United States Policy on European Integration – the need for a re-evaluation

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20 January 2012

This paper looks at the broad landscape and challenges the assumptions in the light of the current shift in world opinion. It is understood that this is a highly sensitive and important area and the views that this paper expresses reflect the necessity to assess the position since the Eurozone crisis, which calls for a reassessment of policy.

1. Introduction

Whilst entirely understanding how it came about in the first place, there is an overwhelming case for the United States government and Congress to review its policy towards EU integration. The situation that prevailed between 1945 and 1990 has now significantly changed since the ending of the Cold War, the rise of globalisation and the development of European government from the Maastricht Treaty onwards, as exemplified most recently by implementation of the Lisbon Treaty and attempts to create a two-tier bloc through a Treaty for the fiscal union of the 17 members of the Eurozone.

The existing Treaties have given legal superiority over the Constitutions of the individual nation states of Europe, including those of specific allies of the US. This therefore constrains the freedom of those allies, such as the United Kingdom, where their individual economic, security and foreign policy differs from that of the Union as a whole in respect to the United States.

Churchill certainly would not have countenanced such an undemocratic consequence, nor the existing Treaties upon which the Constitution has been built since 1990. David Cameron, whatever his stalwart alliance with the United States, and irrespective of the great veto he exercised in December 2011, wrongly promoted the idea of a fiscal union for the Eurozone-17 – and his appreciation of US objectives must surely not exonerate his support for the failures of the European integrationist project.

David Cameron has been right to veto the draft treaty which would have threatened UK national interests and with clear consequences for US national interests. When he vetoed the proposed new draft treaty on Friday 6 December, the prime minister protected the UK's economic freedom to pursue positive opportunities for growth, jobs and global trading. It is important to note that in 2009, the UK current account trading deficit with the EU countries was -£12.4 billion and the deficit with the rest of the world was -£7.3 billion; while in 2010, that deficit with the EU grew to -£47.6 billion and the deficit with the rest of the world -£1 billion. In addition to trade, the Prime Minister also protected the dangers posed to Britain's political freedom from political union and provincial status within the European Union.

The legally defective agreement between eurozone and some other EU members will not solve the euro crisis, and Cameron's veto has created a new opportunity to renegotiate the

existing European treaties and re-focus the UK's trade relationship to face out to the rest of the world, including re-establishing our relationship with the United States. This also requires that the United States Government modifies its existing policy which currently "welcomes the EU's actions and determination to take all necessary steps to ensure the euro area's financial stability and resolve the crisis", given that such a policy can no longer be pursued irrespective of the immense and unrealistic costs and burdens now being imposed.

President Obama's continued and problematic integrationist policy towards the EU has been set out in a general speech by Philip Gordon, Undersecretary of State, at the Korber Foundation in Berlin on 11 January this year. Gordon mentioned the euro crisis and pledged US support for attempts to resolve it, quoting Hillary Clinton's remarks in December 2011:

> Resolution of Europe's economic challenges is beneficial to our own economic fortune. So, we see ourselves as your partner, your supporter, your friend, going forward. We have a great stake in Europe's success. We will continue to work constructively with our European partners. And we are confident you will succeed.[1]

When the European Council President Herman Van Rompuy spoke at the White House at a meeting with President Obama in November 2011, Van Rompuy made clear that on "the 9th of December I will present to the heads of state and government a roadmap on how to strengthen the economic union of the euro area commensurate with our monetary union. We are aiming for binding rules to ensure strong fiscal and economic discipline in all countries, to go hand in hand with fiscal and economic integration -- not only discipline, but also integration in the euro area as a whole." The UK Prime Minister then went on to veto that Treaty because it was unacceptable, posing dangers to the City of London and financial services. It raises an important question as to where US policy goes from here because the United Kingdom policy now diverges from the unrealistic and ideological fiscal union/integrationist approach as set out under Franco-German intentions.

President Obama has expressed frustrations at the failures of the Euro-crisis and in that crisis it is vital he seeks opportunities. At the G20 Summit in Cannes in November 2011, Mr Obama even voiced a frustrated note about the EU's unwieldy structures:

> There are a lot of institutions here in Europe. I am not sure whether it was Sarkozy or Merkel or Barroso, or somebody here, they joked with me that I had done a crash course in European politics over the last several days. There are a lot of meetings here, so having to co-ordinate all those different interests is laborious.
>
> There's a silver lining in this whole process. It's that I think European leaders recognise there are some structural reforms they need to make if Europe and the eurozone is to be as effective as they want it to be.[2]

The Ambassador to the EU has similarly made clear that something needs to be done. After an EU/US summit in Washington on 28 November, US ambassador to the EU, William Kennard expressed the Obama administration's desire for the EU to act more decisively to

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[1] "The State of Transatlantic Relations", Speech by Philip H. Gordon, Assistant Secretary, Bureau of European and Eurasian Affairs, Berlin, 11 January 2012

[2] "Obama finds broad European farce a little hard to follow", *Times,* 5 November 2011

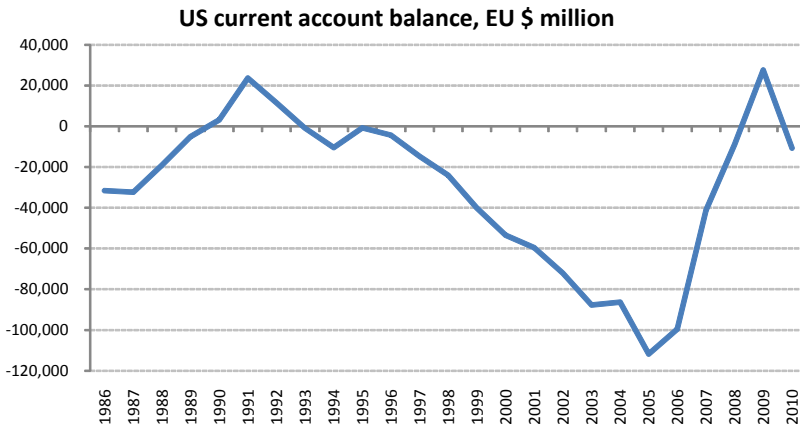
sort out the euro crisis: "The president has made clear repeatedly he would like to see bolder, quicker, more decisive action by European leaders."[3]

The frustration is understandable. Look at the US balance of payments in relation to to the European Union. The table and chart below show the US current account balance with the EU from 1986:

Table 1
US current account balance, EU
$ million

1986	-31,547
1987	-32,391
1988	-19,135
1989	-5,138
1990	3,207
1991	23,704
1992	11,553
1993	-944
1994	-10,506
1995	-726
1996	-4,321
1997	-14,751
1998	-24,095
1999	-40,066
2000	-53,526
2001	-59,612
2002	-72,093
2003	-87,667
2004	-86,279
2005	-111,809
2006	-99,499
2007	-41,058
2008	-8,854
2009	27,588
2010	-10,701

Source: US Bureau of Economic Analysis



As you can see the current account balance with the EU has been in deficit for all but 4 of the last 25 years, mainly due to a balance of trade in goods deficit. [4]

Later, in December 2011, President Obama said that Europe could afford to fix the problem itself:

> Look, Europe is wealthy enough that there's no reason why they can't solve this problem. It's not as if we're talking about some impoverished country that doesn't have any resources, and is being buffeted by the world markets, and they need to come hat in hand and get help. This is Europe, with some of the wealthiest countries on Earth; collectively one of the largest markets on Earth, if not the largest. And so if they muster the political will, they have the capacity

[3] "Obama's morbid fear of EU meltdown", *Financial Times,* 1 December 2011

[4] Source: US Bureau of Economic Analysis and House of Commons Library.

> to settle markets down, make sure that they are acting responsibly, and that governments like Italy are able to finance their debt.[5]

Germany's Foreign Minister responded to such US warnings: "Let us not forget that the cause of the current crisis is too much debt in Europe, but also too much debt worldwide. Therefore, I cannot understand some of the critical comments from our American friends regarding our policy of reducing debt." Like the US, the UK suffered similar rebuttals at that time after its warning to Euro countries resulting in both the French President and several French ministers and Germany's vice-chancellor and economy minister Philipp Roesler criticising Britain for "constantly" giving advice what Germany should do about the euro debt crisis. Unfortunately, the real problem is that the Eurozone countries do not have the finance or a reasonable and workable policy to meet its high-spending, low/no-growth policies and now they have run out of money.

Following David Cameron's veto, there is now an eerie silence within the Conservative Party on the meaning of what it means to challenge European integration with the veto (i.e. no mention of renegotiation), except from Liberal Democrats who virulently opposed the US policy on Iraq and other policies and who are simultaneously fervently in favour of European integration and wanted a tighter Eurozone-17 fiscal pact. This is illustrative of the problem facing the United States, which is that enthusiastic support for the Government's policy on European integration is shared by those who are most critical of US foreign policy. These are strange bedfellows indeed.

America, for her part, has vital trade, defence, and foreign policy interests in Europe. It is therefore in her own national interest to encourage the reversal of the European Union's accelerating drive towards a social democrat, protectionist United States of Europe, which is cluttered with policies harmful to US business and investment and which have led to unsustainable over-regulation, low growth and high unemployment in the eurozone. At the same time, it remains important for America to encourage free trade in and with Europe. In short, America's policy should be yes to European trade; no to European government.

This is by no means the first time the US has had to evaluate its assumptions towards Europe. As early as 1823, President James Monroe issued the Monroe Doctrine, which sought to define America's relationship with European countries.

President Franklin Roosevelt was again forced to assess America's connection with Europe when considering the potential impact of Nazi Germany on his country. In his speech, The Arsenal of Democracy, made in December 1940, Roosevelt debated the extent of future US military intervention based upon the situation unfolding in Europe and concluded that, "never before since Jamestown and Plymouth Rock has our civilisation been in such danger as now." [6]

History has shown that the US and Europe cannot live in isolation. Once again, the time has come for the US to reappraise its relationship with Europe and make fundamental decisions as to the way in which the US endorses developments in the European Union, particularly in

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[5] Statement by the President, White House, 8 December 2011

[6] Franklin D. Roosevelt, *The Arsenal of Democracy*, 29 December 1940.

the light of its self-imposed debt, economic and growth crisis, as they have such a profound impact on the US and the world as a whole.

2. American Myths about European integration

A number of renowned American commentators have greatly influenced US policy on Europe. They have significantly reinforced the assumptions upon which the State Department has established European policy since 1945. From the First and Second World Wars, through to Marshall Aid, the Cold War, Kosovo and most recently the Balkans, America has consistently shown herself willing to expend her wealth, and even her citizens' lives, to bring peace to Europe. Indeed, given the Second World War and the vital contribution made by the United States to the Allied success against Nazi Germany, it was utterly understandable that American policy after the War would seek to avoid a repetition of the circumstances that gave rise to the conflict.

The view of the State Department has been – at least since John Foster Dulles and Robert Kennedy – that the best way to achieve peace in Europe is by uniting Europe. This explains why the US has long supported and encouraged the European Union – but what type of European Union? Times and circumstances have changed, and deepening European integration is now having negative consequences for vital US interests.

The reason for this is straightforward. What used to be the European Community has been evolving into a European government since the Maastricht Treaty in 1992, the Amsterdam Treaty in 1997, the Nice Treaty in 2003, and the Lisbon treaty – a government pursuing policies that depart from the historical attachment of the UK and the US to the principles of free trade, democracy, and the Atlantic Alliance. The eventual aim of many European leaders is a United States of Europe with one currency, one body of law, one supreme court, one flag, one anthem, one defence policy, and one frontier. There is no comparison to be made between the constitution of Europe and the constitution of the United States – the constitutional, political and economic nature and circumstances of each is completely different. But the basic framework of European government is embedded in the existing European Treaties, which are failing. A number of pro-integrationists have even admitted this.

The European Reform Forum (ERF), which, in 2005, took evidence from a number of leading politicians, businessmen, economists, lawyers, historians, academics and administrators from all sides of the debate during Blair's presidency of the EU, proved this. British Ministers for Europe, Denis MacShane, MP, and Keith Vaz, MP, both conceded that there were fundamental problems with the EU, as did the likes of former EU Commissioner, Lord Dahrendorf, and Tony Blair's former Economics Advisor, Derek Scott. [7]

A similar recognition of the fundamental problems in the EU was found in the related and subsequent meeting held by the European Foundation in 2011. When they took views from all sides of the debate, they brought together, for example, the influential UK economist, Tim

[7] European Reform Forum, *Reform of the Existing European Treaties: Europhiles and Eurosceptics Agree*, 21 December 2005.

Congdon; founding Chairman of Business for New Europe, Roland Rudd; economist and Euro analyst, Graham Bishop; Chairman of the Public Administration Select Committee in the House of Commons, Bernard Jenkin MP; senior strategist at BGC Partners, Howard Wheeldon; former Europe minister, Denis MacShane MP; the first and former Chief Executive of the European Defence Agency in Brussels, Nick Witney; Member of Parliament for North East Somerset, Jacob Rees-Mogg MP; Director of the Centre for European Reform, Charles Grant and European justice & human rights spokeswoman for the Liberal Democrats, Baroness Ludford MEP; political editor of The Spectator, James Forsyth; and the economist Andrew Lilico. The difference was that whilst the later session of 2011 was held during the Euro-crisis and the United States of Europe with one currency was being proven wholly wrong, the key idea was still there: there were fundamental problems with the European Union which needed to be resolved.

The American policy of promoting greater unity in Europe can be traced back to the aftermath of the First World War, Woodrow Wilson and the League of Nations and the Kellogg-Briand Pact of 1928. Furthermore Churchill himself proposed a policy of European unity in Zurich in 1946, although this was not intended to absorb the United Kingdom into a European Union as is commonly alleged. By the end of Churchill's premiership in the 1950s, as Roy Jenkins (his distinguished biographer) clearly indicated, Churchill was not in favour of Britain being politically integrated into Europe, but preferred a looser association.

The myth that Churchill would have approved of, for example, the Maastricht Treaty is mirrored by myths generated by many commentators, including those from the United States. There is, however, no doubt that the United States was enthusiastic that Britain should join the European Economic Community (EEC) as Britain disengaged from Empire, and because the United States saw Britain as its staunchest ally in Europe. This made sense from many points of view whilst the Community was primarily economic, but once it entrenched itself in European government through the Maastricht Treaty, the picture, and therefore US policy, should have changed. These events were mirrored on the ground by differences between Britain and France in the context of policy towards America and the Soviet Union. Hence, Howard Macmillan applied to join the EEC in 1961, partly to retain American support for the British nuclear deterrent and to prevent France from leading Europe. The idea of Franco–German reconciliation, important as that was and remains, has in this context become a problem rather than the solution.

Specific American commentators have missed the point on the European Union. In *The European Dream*, Jeremy Rifkin argues that in the globalised world, authority no longer lies with the nation state but institutions, which supersede sovereign state prerogatives. In the context of a world where "geographic boundaries of all sorts are loosening or disappearing altogether," Rifkin praises the European system where Member States retain just a "modicum of sovereignty" compared to the US, whose government is hardening its notions of sovereignty in "contradistinction to everything going on around it." [8] Rifkin goes on to cite Francis Fukuyama, who writes that, "Americans … tend not to see any source of democratic legitimacy higher than the nation state." [9] In sum, Rifkin and Fukuyama discredit the need for democratic accountability in a globalised world by praising the decline of national

[8] Jeremy Rifkin, *The European Dream*, Polity Press, 2004, p. 295.
[9] *Ibid*., p. 297.

sovereignty in the EU's Member States and criticising America's reluctance to cede any sovereignty to unelected higher powers. The reason why Americans invest all their sovereignty in the nation state is because there is no democratic source of legitimacy higher than their democratically elected, directly accountable government. Democratic accountability is the essence of any nation state. It must be traceable to direct questioning; the person who is questioned – who has taken a decision or is about to take a decision – is obliged in public to answer for the policy he or she has devised before it has taken effect. If or when the devised policy goes wrong, it must be possible to hold the person directly responsible for their actions. This system is simply not applicable to the EU or the UN, or in any of these much vaunted supranational and international institutions. This is particularly so where the assumption is made that the supranational route is better or has become more necessary in a world now deeply infused with global communications and the internet. Rifkin's assumptions reduce democratic accountability. This needs to be enhanced in our new world, which needs more of the democratic nation state than less. His thesis goes in exactly the wrong direction.

In *Democracy in Europe*, Larry Siedentop discusses the issue of democracy and sovereignty in a different light. Siedentop contends that the key reason behind America's support for greater EU integration is the "appeal for solidarity in working for the spread of liberal democracy. That is a better interpretation of the American wish for Europe to speak with a single voice." [10] Siedentop appears to have completely misunderstood the idea of democratic accountability as described above. The ideas of democracy and an integrated Europe are contradictory. It is impossible for Siedentop to claim that further political integration of Europe will lead to the spread of 'liberal democracy'. Rifkin also places huge emphasis on the reformed nature of Europeans. He argues that human nature is indeed able to change, evidenced by what Europe has 'achieved' since the end of the Second World War. This includes the end of the Cold War, which is extraordinary as it was NATO that was truly responsible for this. [11]

Furthermore, with events such as the Euro-crisis, the bailout of European countries (e.g. Ireland, Portgual, Greece, etc), tensions within the EU have never been so high. Apparently the 'European Dream' is one of "inclusivity not autonomy." [12] If this is really the case then why is the whole European project driven by a Franco-German axis of power, with the French advocating greater political integration in order to dilute the power of Germany, which increased dramatically following the implementation of the Treaty of Nice in 2003. [13]

The bibliographies of the books of those such as Rifkin and Siedentop indicate that they are deeply influenced by the politicians and think tanks in Europe who have spectacularly failed to get the judgments on the European question right. There is precious little evidence that they have read or followed the arguments of those who have made the correct judgments and predictions and the same would seem to apply to the State Department. It seems as if there has been a triumph of hope over experience. This would not matter if what was at

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[10] Larry Siedentop*, Democracy in Europe*, Penguin Books, 2000, p. 173.
[11] *Op. Cit.,* Rifkin (2004), p. 298.
[12] *Ibid.*, p. 296.
[13] For this argument please see Larry Siedentop, (2000).

stake was not so serious, as the current Cabinet Minister and former Conservative Foreign Affairs spokesman in the House of Lords, the Rt Hon. Lord David Howell, once indicated in his 2005 evidence to the ERF on democracy and European integration: "I make a preliminary observation that this is the most important matter that I have ever been engaged in for well over 40 years in politics and in five political careers…The stakes are enormous and the need for clarity and a right way forward is immense, and the penalties for getting it wrong are vast." [14]

In the widely acclaimed book, *Paradise and Power*, which certainly contains seminal thinking, Robert Kagan, too, misses the point of the dangers of a failing European Union. He, too, quotes copiously from the works of Charles Grant and Robert Cooper. Both Grant and Cooper were known at that point to be close to Prime Minister Tony Blair.

He also quotes from Europhile proponents of the European Constitution, Lord Christopher Patten, Romano Prodi and Joschka Fischer. Kagan recognises that there are difficulties in European integration, but there is no recognition that he has taken on board that those who have the best credentials are those in the Eurosceptic think tanks who have consistently proved their point on such issues as the collapse of the Exchange Rate Mechanism, the Euro experiment self-destructing with low growth and high unemployment, the failure of the Stability and Growth Pact, the collapse of the aspirations for organisations to see the Euro-17 survive the crisis, to name but a few. This is hardly a prescription for paradise.

America is increasingly being forced to adopt a policy of "going it alone." [15] This was not, however, due to the "cowboy diplomacy" [16] of the Bush administration, as Rifkin contends, but the fact that, since the Second World War, the US has invested too heavily into the wrong kind of EU system in the false belief it was stabilising the continent. However, the problem in the EU as it stands is now greater than the initial proposed solution. As a result, America has found it necessary to 'go it alone' over global issues. The EU has supported and developed these initiatives, which are now detrimental to US interests.

America's obsession with the need to perpetuate the myth that EU integration is a positive development has meant the US has ended up supporting EU initiatives which inevitably end up with the US bailing the EU out. Kagan praises the qualities that make up the European strategic culture: "the emphasis on negotiation, diplomacy and commercial ties, on international law over the use of force, on seduction over coercion, on multilateralism over unilateralism." [17] He even goes so far as to state that it is "America's power and its willingness to exercise that power … that constitute a threat to Europe's new sense of mission." [18] The Europeans simply do not have a cohesive sense of national interest nor the political will to deliver the fundamentals of any foreign or defence policy. The EU also gets confused by the intrusions of European Human Rights legislation into foreign affairs and

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[14] Oral evidence given by the Rt Hon. Lord Howell of Guildford to the ERF on 14 July 2005, during the plenary session on "Democracy and Accountability in the EU since 1945" p. 23.
[15] Op. Cit. Rifkin (2004), p. 291.
[16] *Ibid.,* 291.
[17] Robert Kagan, *Paradise and Power*, Atlantic Books, 2003, p. 55.
[18] *Ibid*., p. 61.

basically demonstrates the fact that Huntingdon is right when he refers to the 'clash of civilisations'.

In a nutshell, Europe and America, which historically have more in common in terms of genealogical roots (and in the case of the United Kingdom common values back to Magna Carta), are now witnessing a cultural divergence. Kagan is right in emphasising the differences between Europe and the USA, but what is missing in his analysis is the explanation of how the institutional arrangements in each fundamentally differ. The US, like the UK, insists on democracy and accountability; the European Union, on the other hand, is intrinsically undemocratic and unaccountable. It is ironic that under the influence of the Labour Government, not to mention the Europhile commentators who favour European integration, the United States government has been persuaded to continue to promote the undemocratic, unaccountable European model, which is alien to US traditions. This model is invariably working against American interests such as over Iraq and in foreign policy, defence and economic spheres as illustrated below.

Developments in European integration, which have been driven by the Treaties, are negatively impacting the United States in several ways:

1. As most European political leaders admit freely, the Franco-German alliance is the motor of European integration. This alliance becomes more entrenched as majority voting displaces the veto in the arena of European government decision- making, and as the countries that disagree with France and Germany are either outvoted or forced in their own (perceived) national interest to bow to such predominant neighbours.

2. EU foreign, defence, trade, economic, and energy policies depart significantly from US interests. Protectionism; intransigence at World Trade Organisation talks; negotiations with countries such as Iran, Palestine, Russia and China over issues ranging from aid to energy; support of flawed international Treaties such as Kyoto; and the EU's relentless drive towards greater political integration are all working to undermine and compromise US global interests.

3. The potential savings to the US of Europe establishing its own defence forces are outweighed by the damage that those forces – through the trade and foreign policies that they would underwrite – would inflict upon US interests, especially with regards to the North Atlantic Treaty Organization.

4. The US-UK special relationship is being seriously affected by integrationist projects. Britain has good reason to repudiate projects such as the Single European Currency, a Common European Foreign and Security Policy, and vetoed the draft Treaty – all of which will in any case fail – to protect this relationship.

3. Anti-Americanism

Despite America's past contribution to European democracy and security, anti-Americanism remains short-sighted and ungrateful. The real problem that generates anti-Americanism in Europe is that there are real differences, which stem from a resentment of America's actual power and its conviction to get things done. The European Union on the other hand, which is

increasingly weak willed and vacillating, postures without results. Unfortunately, there is a failure by leading US commentators to grapple with reality, as discussed above; there is a tendency to support European culture rather than US determination. This is not to say that America is always right, but that the EU is invariably weak. This will not be improved by further European integration.

Integration and, for example, the Lisbon Treaty which merged existing Treaties into an 'enhanced Union' will simply exacerbate the internal contradictions within the European legal framework and the compression chamber will eventually implode. Anti-Americanism is not an abstract sentiment. According to the 2011 Pew Global Attitudes poll, across 23 nations, there were real doubts about America's superpower status. In 15 of 22 nations, the balance of opinion is that China either will replace or already has replaced the United States as the world's leading superpower. This view is especially widespread in Western Europe, where at least six-in-ten in France (72%), Spain (67%), Britain (65%) and Germany (61%) see China overtaking the US. Even on foreign policy, in Western Europe, fewer than half in Britain (40%), France (32%) and Spain (19%) say the US takes the interests of other countries into account when making foreign policy decisions. In Eastern Europe, a third or less believe America acts multilaterally. Perhaps more optimistically, despite that view, opinion of America remains favorable, on balance. The median percentage offering a positive assessment of the U.S. is 60% among the 23 countries surveyed. For now, the US receives high marks in Western Europe, where at least six-in-ten in France, Spain, Germany and Britain rate the U.S. positively and opinion of the US is also consistently favorable across Eastern Europe.

The burden of Anti-Americanism sentiment rests to some degree with Europeans, many of whom have harboured a longstanding (if not at times conveniently concealed) jealously of their so-called 'friend' across the pond. Three major policy areas – the Kyoto Protocol, the Iraq War and the once-expressed desperate need for an EU Constitution – have all highlighted the extent to which anti-American sentiment has been popularised in the EU. The US must understand that anti-Americanism is no longer an abstract idea, but one that is beginning to significantly influence policymaking within the European Union.

Iraq War and its Consequences

The US and the EU failed to reach an agreement or compromise over the decision to go to war against Iraq. Philip H. Gordon from the Industrial College of the Armed Forces at the National Defence University argued that France had long opposed a bi-polar or even unipolar world and saw the Iraq War as a way in which Europe could play a key global role, with France at the centre. [19] French President Jacques Chirac actively moved to take leadership of a vast coalition within the EU to counterbalance the US. Chirac provided a cover for many countries that would otherwise have not stood up to President Bush and in this way made a second UN resolution impossible.

Speaking at an emergency EU summit on Iraq in 2003, Chirac gave his opinion of those prospective EU members who had supported the war: "These countries are very rude and

[19] Philip H. Gordon, 'Bridging the Atlantic Divide', *Foreign Affairs*, Jan/Feb 2003 Issue 82, Vol. 1.

rather reckless of the danger of aligning themselves too quickly with the Americans. If they wanted to diminish their chances of joining the EU, they couldn't have chosen a better way." [20]

In the world of realpolitik, the fact that there has been an attempt both by President Chirac and German Chancellor Angela Merkel to patch up differences over Iraq should not be seen to have fundamentally changed the strategic differences that exist. Hostility over the issue still remains. During a 'Sound of Europe' conference held in Salzburg in January 2006, left-wing Swiss–German newspaper editor, Roger de Weck, invited the President of Latvia to agree that the new Member States posed a danger to EU unity, as they were too pro-American. The Latvian President, Vaira Vike–Freiberga, in turn declined to agree and instead delivered an impressive speech berating current Old Europe-New Europe divisions over the Iraq war:"I am amazed by the speed with which Europe has forgotten that it was rescued during World War Two when America entered the fight. The contribution of the trans-Atlantic link to European security is something that Europeans have long taken for granted… The trans- Atlantic link is intrinsic … the idea that we have somehow two systems that are inimical, I find extraordinarily strange." [21]

Following an article in the *New York Times*, which claimed secret CIA camps existed in Europe, the European Parliament decided to launch its own 46-Member inquiry into "the alleged illegal transfer of detainees and the suspected existence of secret CIA detention facilities in the European Union and candidate countries." [22] The Vice- Chairman of the Committee, Baroness Sarah Ludford MEP (who is a Europhile Liberal Democrat), recently urged senior US officials to face hearings in the EU and called specifically on Vice-President Dick Cheney to testify before EU officials. A member of the Committee, British former MEP Roger Helmer, who also sits on the European Foundation's Advisory Board, believed that the main purpose of the Committee was to give the "strong anti-American sentiments in parts of the European Parliament a stick with which to beat the US." [23] Speaking to the press, Mr Helmer argued: "I am sure that Dick Cheney will treat Ludford's remarks with the contempt they deserve. This Committee is likely to show [the European] Parliament's strong anti-American tendency in a poor light." [24]

4. Franco-German Motor Driving Integration

Merkel's election did not change the basis of the German–US relationship, as established under Gerhard Schröder. Indeed, Merkel has reiterated the traditional German view that the EU must revolve around a Franco-German axis. In Merkel's own words, "Germany and France, with their notions about the social market economy and globalisation, should be driving forces." [25] Whilst in the US, last year, Merkel playfully referred to the occasion of

[20] 'Fury as Chirac threatens new EU states', *The Daily Telegraph*, 18 February 2003.

[21] 'The Sound of Dissent', *The Daily Telegraph*, 29 January 2006.

[22] Nile Gardiner, 'The Great EU Inquisition: Europe's Response to the US Rendition Policy', *The Heritage Foundation*, February 2006.

[23] Roger Helmer, *East Midland MEPs Conservative News*, 26 January 2006.

[24] *Ibid.*

[25] Toby Helm and Colin Randall, 'Merkel alarms Blair over EU Constitution',*The Daily Telegraph*, 24 November 2005.

Obama's 2008 speech in Berlin when she refused to allow him as a presidential election candidate to speak at Berlin's central historical site in 2008. In August 2011, when she travelled to the US, she said "I can promise that the Brandenburg Gate will be standing for some time to come".

On intervention in Libya, where the UK with France and US led the way, Germany abstained on UN Resolution 1973. On 17 March 2011, the UN Security Council passed Resolution 1973, which created a framework for the creation of a "no-fly zone" over Libya and sought an end to the actions of Colonel Muammar Gaddafi. Germany's abstention during the vote on Resolution 1973, on Libya, at the United Nations Security Council (UNSC) was in keeping with its post-war history and is related to the assessments of Guido Westerwelle, the German Minister of Foreign Affairs. Ten members of the UNSC voted in favor of the resolution: the United States, Great Britain, and France, all permanent members of the Security Council, and Bosnia, Colombia, Gabon, Lebanon, Nigeria, Portugal and South Africa, non-permanent members. Whilst it is true that no country voted against it, there were five abstentions, including: Brazil, China, India, Russia, and Germany. There was an obvious parallel to Germany's non-participation in Iraq.

After that event, President Obama applauded the efforts of America's "…closest allies…the UK, France, Canada, Denmark, Norway, Italy, Spain, Greece and Turkey" throughout the Libyan crisis. It was intentional not to mention Germany directly. For years, leading EU politicians have attacked the US. In 1997, former German Chancellor Helmut Schmidt made clear the motivation in Berlin and Paris behind European integration: to create a superpower capable of challenging the United States. Schmidt stated, "[The] European Union will have the political, economic, and financial weight to exert an influence on global affairs equal to that of the superpowers. This perception is gaining ground among the leaders of the EU, and it provides an additional strategic motivation for European integration." [26]

It was only natural that during the Cold War West Germany maintained a close relationship with the US, since Germany's security ultimately rested more on the US than on its European allies. Because of this basic strategic reality, consecutive French leaders have never succeeded in enticing Germany away from the US entirely. However, Chancellor Schmidt showed his support for the Franco–German alliance when he stated, "[Post-Cold War] Germany will remain part of the [NATO] alliance, but European integration – further development of the EU and close co-operation with France – is increasingly important. The US must understand that in the next century Germany will not automatically take its side in disputes between Washington and Paris." [27]

Following the end of the Cold War, Germany realised that political power within the EU could only be gained by forging a strong alliance with France at the expense of the UK and US. In return for the political weight that Germany then gained from French support, Germany had to be willing to accept France's dislike of the US. Former German Chancellor, Helmut Kohl, realised that the only way to influence decision-making in the EU was to take this path.

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[26] Helmut Schmidt, 'Miles to Go: From American Plan to European Union', *Foreign Affairs*, May/June 1997.
[27] *Ibid.*

The Nice Treaty – which came into force in 2003 – only served to strengthen Germany's ability to push the EU in the direction it favours, and represented a fundamental, but largely overlooked, geopolitical shift in the balance of power and in the 'tectonic plates' of Europe. The controversy surrounding the ratification of Nice only serves to prove this. Small states quickly realised they would be the main losers under Nice. Ireland – which was the only country where a referendum on the issue was held – rejected the Treaty in 2001. It is highly likely that had other small states been allowed the choice, they also would have rejected it. This is due to the influence that larger countries, especially Germany, gained from the new system of double majority voting which was introduced at Nice. Double majority voting introduced a new clause stating that if a Member State was unhappy with the outcome of a vote in the Council of Ministers taken under Qualified Majority, it could request a further vote to ensure the Council decision represented at least 62 per cent of the population of the Union as a whole. Whilst this was intended to act as a safeguard for states with small populations, it actually increased the power of Germany, as it means that Germany and two other large countries such as France and Italy, are able to block anything they like. Smaller states, in contrast need a greater alliance of states to produce the same result and even Britain needs the support of more than two countries to oppose undesirable decisions. In this sense, commentators were right to call former German Chancellor Gerhard Schröder, the 'victor of Nice'. In any case, the Lisbon Treaty changed voting in the Council of Ministers so that many more decisions are now made by Qualified Majority Voting (QMV).

A broader point on the voting issue is that as the EU develops, federalising reforms and the development of enhanced cooperation (where a subset of EU Member States can forge ahead with integration) will ensure that fewer and fewer of its decisions require unanimity among its Member States. The whole structure of regionalisation policy, with grants, subsidies and financial inducement, encourages deeper dependence on the undemocratic and unaccountable institutional structure of the European Union. This will ironically generate greater instability than the money transfers between Old and New Europe might suggest.

5. Threat to Free Trade

The current crisis engulfing Europe demonstrates that the EU has objectives and assumptions that it insists on delivering through the Court of Justice and through Commissionled initiatives such as the Stability and Growth Pact. These measures do not work, and when they do not work, the European framework implodes and the rule of law is ignored. Nothing could be less satisfactory for stability, order and accountability. The fact is that the EU is trying to force-feed countries to do things they simply aren't prepared to do. This is proving to be a huge source of internal instability, which is bad for US investment. In light of the huge economic advances of countries such as India and China, it is more crucial than ever to ensure the continued liberalisation of international trade. This is especially true of USEU trade, given the importance of America's investment and commercial flows with Europe. The EU and the US are leading players in international world trade; they are each other's single largest trading partner in goods and services and each other's most important source and destination for foreign direct investment. In 2011, trade flows between the U.S. and the EU exceed $3.5 billion per day. Foreign Direct Investment has created millions of jobs on both sides of the Atlantic and represents over 50 percent of global flows. In 2010, U.S. FDI into the EU – $1.95 trillion – was more than twice U.S. FDI into any other region in

the world. The EU's 2010 Foreign Direct Investment of almost $1.5 trillion into the U.S. is approximately quadruple the amount that the U.S. receives from any other region. [28]

The transatlantic economic relationship is of vital importance for the United Kingdom in particular. Up until March last year, the UK received 1,434 foreign direct investment (FDI) projects. More than 94,500 jobs were associated with these investments. Compared to the previous year, associated jobs were up even though the overall project numbers were down given the economic climate. Even so, this is one of the highest levels of FDI projects ever recorded in the United Kingdom. The USA remains by far the biggest source of investment projects, accounting for 27 per cent of all investment and almost 40 per cent of created or safeguarded jobs. It is clear from these figures that the UK and the US share an enormous mutual trade partnership – one that should not and cannot be jeopardised.

EU protectionism

EU protectionism is part of a wider problem of the European landscape, namely the failure of the European economic project, which includes the clear rocketing unemployment within the European Union countries, the Lisbon Agenda and the 2020 Agenda. Far from achieving its objectives, those strategies are characterised by low wages, low growth and high unemployment in the eurozone. The fact is that the European economic policies do not work.

Legal and regulatory burdens on business

Excessive levels of legal and regulatory burdens within the EU work against both European and American interests. The advantages of America trading in Europe, particularly in light of the new opportunities in China and India, are lessened to an even greater extent by social legislation, which permeates the European economic environment. Numerous examples of how this is occurring are put forth in a pamphlet I co-authored with Bill Jamieson in 2004, The Strangulation of Britain and British Business: Europe in our daily lives [29] and more recently, my 2011 pamphlet, 'It's the EU, Stupid'. For example, the Working Time Directive regulates the maximum hours employees are allowed to work and creates new employees' rights. The UK's Data Protection Act, based on the Data Protection Directive, subjects businesses and employees to fines if rules on data protection are breached; the UK's Employment Act of 2002 provides for rights such as 26 weeks of paid maternity leave, increased payments and two weeks of paid paternity leave. [30] In this context, according to a House of Commons Library Research Paper on 13 October 2010, "The British Government

[28] The White House , Office of the Press Secretary, 'Fact Sheet on the United States' Relationship with the European Union: An Enduring Partnership', December 01, 2011 : http://www.whitehouse.gov/the-press-office/2011/12/01/fact-sheet-united-states-relationship-european-union-enduring-partnershi

[29] Bill Cash, MP, and Bill Jamieson, *The Strangulation of Britain and British Business: Europe in our daily lives*, The European Foundation, 2004.

[30] This information is taken from Cash and Jamieson, *The Strangulation of British Business: Europe in our daily lives,* pp. 10-11.

estimated that around 50% of UK legislation with a significant economic impact originates from EU legislation." [31]

The British Chambers of Commerce (BCC) annual "Burdens Barometer" assessment, which uses the Government's own estimates of the compliance costs for regulations which affect business, has recorded that the total gross cost of regulations (UK and EU) introduced since 1998 in 2010 is estimated to be £88.3bn, and that the most costly of those include massive regulations underpinned by EU legislation such as the Working Time Regulations 1999 at £17.8bn, the Vehicle Excise Duty (reduced pollution), amendment regulations 2000 costing £10.4bn and the Data Protection Act 1998 at £8bn. Given that the British Chambers of Commerce calculated for last year that £27.55bn or 31.2% of the costs were attributable to domestic legislation, with a grand 68.8% or £60.75 billion being attributable to EU legislation, the question naturally arises – why on earth are we not dealing with it? We simply cannot afford it. [32]

EU politicians have attempted to reduce economic inequality, such as the elimination of low-wage jobs through unemployment benefits. By taking measures such as this, EU Member States are attempting to undo the effects of the EU's legal and regulatory burdens. The problem is they can't get rid of it except by repealing EU legislation. People simply don't understand this. The pivotal reason why the European economy has low growth/high unemployment is that the EU prevents countries from repealing damaging legislation.

6. Internal contradictions

The European Union is rife with numerous inherent internal tensions – social, economic and political – which completely undermine key US beliefs in democracy and accountability.

The Euro

Chief among the EU's economic tensions are the problems associated with the European Single Currency – the euro – which was launched on 1 January 2002. The problem is that to integrate an economy effectively one must insulate it against economic shocks. Economists agree that such insulation comes in the form of one or more of the following:

- Exchange rate flexibility;
- Wage and price flexibility;
- Interest rate flexibility;
- Labour mobility;

[31] Vaughne Miller. 'How much legislation comes from Europe?', House of Commons Library, Research Paper 10/62, 13 October 2010.

[32] See: the British Chambers of Commerce 'Burdens Barometer 2010' (http://www.britishchambers.org.uk/topics/regulation) in conjunction with Perspectives by Ruth Lea, Economic Adviser to Arbuthnot Banking Group, 'The Coalition Government's approach to reducing the regulatory Burden' (http://www.arbuthnotgroup.com/uploads/22.2.2011.pdf)

• Fiscal transfers from the centre to disadvantaged regions; and
• Political Union.

As Willard Butcher, former CEO of Chase Manhattan Bank, observed, members of the European Single Currency share single rates of exchange and interest, little labour mobility, and stifling wage and price regulation. Members of the eurozone therefore, writes Butcher, enjoy very little insulation against economic shock, unlike the states of the USA. Without such insulation, the eurozone must instead rely only on fiscal transfers at the federal level to iron out economic imbalances between them. To insulate against economic shock, fiscal transfers would have to rise well above that spent in the US if it is to compensate for the lack of alternate factors such as labour mobility and wage/price flexibility. The result will be a European government spending unfeasibly large amounts of its citizens' money in an attempt to paper over the cracks between its component economies. This is a typical example of how arguments for integration produce opposite results.

The survival of the Euro itself is now in question due to its very nature which has resulted in grave imbalances within Europe. The monetary dimension of the Euro, with its "one size fits all" approach applied to such different national economies has not worked, as we argued throughout the Maastricht debates. The original misconception that the Euro would bring about stability has failed – and its consequent economic and financial distortions are now painfully evident. The Eurorealists were right – it has not worked and Britain needs to unravel the Treaties so we can pursue an EFTA-plus based network.

For US national interests, it is essential for Britain to pursue a path of reform: renegotiating our position within the framework of the European Single Market as a vital step as well as insisting on a rebate, and in ensuring our trade and economic wellbeing which is constantly eroded by a vast swathe of laws and directives such as the Social Chapter, Working Time Directive, Health and Safety and Tax harmonization emanating from Brussels. All these impose an additional burden to UK and indeed many US companies, businesses and the City's financial markets. This kind of political bloc is not what Britain needs in terms of her strategic commercial and geopolitical interests and the Treaties which left her in this situation must be renegotiated.

Although it has been asserted continuously recently by both UK and US officials that it is in Britain's interests to support the Eurozone and its stability in our national interest – particularly in relation to ministerial consent to the bailout exposures of Greece, Ireland and Portugal – this ignores the fact that the Eurozone crisis is not only a tragic problem in itself but in the real world they are symptoms of a deeper structural problem within the European Union. Different domestic economic outputs and cycles together with different national constitutional rules, political cultures and electoral consensus means that a further harmonization and coordination of governance and domestic policies are incompatible with an EU level economic governance and surveillance framework.

These deeper structural problems are the causes and reasons why the European project does not work, which throw up symptoms in individual members states such as Ireland, Portugal and Greece. They come from the lack of underlying competitiveness within the European Union and global lack of competitiveness of the Union as a whole. These in turn come from the lack of intrinsic democracy that cannot accept the differences between the

Member States and the failure to respond to the need for reform, which neither the Lisbon agenda or the more recent Europe 2020 strategy will put right. Those strategies did not and do not take into consideration the different modus operandi of Member States who have already resisted calls for binding reform targets in the past which are considered an assault to their sovereignty.

The monetary dimension of the Euro with its one size fits all approach and the uniformity demanded by the EU simply cannot work because of intrinsic political, economic and cultural differences between the 27 Member States. The survival of the Euro itself is in question due to its structural shortcomings and the inherent workings of monetary union which have resulted in grave imbalances within Europe and a North-South structural crisis by creating excessive monetary stimulus in some countries and deflationary impulses for others.

The deeper cause lies in the entire machine of wreckage created by the Maastricht process since the mid-1990's and the failure of the ECB's leadership which clings to its madcap doctrine that monetary policy can be separated from other emergency operations. The original misconception that the Euro would bring about economic convergence and stability has failed and its consequent economic and financial distortions are now painfully evident. This imbalance is further aggravated by the ECB's exchange rate policy centred upon the fixing of the Euro to the Real Effective Exchange Rate (REER). As a direct indicator of the performance of the "real economy" as opposed to the non-financial economy, this policy primarily accommodates the German economy, a highly competitive industrial sector generating large exportable trade surpluses with a weak domestic demand, to the detriment in particular, of the Mediterranean countries' competitiveness.

The economic power of Germany and its central position and the dependents of other countries upon her – both politically and economically – and the economic distortions created by the cohesion funds which take up a vast amount of the EU budget, the failures of the Common Agricultural Policy and the failure to show any real form of the overregulation within the EU as a whole (including the Working Time Directive and social and employment legislation) simply doesn't allow the oxygen for enterprise and small businesses which is needed for them to be successful. It is impossible to see how this can be reversed to achieve a more balanced pattern of trade and payments within the Eurozone and policy responses to date have not focussed on economic correction but merely on the suppression of aggregate demand.

Stability and Growth Pact

The Stability and Growth Pact (SGP) – which was set up in 1997 to enforce budgetary discipline in the eurozone countries – rules that budget deficits should be below 3 per cent of nations' annual GDP and that national debt must be limited to 60 per cent of GDP. Failure to observe this is supposed to lead to the imposition of sanctions by the Commission on errant Member States. Portugal breached the pact as early as 2000, France and Germany followed suite in 2002, Greece in 2004 and then Italy in 2005. However, when push comes to shove sanctions have not followed, and countries such as France have retaliated defensively against criticism. When challenged about France's rising deficit, Former Prime Minister, Jean-Pierre Raffarin, once retorted that his job was to "fight unemployment" not "to produce

accounting equations … so that some office or other in some country or other is satisfied." [33] Former European Commissioner Lord Dahrendorf described the situation thus: "Just look at the German public debt in relation to the Stability Pact and common currency. No one would dream of applying the pact if the German government said they did not want it. That is an extreme, but telling example of how the Union is essentially understood to be an instrument of national policy in many continental countries rather than as a new authority that overrides national policy… When it does, as has been shown in recent judgements by the European Court, there is an outcry…" [34]

During the Euro-crisis, the European Union insisted that the Eurozone arrangements entered into – starting with the failed Stability and Growth Pact – would take care of the Eurozone countries but they abandoned these rules and built up huge debts which have led to their collapse. This has been accompanied by what amounts to an abandonment of the rule of law, undermining the very legal framework of the European Union itself.

Undemocratic System

The European Union is systemically undemocratic and, under the existing Treaties, was intended to be so. The EU is undemocratic because not only is EU legislation exclusively put forward by the unelected Commission, but also majority voting, which covers a vast swathe of European legislation is made binding on the Member States and overrides the will of the voters in general elections in those countries. Imagine that the US was governed by the majority vote of other countries? The idea is absurd. Author and journalist, Frederick Forsyth, discusses the issue of democratic accountability when giving evidence to the ERF in July 2005. Lord Waddington asked the question: "What sort of root-and-branch reform do you have in mind? Would you start with the Commission which pretends to be the government of Europe, without having democratic mandate?" To which Mr Forsyth replied, "That is true. That is the way in which it was devised. That was the way – certainly back in 1972 – when the then Prime Minster, Mr Edward Heath, agreed to concede all the powers that was necessary. I do not think that he revealed to us quite what he was conceding." [35] The stated aim of Jean Monnet, the chief architect of European integration, was to create government by technocrat in a continent where, he felt, politicians had failed so badly. As Monnet stated himself, "Europe's nations should be guided towards a super state without their people understanding what is happening. This can be accomplished by successive steps each disguised as having an economic purpose, but which will eventually and irreversibly lead to federation." [36] Monnet, like present European leaders, presumably gave little thought to the fact that genuine democracy – that is, government by the people rather than by unelected officials – should be, but is not, the solution to, rather than the cause, of Europe's ills.

The members of one of the EU's most important institutions, the European Commission, are

[33] Op. Cit., Black (2005), p. 105.

[34] Oral evidence given by Lord Dahrendorf to the ERF on 8 December 2005 during the plenary session on 'The existing EU Treaties' p. 132.

[35] Oral evidence given by Frederick Forsyth to the European Reform Forum on 14 July 2005 during the plenary session on 'Democracy and Accountability in the EU since 1945, p. 17.

[36] Jean Monnet at the League of Nations, 30 April 1952.

not only unelected, but are almost totally unaccountable to their notional counterweight, the European Parliament. Increasingly, the European elites are detaching themselves from the peoples of Europe. It is certainly not 'anti-European' to point this out and to speak out in favour of true democracy.

Implications for America

American corporations are hugely exposed through their investments in Europe, and this is especially the case with the United Kingdom. Most European countries are running huge public schemes that will eventually implode or have to be dismantled some way or another. The United States will be hit in at least two related ways:

• Huge tax rises will cripple the EU economy, in the process slashing the value of US investments, negatively impacting exports and leading to a global economic slowdown.

• The EU may try to compel Britain to bail out its social security system, jeopardising the UK's current economic success. This would almost certainly force British firms to engage in a huge sell off of their American assets and a large scaling back of their investments in the country, at an important cost in terms of American jobs.

7. Threat to NATO

History has a tendency to repeat itself. Experience over the past 190 years has shown that in terms of national security, Britain's strongest allies have been English-speaking nations – namely the US. More recently the North Atlantic Treaty Organization (NATO) has served as a cornerstone, providing a point of reference for the EU and the US over issues of defence and foreign policy. The St Malo agreement made in December 1998 between Tony Blair and Jacques Chirac succeeded in tipping the balance previously set by NATO, by allowing the EU "the capacity for autonomous action, backed by credible military forces." In so doing,

Mr Blair turned his back on the 'special relationship' with the US by allying the UK with a country that has sought to undermine NATO and US influence in Europe since the end of the Second World War. Since St Malo the EU has pursued a separate defence policy to rival that of NATO and the US. The European Defence and Security Policy (EDSP) and the European Rapid Reaction Force (EURRF) are both landmark creations. The EURRF is a transnational force managed by the EU itself as opposed to individual Member States.

According to the Petersburg rules, it goes beyond the usual EU defence duties of providing humanitarian, rescue and peacekeeping and peacemaking (to include joint disarmament) operations, and now provides military advice, assistance tasks and post conflict stabilisation with the possibility to provide assistance in the fight against terrorism. In this way, the EURRF represents a full-time military command structure, entirely separate from that of NATO. Prior to George W. Bush's visit to the EU in February 2005, former German Chancellor Gerhard Schröder made no pretences about German attitudes to NATO when he said that, "NATO is no longer the primary venue where transatlantic partners discuss and coordinate strategies." [37]

[37] 'Let's Talk – but where?' *The Economist*, 24 February 2005.

Indeed, the true nature of EU defence policy has only recently become clear. Geoffrey Van Orden MEP argued in one paper, 'The False Attractions of EU Defence Policy and the need to rethink NATO', "The EU defence policy adds nothing to military capabilities. It should be seen for what it is – a key part of the process of European political integration, intruding into the most sensitive areas of national sovereignty, undermining NATO and widening the gap between the US and Europe." [38] In 2010, Van Orden made clear in another pamphlet, "The EU owns no military forces. These belong to the nations. There is only one set of military forces in each nation for the full range of military tasks. … CSDP merely places an additional burden on our existing armed forces and does not generate any additional capacity", adding that "The US wants European allies to assume a greater share of the defence burden – it was told that was what CSDP was all about. The US was misinformed." [39] There has been a misinformation and the policy needs to be changed. After all, as Van Orden stated only last year, "CSDP is primarily an instrument of European political integration, dressed up as an effort to improve military capabilities." [40]

US Attitudes

It is crucial the US realises, in the words of former Chief of the UK Defence Staff, General the Lord Guthrie of Craigiebank, that ESDP is not viewed by the EU as "a partnership so much as a counterbalance" to the US. [41] Again, it is interesting here to consider Robert Kagan's thesis in Paradise and Power in order to understand how the relationship between the US and EU should work in terms of defence policy. [42] Kagan argues that the US has tended to conduct itself in terms of 'hard power' in foreign affairs and the EU in terms of 'soft power'. The EU3's failure to curb Iran's nuclear ambitions is a good example amongst many where the soft power approach hits the deck. As Van Orden argued in a recent article in the Financial Times, both NATO and the EU have their own clear but separate roles to play in crisis management – military operations should be left exclusively to NATO, but the EU can be useful in offering trade incentives, humanitarian aid and development programmes. [43] In other words, NATO and the EU can, with serious reservations, complement, not compete, with each other. This point was emphasised by the Rt Hon. Lord David Owen, co-founder and former leader of the Social Democratic Party in the UK, during oral evidence given to the ERF. He argues: "I do want the EU to have a peacekeeping role…and the European Union has to consider different views. There is a wish for a soft role and I can live with that, as long

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[38] Geoffrey Van Orden, MEP, *The False Attractions of EU Defence Policy and the need to rethink NATO,* The Conservative Way Forward.

[39] Geoffrey Van Orden, MEP Supporting our Armed Forces, revitalising NATO, and avoiding EU duplication, 2010.

[40] Geoffrey Van Orden, MEP, The Libya conflict, opposing the recipe for an "EU army", and the importance of our Defence Industries, 2011.

[41] Oral evidence given by General the Lord Guthrie GCB, LVO, OBE to the European Reform Forum on 17 November 2005, during the plenary session on 'Foreign Policy, International Relations and Defence: Alliance or Subservience?' p.19.

[42] *Op. Cit.*, Kagan (2003).

[43] Geoffrey Van Orden, MEP, 'EU should avoid competing with NATO military role', *Financial Times*, 8 March 2006.

as it does not damage NATO, but the present structures are perilously close to damaging NATO. If we had gone for the EU Constitution, we would have moved right across to damage NATO." [44]

The crucial difference between NATO and the EDSP is that whilst NATO should act as the authoritative hard power, the EU can occupy a differing position, provided it does not get in the way of decisive action where it is needed and does not appease or cave in to threats or pressure. The UK and certain other Member States do not make this mistake, but other Member States and the EU as a whole are all too prone to do so. This is a serious matter affecting vital US national interests.

In an article in *Foreign Affairs* as part of the 2000 US Presidential election campaign, Condoleezza Rice wrote, "The United States has an interest in shaping the European defence identity – welcoming a greater European military capability as long as it is in the context of NATO." [45] The Center for Strategic and International Studies (CSIS), an American based think tank, once wrote of a study into how greater European defence integration might be achieved, based evidently on the assumption that a separate EU defence force is required. The CSIS report, *European Defence Integration*, stated: "…integration is essential to ensure that the composite European force posture is ultimately greater than the sum of its parts. In the near term, [Member] States must seek out new opportunities for integration with their European partners." [46] Although these two examples in no way speak for America as a whole, they certainly represent a wider belief of a portion of both the general public as well as those in office. The vaunted aspirations for European defence are simply not matched by financial commitment nor on their ground combat ability. America rightly regards Turkey as an essential strategic ally within NATO, given the crises in the Middle East. Turkey represents a bridge between East and West. However, there is an absolute determination by some not to allow Turkey to become part of the European Union. Despite the secular nature of Turkey's government and despite it having made some 700 legislative changes to its constitutional laws, the problem of economic migration, low wages and the fear of Islamic fundamentalism in Turkey has accentuated objections from the likes Giscard d'Estang and others.

In a meeting I once had with Turkish MPs, when the question was raised as to whether a European Union of associated Member States might be a preferred option, as compared to the current integrationist project with an over-arching EU constitutional primacy enforced by the Court of Justice, it was made clear that associated status was supported. An associated status adopted by all EU Member States would make it easier for Turkey to become part of a European entity. This in itself would be an important reason for the US to encourage the European Union becoming a looser association of Member States. It would be disastrous if Turkey became effectively a European province within the EU and then reverted to a fully

[44] Oral evidence given by the Rt Hon Lord Owen to the European Reform Forum on 17 November 2005, during the plenary session on 'Foreign Policy, International Relations and Defence: Alliance or Subservience?' p. 78.

[45] Condoleezza Rice, 'Campaign 2000: Promoting the National Interest', *Foreign Affairs,* Vol. 79, Issue 1, p.54.

[46] 'European Defense Integration: Bridging the Gap between Strategy and Capability', Centre for Strategic and International Studies, October 2005.

Islamic state governed by Sharia law, which could not co-exist with the legal framework of the EU and the European Court of Justice.

In line with current US integrationist policy, Philip Gordon, US Undersecretary of State, has called for better coordination, to make best use of NATO resources:

> From a security perspective, we will have to adapt creatively to this new economic reality by finding ways to make our collective defense spending smarter and more efficient. This will likely include reforming NATO and streamlining its operations, as well as finding ways to advance NATO-EU cooperation so that the full resources of both institutions can be harnessed most effectively. The United States strongly supports NATO Secretary General Rasmussen's emphasis on "smart defense" and hopes Allies will support initiatives – such as Baltic Air Policing and common funding of Alliance Ground Surveillance – that help ensure our security while minimizing costs.[47]

Gordon welcomed the forthcoming enlargement of the EU to include Croatia and spoke in favour of Serbia's potential candidacy. He also welcomed EU/US cooperation on Belarus and Iran, and in the Caucasus, mentioning Georgia, Armenia and Azerbaijan.

Outgoing Defense Secretary Robert Gates's remarks about NATO in June 2011 were without doubt referring to the failure of Europe in its contributions. While Gates was not specifically referring to the European Union, it was EU member states who were the main target of Robert Gates's comments about the "unacceptable" reluctance of some countries to share the burdens of NATO membership. He said "In the past, I've worried openly about NATO turning into a two-tiered alliance: Between members who specialize in "soft' humanitarian, development, peacekeeping, and talking tasks, and those conducting the "hard" combat missions. Between those willing and able to pay the price and bear the burdens of alliance commitments, and those who enjoy the benefits of NATO membership – be they security guarantees or headquarters billets – but don't want to share the risks and the costs. This is no longer a hypothetical worry. We are there today. And it is unacceptable", adding that "Despite the demands of mission in Afghanistan – the first 'hot' ground war fought in NATO history – total European defense spending declined, by one estimate, by nearly 15 percent in the decade following 9/11. … I am the latest in a string of U.S. defense secretaries who have urged allies privately and publicly, often with exasperation, to meet agreed-upon NATO benchmarks for defense spending. … Today, just five of 28 allies – the U.S., U.K., France, Greece, along with Albania – exceed the agreed 2% of GDP spending on defense." Again, on a 2011 visit to the European Defence Agency, US ambassador to the EU, William Kennard, reiterated this view.[48]

As US policy sought to maintain a close alliance with Europe, the Department of Defense's new strategic guidance document has also been interpreted as paving the way for continued withdrawal from Europe, stating that "Most European countries are now producers of security rather than consumers of it. Combined with the drawdown in Iraq and Afghanistan, this has created a strategic opportunity to rebalance the U.S. military investment in Europe,

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[47] *Ibid.*

[48] "US Ambassador to the European Union visited EDA today", EDA press notice, 10 June 2011

moving from a focus on current conflicts toward a focus on future capabilities. In keeping with this evolving strategic landscape, our posture in Europe must also evolve".[49]

Defence Expenditure and Burden Sharing

European nations have been making drastic cuts in their defence expenditure. The US spent €520 Billion on defence in 2010, two point seven times more than the €194 billion spent in the EU. [50] An example of the EU's reluctance to share the defence burden with the US would be seen in relation to the situation in Afghanistan. Following the Laeken European Council Meeting in December 2001, an unseemly row broke out amongst EU leaders regarding future levels of contribution to NATO's mission. Whilst the then Belgian Foreign Minister, Louis Michel, declared all 15 Member States would contribute a force of 3,000 to 4,000 troops to Afghanistan, other EU figures such as former German Foreign Minister, Joschka Fischer, claimed the issue was not one for the EU, but the UN Security Council. A number of Member States were awkward in adhering to their initial pledges. When the US indicated its desire to withdraw some of its 20,000 troops based in Afghanistan and replace them with NATO's International Security Assistance Force (ISAF) in 2005, several NATO members, namely France, Germany and Spain, expressed concerns over the use of ISAF troops in combat situations. Indeed France indicated it would consider vetoing any integration of US-led forces and NATO-led forces under one command.

Lisbon's EU Foreign Minister and Diplomatic Corps a failure

The Treaty of Lisbon has reshaped the EU's institutional architecture for foreign policy from top to bottom. Indeed, the failure of Germany to endorse the policy on Libya illustrates the failure of the new system. At the top it is guided by a newly styled High Representative for foreign affairs and security policy and at the bottom it has overseen the creation of a European Diplomatic corps. The Treaty hands over considerable authority to the new High representative who will chair the monthly meetings of the Member States' foreign ministers and will replace the foreign minister of the country holding the EU's rotating presidency. By uniting the functions between the European Commission and the Council of Ministers, the new position has aimed to overcome some of the debilitating divisions between the two institutions that have hampered the EU's policy in the past years. This "double hatting" of the new High Representative which anchors the function both in the Commission and the Council of Ministers was designed by the EU to address a lack of strategic coherence between foreign policies driven by the Commission and Member States. In theory, the division between the two services should be straightforward. The Commission is in charge of handling routine policies towards third countries, enlargement, neighbourhood relations, trade, humanitarian and development assistance, while the High Representative deals with security challenges, especially those that require a crisis response. The Treaty has also overseen the establishment of a new diplomatic corps under the European External Action Service (EEAS).

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[49] '*Sustaining US global leadership: priorities for 21st century defense'*, Department of Defense, January 2012, p3

[50] Maria Leonor Pires, 'Europe and United States Defence Expenditure in 2010', European Defence Agency, Brussels, 10th January 2012.

The new EEAS has so far failed to think strategically. As one senior British diplomat put it "the new EEAS should be about effective delivery of foreign policy and not about expensive bureaucracy". Europe's recent incapacity to find a strong united response to a tyrant on its doorstep during the Libyan crisis is a categoric failure of the EU's foreign policy, evident in the conspicuous absence of many European countries and in Germany's unprecedented decision to break ranks with Britain and France, Europe's two diplomatic heavyweights, by abstaining with the BRIC countries against action in Libya. The deadlock in EU institutions was instrumental in forging a "coalition of the willing" on Libya.

The unelected High Representative has since been dogged by allegations of incompetence and weak leadership. The Sunday Times of 17 July reported the EU Foreign Minister intention of challenging the UK Government policy by outlining a proposal for a permanent EU military headquarters that could initially be housing 250 officers and crisis management experts with the aim to command and control future European civilian and military campaigns. EU diplomats are considering the UK as a possible option in order to soften Britain's opposition. However, as Stephen Booth from Open Europe commented, "creating a new EU headquarters, would simply be a distracting attempt to paper over the deep seated divisions in the EU foreign policy and would threaten Britain's primary alliance that remains with the US and NATO". Britain must continue its traditional opposition to the centralization of power in Europe and play its part in the defence of freedom.

The European army – a disastrous and failed policy

Ever since the collapse of the Iron curtain 20 years ago, European leaders have expressed great enthusiasm for having a European army that would be self-sufficient in protecting Europe's interests rather than having to rely on an American-led NATO, which itself needs reform. Since then, Europe's inability to acquire a coherent and effective defence policy has been most evident in the conflicts that have arisen at Europe's doorstep. European powers were unable to formulate a united and coherent policy for dealing first with the collapse of Yugoslavia in 1995 and it was only the US intervention, culminating with the Dayton Accords that put an end to the fighting. The Kosovo crisis which ensued a year later, once more highlighted the inability of European politicians to agree to an initial policy by managing to alienate Washington through not committing any military resources.

The declaration of St. Malo itself, which I strongly denounced on the day it was announced, a Franco-British response to the event in Kosovo and to the perceived failure of the international community to intervene in time, did not involve the EU as an institution. This was despite the Maastricht and the Amsterdam Treaties respectively laying the foundations for the now abandoned WEU to formulate and implement a CFSP as a whole and to codify the so called "Petersburg Tasks" for peacekeeping and humanitarian missions. By declaring that "...The Union must have the capacity for autonomous action backed up by military forces ... in order to respond to international crisis", it has effectively laid the foundations towards a new military alliance in Europe.

September 11 and the European failure

Subsequent deep divisions remerged however in the aftermath of September 11 which saw only a handful of European Member States prepared to make a tangible contribution to the

campaign to overthrow the Taliban regime in Afghanistan and when it came to confronting the Iraqi dictator Saddam Hussein in 2003 on whether or not to support the war. The divisions that arose as a result of UK participation in the US war in Iraq have drawn Britain further back in the NATO fold, while drawing Germany away from the UK and France, pointedly avoiding confrontation with Russia, thanks to its political connections to its oil and gas industry.

Funding and the NATO question remain the most important stumbling blocks to the full operational implementation of the European Security and Defence Policy (ESDP) so far. Whereas the US often views the ESDP as a consequence of the long held French goal of building a militarily unified Europe, strong enough to actively challenge an American led NATO, the UK's position has been to operate as a partner within one alliance or the other and not to push for a EU army but rather, to increase cooperation where national securities allows and sovereign capability is not jeopardised.

Will this position be sustainable for Britain in the long run, and are vital British interests being really addressed especially as the US are signalling that it wants to shift its agenda away from NATO? As the US Secretary of Defence, Robert Gates put it in his last major speech before retirement: …" there will be dwindling appetite in the US Congress … to expend increasingly precious funds on behalf of nations that are apparently unwilling to devote the necessary resources or make the necessary changes to be serious and capable partners in their own defence".

The UK and France are the major military in Europe. If these voices get louder however, Britain will have to revaluate its strategic decisions as the overall military and strategic power of Europe is waning and is having a direct impact on NATO. This, coupled with the changing rhetoric from the US whose recent stance on Libya is proof of a change in its strategic calculus, could mean a bleak future for Europe's military capabilities and suggests that the European defence industry could start heavily focussing on the emerging markets such as Brazil, India and Saudi Arabia, and possibly signalling a shift in Britain's international relations viewpoint if the Prime Minister does not take a strong stance in defence of British geopolitical strategic and defence interests and renegotiate the Treaties which have endangered Britain's defence interests.

Procurement of Armaments and Weaponry

As a direct result of the increasing gap in defence expenditure by the US and European allies, few European armed forces are able to operate effectively alongside US forces. This is precisely the situation that leading US officials were hoping to avoid. In 2000 as part of the Presidential election campaign, Robert B. Zoellick wrote in Foreign Affairs, "In critical areas, US allies in Europe … can share significant burdens and make major contributions. In order to fight together their forces must be interoperable." [51]

General the Lord Guthrie raised this point when giving evidence to the ERF: "The British were probably the only people capable of being embedded within an American force in the

[51] Robert B. Zoellick, 'Campaign 2000: A Republican Foreign Policy', *Foreign Affairs*, Vol. 79, Issue 1, p. 78.

first Gulf War. We can just about do it now, but it is becoming harder and harder because the gap between the Americans and the Europeans is becoming greater because of their weapons systems and procurement." [52]

Indeed, it is an issue of great current concern. Europe's lack of research and technology funding has ensured that not only the EU as a whole, but individual Member States who have proven themselves US allies – such as the UK and Poland – are being forced to lower their standards. Thus they have found themselves struggling to maintain the capability to serve alongside the US military.

It is suggested that all EU Member States should apply 'European Preference' when procuring defence equipment. This is an absurd policy which would force countries (such as the UK, who have agreements with the US) to settle for military equipment which is not only below US standards, but more expensive to produce. It would also throw current essential joint projects such as the UK-US Joint Striker Fighter into doubt. At a recent Parliamentary Defence Committee, Mike Turner, Chief Executive of BAE Systems, implied that getting the US to share sensitive military know-how with the UK could offer more promise than collaborative research across Europe. [53] The EU's air-to-air missile, the Meteor, which is currently under construction, is costing £1.4 billion to build. The same product could have been purchased ready-made from the US for just £500 million. In a further twist, the seeker, which is at the heart of the missile, is made by the French who have total design authority and complete intellectual rights to it. The radar and logic system is also made by the French. The motor, which is a unique design, is made by the Germans, who have total design control over it. [54]

The US should also be wary of the EU's global satellite navigations system, Galileo, which has been set up by the EU as an alternative to the US Global Positioning System (GPS). The EU's official stance is that Galileo is intended for civilian use only. However, Michele Alliot-Marie, a former French Foreign Defence Minister, openly stated the EU intends to use Galileo for military purposes. China has poured large amounts of funding into the system. Dr Richard North strongly believes this is further evidence Galileo could and will be used for military purposes. He argues, "why would China spend €400 million on the system when it is free to use the American Navstar System if it did not intend it to have a military application?" [55] As the EU's relationship with China grows stronger, the threat of potential technology leakage from the EU to China will increase. It will thus become more problematic for the US to share information with its strategic European allies. This has serious implications for the

[52] Oral evidence given to the ERF by General the Lord Guthrie GCB, LVO, OBE on 17 November 2005, during the plenary session on 'Foreign Policy, International Relations and Defence: Alliance or Subservience?' p. 85.

[53] James Boxell, 'Industry sceptical on idea of European Alliance', *Financial Times*, 1 March 2006.

[54] Oral evidence given to the ERF by Dr Richard North on 17 November 2005, during the plenary session on 'Foreign Policy, International Relations and Defence: Alliance or Subservience?"' pp. 75-78.

[55] *Ibid.*, p. 77.

US–UK relationship, as North predicts this will lead to "the problems of US–UK cooperation … being exacerbated further." [56]

The development phase of Galileo was intended to be carried out by a Public Private Partnership (PPP) and to be completed by 2008, at a total estimated cost of €2.1 billion, with the private sector contributing €1.4 billion. Negotiations with the private sector on a concession agreement collapsed in 2007. For the Galileo implementation, deployment and commercial operating phases, approximately €1005 million had been properly accounted for in the EU's financial framework for 2007-2013. The additional €2.4 billion had been found from the 'revision of the Financial Perspectives'. Brussels agreed, therefore, to fund the deployment phase of Galileo entirely from the Community budget, which meant that EU taxpayers will pay a bill of €3.4 billion for the period 2007-2013.

It has been widely reported in the WikiLeaks's releases that the chief executive of OHB-System AG, described the Galileo project to US officials as "a stupid idea that primarily serves French interests" and "a waste of EU taxpayers' money." The comments were allegedly made in October 2009 – before the German company was awarded a contract, worth €566 million, to build 14 Galileo satellites. The Galileo programme is extremely delayed and over budget. It is a great example of the European Union wasting taxpayer's money.

8. Threat to US Interests Abroad

Undermining US/UK policy on the Middle East and Iran

By pursuing policies in opposition to those of the US, the EU has successively undermined a number of US global interests. The US has also been forced to come to the EU's assistance when their actions backfire. Rather than follow a meaningful EU-US path along the lines of maintaining pressure on Hamas under the conditions set down by the Quartet, consulting with Israel on how to reinvigorate negotiations with the Palestinians and blocking Palestinian attempts to gain UN support for unilateral statehood in that context, [57] Europe has failed to take resolute action on important matters and even funded questionable policies which are against US national interests.

Hamas, is listed by both the US and the EU as a terrorist organisation, due to its commitment to terror and the destruction of Israel. The US declared early on that a "Palestinian government that is not committed to peace and international consensus simply will not receive the sort of direct fund transfers that have been given to the Palestinian Authority," although humanitarian aid would be continued through other mechanisms. [58] In

[56] Dr Richard North, *The Wrong Side of the Hill*, Centre for Policy Studies, 2005, p. vi.

[57] See: James Phillips, 'The Palestinian Facebook Intifada and Campaign for Unilateral Statehood', Heritage Foundation, 11 May 2011: http://www.heritage.org/research/reports/2011/05/the-palestinian-facebook-intifada-and-campaign-for-unilateral-statehood

[58] 'Rice Says No Direct Funding Now to Hamas', US Department of State, 22

contrast to this, the European Commission is the biggest donor of financial assistance to the Palestinians. [59]

As evidenced in speeches made by Condoleezza Rice and Dick Cheney, the US made its position clear from the beginning that, "the Palestinian government must recognise Israel's right to exist, and Hamas must renounce terror and dismantle the infrastructure of terror." [60] Even under the Obama administration, the US and EU agree to fix their solution with the Quartet, stating "We reaffirm the Quartet Statement adopted in New York on 23 September 2011 that provides a framework for direct negotiations between Israel and the Palestinians, and we call on the two parties to engage actively in this effort" [61] but the European Union went further because essentially it did not share a similar framework.

Prior to the original commencement of negotiations between the EU3 (France, Germany and the UK) and Iran over the Non-Proliferation Treaty, former UK Foreign Secretary, Douglas Hurd, wrote an article in the *Financial Times* extolling the benefits of such a programme. He claims this was the time for the EU to demonstrate its independence from the US. However, within a matter of years it was possible to state what had been only too obvious before – officials in the US allowed the EU3 too much latitude in what has turned out to be an unfulfilled hope. In January 2006, Iranian President Mahmoud Ahmadinejad broke UN seals at its nuclear enrichment plant in Natanz, thereby throwing a spanner into the three years of negotiations with the EU3. Whilst the election of President Ahmadinejad in the summer of 2005 further radicalised Iranian politics, the country lacked true commitment to the negotiations long before. Matthew Attwood demonstrated this point in the European Journal; he argues that Iran was not adhering to the EU3's demands as early as February 2004, just months after the talks began in October 2003. [62] The potential threat posed by Iran was also recognised by King Abdullah II of Jordan when he identified individual Member States – to become a single partner of the US within the NATO alliance. As long as the US not only supports, but actively promotes EU integration, they will lose their key allies in Europe. Had the EU Constitution been ratified prior to the outbreak of war in Iraq, America's allies in Europe would have been completely hamstrung and it would have been impossible for the UK to support the US in its actions. History shows the UK as America's most reliable partner; the UK is more likely to support the US than any other European country and vice versa. In supporting further EU integration, and therefore ESDP, the US is putting this partnership under pressure.

February 2006.

[59] European Union, External Action website: http://eeas.europa.eu/occupied_palestinian_territory/index_en.htm (18.01.2012)

[60] 'Annan urges cool rhetoric after Cheney comments on Iran to AIPAC', *Haaretz,* 8 March 2006.

[61] The White House, Office of the Press Secretary, Joint Statement: US-EU Summit, November 28, 2011: http://www.whitehouse.gov/the-press-office/2011/11/28/joint-statement-us-eu-summit

[62] Matthew Attwood, "The Attwood Report: Iran and the EU3", *The European Journal*, Vol. 12, No. 10, November/December 2005, p. 3-4.

Iran's announcement in February 2010 that it is a nuclear state occurred after the appointment of the Catherine Ashton as EU Foreign Minister. Her speech at the Munich Security Conference, at a time when everyone's patience had finally run out with Iran, stated "let's not be hasty in discussing sanctions." Along with Iran's threat to wipe Israel "off the face of the earth," Europe and Washington should have cooperated to impose sanctions immediately and including a last-resort use of force against Iran. Ashton also then took over from Javier Solana as head of the EU3+3 (the six powers involved in talks with Iran). The EU is out of its depth in dealing with Iran. [63]

Terrorism

In today's world, domestic security can only be ensured in the context of global security. Terrorism is an international threat, which to varying degrees affects all nations. The response to terrorism must therefore be international and transatlantic cooperation is fundamental.

The UK has shown itself as a repeated ally of the US in the war against terror. This was recognised by the US in the 2004 State Department report, *Patterns of Global Terrorism*. [64] Whilst cooperation between the US, UK and the EU in this context has certainly improved since events such as the Madrid Bombings in March 2004, Washington should understand the extent to which perceptions on combating terrorism differ between the US and EU.

The EU's most recent list of official terror organisations, issued in November 2005, does not include notorious groups such as Hezbollah or even Al-Qaeda, the former on the basis of its social as well as religious programmes and the latter due to the fact it is it is a loose network of affiliates, as opposed to an organisation per se.

Richard Haas, a former director of policy planning at the State Department, argues "while European integration is very important…Europe cannot become overtly consumed by its internal affairs because the principal challenge to its welfare and security are outside the European continent." [65] Mr Haas has highlighted the crux of the problem. Co-operation works best on a bilateral basis as opposed to a multilateral one. When focussing on individual country performance in Patterns of Global Terrorism, the State Department acknowledges: "Efforts to combat the threat in Europe are sometimes hampered by legal protections that make it difficult to take firm judicial action against suspected terrorists, asylum laws that afford loopholes, inadequate legislation, or standards of evidence that limit use of classified information in holding terror suspects." [66]

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[63] Sally McNamara, A Nuclear Iran, An Inexperienced EU Foreign Minister, Heritage Foundation, 11 February 2010: http://blog.heritage.org/2010/02/11/a-nuclear-iran-an-inexperienced-eu-foreign-minister/

[64] For evidence of this please see http://www.state.gov/s/ct/rls/pgtrpt/

[65] Richard Haas, *US-EU Partnership Must Adjust to New Era,* December 2003.

[66] US Department of State, *Country Reports on Terrorism*, April 2005, p. 43. http://www.state.gov/documents/organization/45313.pdf

If the US continues to support greater EU integration then the problems highlighted above will only worsen. The report then analyses developments in individual Member States and it becomes clear that a number of positive bilateral developments have been made. However, as soon as the US is forced to deal with the EU on a multilateral basis, it once again comes up against the same old problems. The report itself demonstrates that it is easier and more effective to for the US to co-operate with individual Member States rather than the European Union as a whole. The US should therefore concentrate its efforts on building upon individual partnerships in order to secure the most reliable methods for preventing terrorism.

EU Energy Policy

Energy can no longer be viewed as simply an environmental matter; it is now an issue of domestic supply and the foreign security of a nation. A significant impetus is well underway among EU bureaucrats to transfer control of energy policy from individual Member States to Brussels. The Common Energy Policy, announced in March 2006, and substantially enhanced by the Lisbon Treaty, marked an important step in the integration of the EU over a key strategic issue.

At the centre of this energy policy is the 'Strategic Partnership Treaty' with Russia, which emphasises joint crisis management as EU reliance upon Russian energy supplies increases. The idea that the EU will aspire to adjudicate over Member State energy policy, including the United Kingdom's, will have huge implications for the EU's relationship with the Middle East and Russia.

This common energy policy is certainly not in America's interests. The inability of the UK to regulate its own energy policy will prevent it being able to guarantee flexibility to US contracts and interests in the UK, as it will for any Member State. This will lead to huge instability in the security of supply and also insecurities in the foreign policies of both the EU and the US in terms of their dealings with oil-rich Middle Eastern countries.

At the time of writing, because of the failure of the UK to act in its interests, the European Union is suggesting a proposed ban on oil imports from Iran, but the embargo requires unanimity among the bloc's 27 states. Meanwhile, Iranian officials have threatened to block the Strait of Hormuz, through which almost 20 percent of the world's oil flows, if their exports are curbed.

In that context, the U.S.-EU Energy Council, led by Secretary of State Clinton and Secretary of Energy Chu, EU Commissioner for Energy Oettinger and High Representative Ashton, which met on November 28 last year to review progress achieved on strategic energy issues, cooperation on energy policies, and research collaboration on sustainable and clean energy technologies, would need to deal with those fundamental problems. It is important to note the Council's commitment to continued cooperation on energy for mutual security and prosperity and emphasized the importance of leading-edge energy technologies in creating jobs and fostering economic growth but how is it possible to deal with the overarching security if the common energy policy inhibits UK and US national interests?

It is of course a matter of great concern that the Common Energy Policy rests so heavily upon Russia – a country which continues to control energy supplies to the entire former

Soviet Bloc. For many years Russia held the Ukraine to ransom by cutting off its gas supplies unless it agreed to pay more for the service. There will always be problems if the fate of many rests on one, but the potential instability for the US, UK and EU in this case is enormous as energy policy is now part of foreign and security policy.

USA strategic repositioning on European integration and a new global Commonwealth of Nations

The policy of renegotiation has implications for the United States of America who have since 1945 consistently pressed for more European integration. This has not worked, even for the USA itself. Turning to the rest of world for strategic advantages throughout the 21st Century, America's own economic deficit with rest of world is even more compounded by its continued deficit with the EU.

One only has to look at the US balance of payments with the EU, which has been in deficit for all but 4 of the last 25 years, mainly due to a balance of trade in goods deficit. (The only years that it has been in surplus have tended to follow the two US recessions during the period).

On growth, since the beginning of 2008, the contribution of export growth to the EU has averaged close to zero; while during the eight quarters of 2008 and 2009 it contributed an average of -0.02 of a percentage point; and in the following 5 quarters it has contributed an average of 0.03 of a percentage point. EU growth has had very little impact on US output growth.

Then look at the proportion of US trade which was with the EU – the trend in the proportion of US exports accounted for by the EU is downward, falling slightly from an average of 22% in 1998 to 21% in 2009. Since then the downward trend has accelerated from an average of 21% in 2009 to an average of 18% in the first five months of 2011.

The USA's strategic policy with the EU is out of kilter and its comparative trade with the EU has now dwindled to vanishing point.

A new global Commonwealth of Nations is required. It is clear that the EU does not benefit either the UK or the USA in its present form and, given the massive international trade deficit which the United States is running, it would be well worth considering the creation of a new international trade organisation, a NAFTA-plus, in the mutual interests of those countries who have a common interest – a new Commonwealth of mutual trade stretching from the Atlantic to Asia and the Commonwealth itself, including the United Kingdom and Ireland where there has recently been talk about joining the Commonwealth.

We should consider a new arrangement with the United States and those who wish to join. A proposed list of members could include: Britain, the US, existing EFTA countries (including Norway and Switzerland), Malta, Cyprus, Ireland, Portugal, even perhaps Italy, India, and other members of the Commonwealth such as Australia, New Zealand, Canada and include a large portion of the English-speaking world.