelevant to the task of balancing Asia commercially in the world. More global influence would require less sovereignty at home.

17. Adair Turner said the language spoken by participants from France and Germany - the European framework, the European train, forming Europe etc - had no resonance for UK elites, business, political or journalistic. In the UK people were pro-European for pragmatic reasons, for instance, like better environmental standards. When Edith Cresson had said at the Confederation of British Industry that the issue was either more Europe or more Germany, this message had been unintelligible to the British. The visionary, abstract concept of Europe was not for the UK. People were more likely to ask if integration could not be put on hold for fifteen years - and this attitude would be shared by any Labour government.

18. David Howell said there was no chance of the UK accepting EMU without a referendum, which should in any case be about the totality of Britain's relations with Europe. More important was to rescue what was worth saving in the existing EU, much of which was bad. The UK was not the only country with problems: France, Germany, Italy and Spain had their own structural weaknesses and instabilities. We should stress the importance of inward investment and accept that the CAP and Poland would not mix. We should trim our ambitions and consolidate what we had.

19. Jérôme Monod said competitiveness and the world beyond Europe were the holes in the discussion so far. Businessmen were looking ahead while politicians looked at their feet. The European Round Table of industrialists had agreed that the construction of Europe on the basis of EMU was essential. Without EMU, we would lose the battle of competitive advantage to others. Lord Alexander agreed, observing that Jimmy Goldsmith had a similar analysis though his conclusion was the opposite.

20. Charles Powell suggested Britain's New Labour should recall that Harold Wilson had run a mile when offered a place in the Directoire during the Soames affair. We should not press our noses up against the windows at the Franco-German party. We should not exclude the US from this discussion given their vital role in European defence, especially when we were running our defence budgets down faster than they were. We should not go on about Maastricht and QMV when competitiveness was the at the heart of the issues which should concern us.

21. Eberhard von Koerber said continental business people understood why Britain did not want to integrate into a social framework they did not like. There was concern in Europe about government policies which did not promote competitiveness. But the UK inside the Club would reinforce the overdue winds of change.

22. Sir Ronald Grierson agreed with Pauline Neville-Jones that the ability to project military power was vital. Were European countries ever going to will the necessary resources, as the US were willing to do?

23. Karl Kaiser said this was not about inviting the UK to partake of the pleasures of Franco-German bilateralism. It was a question of rethinking the structure and developing a mechanism for the Three to lead an enlarged Union. Hilmar Kopper agreed that the process of enlargement gave the Three natural roles, with France speaking for the Mediterranean, the UK for the Nordics, and Germany for the Central Europeans. This was not a delphic tripod but a new framework for communication. Britain had shown over the Single Market that she could come at a problem in her own way and push the others into activity - it could be done again.

24. David Simon observed that Europe had organised itself politically in a way that was at odds with its economic organisation. The Club of Three were the dominant industrial powers and should have the fundamental role in the political community. They should clearly work to protect market freedoms and extend Europe's competitiveness. If we failed to create wealth by opening up markets we would lose our common culture. Power was often as many speakers had noted

a military question. But it more often had to do with money. If this was true, asked Josef Joffe, why did we need governments? David Simon replied that our lives were still structured by the nation states, not by business. It was the politicians who were charged with educating, caring for and enriching their communities. In response to Joffe's comment that companies were doing rather well in leaping over the limitations of governments, Lord Alexander replied that the big political questions, from CFSP to EU enlargement, could only be handled by governments.

Dinner at Spencer House

25. Lord Rothschild presided over a working dinner. Discussion was rich, anecdotal and informal. Lord Jenkins made a number of points in the keynote presentation which were valuable in stimulating further debate:

- 1 The Franco-German duo had called the shots in his day as Commission President and clearly still set the tone. It worked best with a rightist French President and a leftist Chancellor, or vice-versa, but not when the Heads of Government were of the same political stripe.
- 2 While Königswinter continued to thrive UK/French links were as thin as he could remember. This must be remedied. The Eurostar may thunder to and from London and Paris six times a day, but it carried no books. There was no intellectual cargo.
- 3 British policy in recent years reflected in equal measure the views of Lord Salisbury ("Most things don't matter very much and everything else doesn't matter at all") and of Dean Acheson (" Anglo-Saxon law's deleterious effect on political aspiration..."). We should not stand maliciously on the sidelines in Europe, imploring people please not to do anything, since it made it very difficult for the British to decide if they wished to take part or not.

26. In response, Karl Kaiser stressed the contradictions in the global environment, interdependence growing alongside fragmentation; co-operation co-existing with anarchy. Our vulnerability to crisis was greater than during the Cold War. According to the World Bank, seven of the fifteen major economic powers in the world would by the year 2020 be Asian. Our prosperity would be crucially dependent on them, especially China. But with its many unresolved conflicts, Asia was now far more heterogeneous than Europe. Europe's past would be Asia's future if they did not learn from us the rules of institutional behaviour we had adopted in recent years. Here was a task for Europe far more important than QMV, and it required leadership from Europe's three major democracies.

27. Dominique Moïsi picked up on Lord Jenkins' words on the weakness of Franco-British relations to say that the elites from the two countries had too much in common. They were probably the most arrogant elites in the world; in comparison the Germans were humbled by their history, and the US were made modest by their culture. At Franco-British meetings there was usually intellectual agreement but a lack of emotional rapport verging on indifference. Franco-German relations were filled out by more geography, more history and more passion.

28. Europe for the past fifty years had been defined by the absence of the British. Their pragmatism and their feeling for democracy had been sorely missed. France and Germany needed a third partner if the dangers of competitive bilateralism were to be avoided. The British political class remained victims of their own success two generations before.

Session Two: Economic and Monetary Union

29. Charles de Croisset introduced the discussion by observing that although we had been in Stage 2 of EMU since the beginning of 1994, the essential questions had still not been answered, especially on the relationship between participants and non-participants in the Single Currency. Perhaps this was inevitable as long as Europe had not achieved its political goals.

30. Adair Turner suggested this was precisely the problem: Europe had set out on this path for political reasons, but ultimately the decision to go ahead or not must be taken on economic grounds. The serious arguments for proceeding were essentially two: the benefit of cementing fiscal and monetary disciplines to achieve a non-inflationary environment (this argument lay behind UK enthusiasm for the ERM in the late 80s); and the advantage from selling into other countries without a foreign exchange risk. The real problem was shocks to the system which affected national economies differently. The conditions of German unification had imposed on all of Europe a monetary policy which made sense for Germany but imposed severe strains elsewhere.

31. The danger for the future was that in the single currency area, there would not be sufficient flexibility in wage markets to replace exchange-rate flexibility. There would be unhealthy tendencies towards pork-barrel politics, as countries fought for fiscal transfers to compensate them for their difficulties in adjusting. EMU would make most sense for those EU countries trading most extensively with one another. It clearly had a deeper logic for, say, Belgium than for Britain.

But EMU was not a necessary requirement of the Single Market, whose benefits for all could come through despite exchange rate instability (cf Italy). Nor would the "core currency" always and inevitably be stronger than those on the periphery. Inflationary performance would be the key. Nothing would prevent sterling staying steady against the Euro if inflation stayed at a low and comparable rate. France's current problem was a different one: not an overvalued exchange rate, but labour rigidity in the non-traded service sector. Its balance of payments performance on traded goods was actually very good.

32. The best approach would be pragmatic, not going for 1999 or bust, which might impose unacceptable burdens on some economies, but accepting that a hard core would proceed in 1999 because it made economic sense. Whether this was five or eight was less important than the fact that countries should join only on the basis of the convergence criteria and at the pace that made sense for them - which in some cases might mean decades. It would on the other hand be unspeakably arrogant of the British to seek to prevent others from going ahead when this was economically advantageous for them. There was no threat to the UK in an inner core proceeding, and we should benevolently wish them well.

33. Hilmar Kopper said the need for EMU was as great as ever and there needed to be a determined core group to make it work. Stopping the train now would be a huge risk. Failure to see it through on the basis of the convergence criteria would lead to competitive devaluations, renationalisation of economic policies, and the decline in growth rates. More than that, such a setback to European integration would have serious implications for institutional reform, enlargement and Europe's standing in the world. As Lord Kingsdown had observed in the UK, EMU was not a self-standing, narrow and technical operation.

34. To stir up a debate on who could participate in 1999 would be premature and unwise. It would rattle the markets, and take the pressure off those trying very hard to comply with the criteria. Stability was in any case more important than the timetable. If EMU helped to reverse the trend towards burgeoning debt figures, that alone would be an important side-effect. It was clear that not all could participate from the outset. A group of between five and eight sounded right, including France and Germany. There would need to be fixed but adjustable currency bands for those staying out. If the UK wished to join they should first rejoin the ERM. And this time it must be at the right rate.

35. Jérôme Monod saw the main problem as lack of co-ordination in economic policy. It was necessary to meet the challenge of the US, Japan and Asia in world markets, and this would only be possible through improving competitiveness, restoring employment and integrating the European market. This in turn required curbing the power of the financial markets and restoring the power of monetary

policy. Exchange rate fluctuations only created competitive distortions. EMU was clearly the right strategy, and should be launched as soon as possible. Hesitation carried the risk of breakdown not only for EMU but for Europe itself.

36. A small but successful core group would have a magnetic effect on the others. Maastricht left some room for flexibility but the political decision must be taken before the 1998 elections due in Germany and France. The need now was to promote the benefits of EMU amongst key groups like the financial institutions and young people. The ignorance of politicians was striking. What was required was the political will to transform and update De Gaulle and Adenauer's original goals of peace, prosperity and development.

37. Nils Taube set out the widespread British view that it was perfectly possible to be part of the Single Market but resist further integration; to be a European tiger economy enjoying the best of both worlds. He believed that in the long run this position would not be tenable as the inner core would resist any changes in exchange rates by Britain and thus make it difficult for the British to have it both ways. Charles Powell agreed, recalling that the British economy was more service-based than those on the continent, with five times as much of its trade denominated in dollars as in francs or marks. Inward investment was proportionately much higher. But Powell was also puzzled by the absolute certainty of EMU's proponents. The enormous strains to achieve convergence could well produce civil unrest. The process was politically driven, just as Germany's own EMU had been politically driven. But the more members of the single currency area, the greater the fiscal transfers necessary, and these would raise acute political difficulties.

38. Klaus Mangold saw high costs to Europe's competitiveness in the absence of EMU: currency support was costing some DM200m a year and currency turbulence always ended with a higher DM parity. The Italians had exploited this unfairly with their 26% devaluation when 8-10% would have been reasonable. The Euro would give us stability against the dollar. We should not change the timetable or the criteria. The Euro was a good product but it had a lousy marketing department. Maurice Lévy said that not only the rational view was relevant - the consumer had to be convinced. What was being communicated about EMU was scepticism and fear about jobs, pensions and our children's future. Where the Single Market campaign had projected a clear, desirable goal backed by the believers and the bankers, the industrialists and the politicians, Maastricht had been far more difficult to sell. If the prospect was of endless problems and fewer jobs, the delay would not be 2-3 years but 10-15 years.

39. Joachim Bitterlich observed that the marketing would only work if the content was right and complete. At least we now had the name of the product and clarity for the transition. But there were still questions to be resolved like the relationship between the ins and the outs and the right exchange rate. If a Belgian or a Frenchman were told that his pension was going to be worth less, he would naturally show reluctance about the Euro. There was a crucial global struggle ahead involving the US, Japan and South East Asia. The strongest argument for EMU was that it represented the best way of protecting and projecting our common European interest in the world. Gilbert de Botton commented that it was difficult to persuade Charles Powell and (even more so) ordinary Britons that this focus was right. But a reluctant Britain must in the end cross the Channel to dance at Charlemagne's Ball. It was always tempting to think that you could hover on the edge of the dance and decide later whether it was to your advantage to join in. But those who were doing the planning and taking the risks would ensure that the benefits accrued to them.

40. Josef Joffe saw no logical connection between the Single Market and EMU, or EMU and low interest rates. EMU was no guarantee against the capital markets, nor did the reductions in transaction costs clearly justify the surrender of sovereignty. We should postpone EMU until after the economic fundamentals had been aligned. Gerhard Cromme returned to the negative implications of failure on EMU, especially the unravelling of the Single Market. The priority remained to persuade the British that their own interest dictated joining France and Germany in pursuit of the common goal. If they could not be persuaded, the French and the Germans would carry on without them. Louis Schweitzer agreed. The EU had taken its decision on EMU and the outstanding question was defining a stable and adjustable relationship between EMU participants and non-participants. An unorganised co-habitation of Ins and Outs could not last for ever, indeed the Japanese economic presence in the UK could lead to an early challenge to the functioning of the Single Market.

Session Three: The Intergovernmental Conference (IGC)

41. Jean Gueginou spoke up for a relatively short IGC, to end in early 1997. It may be lacking in excitement but should not be lacking in ambition. Its goal was to deepen and adapt the institutions of the EU in preparation for enlargement. EMU should not be re-opened. The process must be seen to reflect the views and interests of ordinary people. This meant stressing subsidiarity, involving national parliaments, developing co-ordination on Home Affairs and Justice, and perhaps

creating a Human Pillar to pull together issues of direct concern to people: citizens' rights and European citizenship. This must be seen as a dynamic process.

42. There would be close consultation between France and Germany, especially in working for a more visible and determined CFSP. Priorities included strengthening the institutional framework, reweighting the votes in Council to reflect the importance of larger states, extension of the fields covered by QMV, and promoting democratic accountability. Specific proposals might include a High Parliamentary Council, and an EU High Representative on Foreign Policy who could serve for a number of years. The capacity to act must not be hindered by the need to proceed at the pace of the slowest. There should be close co-operation amongst the most willing. The IGC must re-unite the European family, without constraining its ability to move ahead.

43. Joachim Bitterlich said the possibilities for Europe were greater than ever and Euroscepticism was quite out of place. We should pay less attention to phantom debates about a European superstate or a United States of Europe, and note far more the frightening attractiveness of the EU to outsiders; look, for example, at the central or eastern European countries or at the US reaction towards the EU/ASIA Summit in Bangkok - impressed and a little disquieted by its success. Further integration, in tandem with enlargement, was the way of living up to our European identity and realising the vision opened up by Churchill in 1946. Now we must give coming generations reason to believe in this vision. We must show that Europe could count in the world, that we could speak with one voice, and we should pool our resources to promote our common interest.

44. Amongst priorities at and beyond the IGC, CFSP ranked high, especially in light of what had happened in ex-Yugoslavia. There was a need for better instruments and structures, not necessarily a High Representative, but some machinery to enable us to mobilise fast in defence of our own interest. The US, for instance, had within 48 hours of the latest wave of terrorism in Israel proposed a programme of action. We had no capacity to react that fast - but we should not rely on the US to police our continent. Another priority was the area of Home Affairs and Justice: the Single Market should not be favouring disproportionately the criminals and the drug-pushers. Decision-making procedures should be streamlined and made more transparent, the competences of the European Parliament further improved and the national parliaments better involved. The co-decision process was complicated and impenetrable. Subsidiarity should be used to ensure that decisions were taken at the right level. A degree of flexibility was fine but should not result either in a *la carte* Europe or a Europe where the convoy moved at the pace of the slowest ship. This broad approach, a realistic and pragmatic one, was reflected in the Commission's IGC paper, and pointed a

way forward to accommodate the new members enlargement would bring. Whatever came of the IGC would be a compromise and would be criticised. But this was no reason to be pessimistic. The IGC could and would represent a positive step.

45. Pauline Neville-Jones questioned the underlying approach of those who believed Europe must stay in perpetual motion or it would grind to a halt. The ideological assumption that EMU must at all costs proceed in 1999 was wrong. It was also wrong to suggest there was nothing more to discuss apart from the sales pitch. Would EMU lead to greater flexibility in labour markets? Possibly, but quite possibly not. Everyone seemed to agree that big fiscal transfers would have to occur - but were those willing to see big rises in the EC budget prepared for the macro-economic consequences this implied? Huge transfers of sovereignty were not necessarily a bad thing. But we should not pretend they were not huge.

46. The danger was that what should be a unifying project would divide and break up the Union. Putting up tariff barriers between the EMU inner core and the rest would be destructive. We must attend to the big CFSP issues like Russia and ex-Yugoslavia, and the questions raised by the next two waves of enlargement. In these areas close co-operation between the main players was vital. The small countries might object, but there was no theoretical reason why a directorate of Britain France and Germany should be a less acceptable way of running Europe than a Franco-German "motor" or an EMU "hard core". In practice, the smaller states had created difficulties in solving problems, notably over Bosnia when their attitude to Contact Group efforts to break the deadlock had constantly been "not without us". Serious policy-making must be based on who made the real inputs. The coming debate, particularly on NATO and its enlargement, would be about resources.

47. Within the EU, too many of the hard choices were being ducked. There needed to be an overhaul of the Common Agricultural Policy and of the structural funds. It was assumed that ratification of the IGC outcome would be unproblematic. It would not. A multi-speed, multi-track EU was in the making whether we liked it or not. The IGC was just one part of a broader picture where a great deal of fundamental policy work remained to be done.

48. Michael Jay agreed that too much should not be expected of the IGC. There were other ways of achieving progress, especially on CFSP. Similarly, expectations of enlargement should not be raised too high, since we did not know who or when. On some things the UK would agree more with France, on others more with Germany; sometimes she would agree with neither (eg QMV). The truth was that we needed a framework for a cohesive and effective Union. Ideas which enhanced division or implanted rigidity would be wrong. We should take account

of our diversity with imagination and tolerance, with a view to making the Union stronger over time. Part of this was greater transparency. Selling Europe was not just a question of marketing but of convincing people. Communicating complex ideas in sound-bites was difficult. But the "peoples of Europe" mentioned in the Treaty of Rome should be kept constantly in mind.

49. Dominique Moïsi said the unpopularity of the EU was not just to do with bad public relations. There were objective problems with its performance, whether on unemployment or on Bosnia. Among decision-makers, there was a difference between business-people who thought globally, and politicians who thought nationally. In time of crisis the instinct to act nationally was all the stronger. We were all most happy to share with others what we did not really possess: Germany its foreign policy, France its monetary policy, Britain its non-existent social policy. Policy on Russia was a good example of what we could do together if we tried: engage where we can, contain if we must.

50. As a good example of the difficulties, Walter Hohlefelder pointed up the contradiction between France's public sector mission, and Europe's struggle for competitiveness. Johannes Gross agreed that some of the best European ideas were extremely difficult to communicate, notably subsidiarity. The European Parliament certainly had no popular base and should be abolished to make way for a parliamentary forum along the lines proposed by Ambassador Gueginou. The main problem for the Germans was that their contemporary political correctness made it impossible to invoke the national state too enthusiastically, nationalism having been discredited by history. On the other hand, with their fixed borders and their European identity, Germans were at peace with themselves. Maybe German public opinion could join this debate about Europe if Euroscepticism did not come across as so portentous and so offensive. But the effect of all this was that no serious German could own up to Euroscepticism - even under the most intensive criminal investigation.....