

Ambrose Evans-Pritchard: does the EU club have a future?

The economic crisis has transformed the global economic landscape. The dreams of a decade ago now seem grandiose, says Ambrose Evans-Pritchard.

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Strasbourg's Babel house has no unifying language or political culture

Broadly speaking, the world is run at the outset of the 21st Century by the United States and China together in uneasy condominium. This is the surprising reality of our era. The pattern is unlikely to change much until India takes its full place, perhaps in 40 years.

The baton passed from Europe's tired hands at London's G20 summit in April, where the only meeting that mattered was the tete-a-tete between Barack Obama and Hu Jintao. The two Pacific superpowers are meshed together by their "dollar-yuan" currency and de facto debt union, and by their Strategic Economic Dialogue. Let's just call it G2 for short. China's return to great power status is well known, but some may be surprised to learn that America's share of global GDP has scarcely changed in 30 years, falling slightly to 20 per cent depending how you measure it.

Greater Europe has slipped relentlessly. The Western part is still rich, but counts ever less in world affairs as ageing takes its toll. The United Nations expects America to add 100 million people by 2050: Germany will contract from 82 million to 70 million. Italy will shrink. Eastern Europe faces implosion. This is not fertile demography for hi-tech invention.

"What is at risk in the medium to long run is nothing less than the sustainability of the society Europe has built and the viability of its civilisation," admitted an internal EU report by former Dutch premier Wim Kok in 2004. Nothing has changed since.

The Great Recession of 2008-2009 may have humiliated Anglo-Saxon capitalism but the German and Italian economies have shrunk by almost twice as much as the US from peak to trough. As will become clear, they also lack the labour market springs of quick recovery. The Bundesbank fears it will take until 2013 for Germany to regain its former output. Will Italy ever do so?

Europe's triumphalism a year ago was badly misjudged. A new report by the Brussels think tank Breugel says the EU itself may be the biggest casualty since the traumatic events have led to revival of the nation state – each defending its own industry "bec et ongles", each pressuring its banks to come home. Berlin even created a €115 billion "German Fund", and EU competition rules be damned.

The G20 has emerged as the forum that counts. EU big shot states prefer to play on that stage. EU summits in Brussels have slipped to backwater status. "The crisis risks calling into question the very legitimacy of the European Union. Confidence in the effectiveness of the EU economic policy system has been severely hurt by the crisis," it said.

Breugel fears the “return of mass unemployment”, a “depression-deep crisis” in parts of Eastern Europe, and a bond crisis as spendthrift states struggle to roll over public debts. It was too polite to name Italy and Greece but both are – or will be – caught in debt compound traps.

How far it seems from the heady optimism a decade ago when EU leaders launched the euro and talked of Europe’s rise to economic hegemony by 2010.

By then they were endowing the EU with the apparatus of full-blown state. A “foreign office” (High Rep), with its own intelligence cell and military staff with nine generals and 57 colonels; a Euro-army (rapid reaction force), backed by 100,000 troops, 400 aircraft, and 100 ships to project power across the globe; a proto-FBI (Europol); a satellite system (Galileo); they even created a Directorate of Justice and Home Affairs... Home Affairs?

They launched a Philadelphia “Convention” to draft Europe’s Constitution – “the Treaty to end all Treaties” – which I had the task of covering. Launched at Laeken, allegedly to bring Europe closer to the citizens after a spate of anti-EU riots and “No” votes, it was hijacked by insiders hell bent on forging a Super-Etat, in perpetuity.

Few in Europe’s talking shops had a serious thought then for China, let alone India, or Vietnam. The world was seen in bipolar, almost Manichean terms: Europe against America, a “friendly” rivalry like those poisonous football matches between Celtic and Rangers, or Barcelona and Madrid.

As Europe subsides into its new role as a museum piece, Britons who are instinctively Euro-sceptic or simply have more natural affinity with the English-speaking world – or indeed, like my 19-year-old son, with China – can justifiably ask how far this country should contort itself to take part in the EU project.

For years we believed – or were scared into believing – that the strategic and economic price of jumping off the integrationist conveyor belt would be too high. It may be time to turn this argument on its head. How worthwhile is it to remain a member of an inward-looking club when the locus of creative dynamism is elsewhere?

This has become a piquant question as Brussels seizes on the banking crisis to extend control over the City and our finance industry, worth 8 per cent of GDP and generating £50 billion a year surplus on the current account.

Simon Tilford from the Centre for European Reform says British Euro-sceptics like to have their cake and eat it: “Euro-sceptics appear to believe that a Britain outside the EU would remain part of the single market, but that it would be freed from the need to abide by EU regulation. In short, Britain could enjoy all the benefits of access to the single market but none of the costs. This is incoherent. A retreat would achieve nothing but impotence.”

Mr Tilford is right. There is a lack of rigour and often a defeatist assumption that Britain never gets its way in Europe, never has allies, and is forever at the mercy of Franco-German villainy.

It looks otherwise to French and German journalists in Brussels. But then, each of Europe’s fractious tribes thinks that somebody else is in charge. That is the elemental flaw in the project. Psychologists call this an “ownership” problem. The owners are the 28,000 fonctionnaires on high-paid EU tenure.

Paris has reason to gripe. English has displaced French as the lingua franca, with all the subtle advantages that brings. British and Irish officials are ubiquitous in the upper reaches of the directorates that count most: Competition, Single Market, Trade. The last two secretary-generals of the Commission have been Irish, a far cry from Emile Noel, who ran it as a replica of the French civil service for 30 years. It is why the Commission became for a while an engine of free market reform.

Let us be honest: UK withdrawal would be traumatic, altering the political chemistry of Europe in unpredictable ways. While it is possible that a cluster of like-minded states on the Atlantic and Nordic rim would eventually retreat with us into a free-trade bloc, it would be rash statecraft to bet on it.

Those that tend to align with Britain inside the EU as a counterweight to Rhineland domination – Scandinavians, Dutch, Balts, Slavs, and Spain (on-off) – would have to trim, tucking in obediently behind Paris and Berlin.

Britain would risk creating the sort of monolithic Habsburg Europe we wish to avoid, violating the balancing principle of our diplomacy in Europe since Elizabeth I. One wonders how that shrewd, equivocating, steely queen would have played the EU.

Yet to accept that exit would be a high-risk gamble does not settle the argument. Ultra-federalists might scream, hurl abuse, and attempt to shut Perfidious Albion from EU markets, but the Dutch, Danes, Swedes and others would want to heal the rift.

If Brussels pushed too hard for Carthaginian terms, it would risk setting off unstable combustion in the residual EU. As Breugel says, the legitimacy of the EU is already badly eroded.

This great question might have been left unresolved, finessed by English pragmatism, had the EU not taken a dangerously authoritarian

course by ramming through the European Constitution – renamed Lisbon – after it had been rejected by voters in France and Holland in 2005, and would have been rejected by half Europe had the fiasco continued. This manoeuvre is altogether different from the euro-creep tactics of EU father Jean Monnet, who handled democratic sensibilities with greater care.

Clearly it never occurred to those behind this heavy-handed move – Angela Merkel and Nicolas Sarkozy – that Irish voters would then reject the text in the one country allowed to vote. Perhaps the Irish can be cajoled in their weakened state into voting “Yes” next month. But a delicate line has been crossed. The EU project is usurping power, even if the forms of parliamentary ratification have been preserved.

Critics call the Lisbon Treaty a “federalist blueprint”. That muddies the issue. It in fact concentrates power in a unitary state, giving the European Court jurisdiction for the first time over the whole gamut of EU affairs (all three pillars, in EU jargon – the Community pillar, the common foreign and security policy pillar and the pillar devoted to police and judicial cooperation in criminal matters). It will adjudicate over the Charter of Rights. Euro-judges will have power to reshape British society by court ruling if they so wish, just as the activist Warren Court reshaped America.

By creating a full-time EU president and by giving Euro-MPs the power of the purse, it mimics nationhood. Yet it should be obvious that Europe cannot ape the institutions of the historic nation states in this way. Shifting power from London, Madrid, or Copenhagen to the EU core does not transfer democratic accountability: it breaks the lines of accountability. Strasbourg’s Babel house has no unifying language or political culture. It answers to no coherent demos, and cannot do so because none exists at a European level. Italians read Italian newspapers about Italian politics, just as we read British newspapers about British politics. It is surreal that this should be happening when the EU is in crisis.

We are confronted by a venture that is using anti-democratic means to establish an anti-democratic power structure, to no useful end for the people of these isles. It fair to say that this breaches the Burkean principle of “settled practice”, dear to readers of The Daily Telegraph. Since this unwelcome revolution is being forced upon us, perhaps it is time to end the long taboo and ask whether we must inevitably go along with it.

<http://www.telegraph.co.uk/news/worldnews/europe/6189918/Ambrose-Evans-Pritchard-does-the-EU-club-have-a-future.html>