

# Galileo launch starts EU space war with US

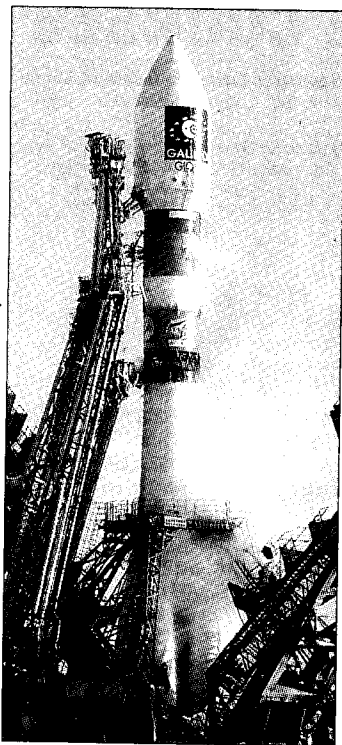
REUTERS  
Moscow, December 28

29/12

THE EUROPEAN Union launched its first Galileo navigation satellite on Wednesday, moving to challenge the United States' Global Positioning System.

Russian space agency Roskosmos said the 600 kg satellite named Giove-A (Galileo In-Orbit Validation Element) went into its orbit 23,000 km from the earth after its launch on a Soyuz rocket from the Baikonur cosmodrome in Kazakhstan's steppe.

"The launch of Giove is the proof that Europe can deliver ambitious projects to the benefit of its citizens and companies," said EU Transport Commissioner Jacques Barrot in a statement.



AP  
The satellite about to blast off from Baikonur on Wednesday.

The \$4.27-billion Galileo programme, due to go into service in 2008 and eventually deploy 30 satellites, may end Europe's reliance on the GPS and offer a commercial alternative to the GPS system run by the U.S. military.

"Radio-navigation based on Galileo will be a feature of everyday life, helping to avoid traffic jams and tracking dangerous cargos," Barrot said. The GPS is currently the only worldwide system offering services ranging from driver assistance to search-and-rescue help. Critics say its services for civilians offer less precision than those for military or intelligence purposes.

Galileo's accuracy in positioning is to be one metre (3 feet) or less, while the GPS's precision is more than 5 metres. EU officials also say Galileo would never be switched off for strategic reasons, which might be the case with the GPS.

If successful, the satellite will mark a major step in Europe's biggest ever space programme, involving firms such as European aerospace giant EADS, France's Thales and Alcatel, Britain's Inmarsat, Italy's Finmeccanica and Spain's AENA and Hispasat.

## An exercise in politics

Galileo's critics say it is an unnecessary exercise in political grandeur, which is unlikely to be commercially viable, as GPS is free of charge and will soon be upgraded.

But advocates point to its future role in Europe's new air-traffic system and plans to integrate it with mobile telephone services, which should provide ample business opportunities.

Like aircraft Airbus, Galileo could become a symbol of success that Europe needs at a time of economic stagnation of political rifts.

29 DEC 2005

THE HINDUSTAN TIMES

# Expansion is only way to cut EU dole queues

Higher demand, not structural reform, is the cure for the mass unemployment that is threatening democracy.

John Grieve Smith

THE PERSISTENTLY high level of unemployment is now the most important problem facing the European Union. Unless it is tackled vigorously, there is a serious danger of growing unrest and disillusion with the whole political process.

A key factor behind the recent riots in France was the high level of youth unemployment among some of the ethnic-minority communities. While unemployment in the EU as a whole averages 8 per cent (9 per cent in the eurozone), nearly 20 per cent of the workforce under 25 years of age in the eurozone is unemployed; in some areas, such as eastern Germany, the rate is much higher, with immigrant communities particularly badly hit. There are other powder kegs waiting to be set off.

The answer is not, as is widely suggested, "structural reforms." These may or may not be desirable in their own right, but they will not solve this problem.

The basic cause of the persistently high level of unemployment is the continued low level of demand, and the answer must be to stimulate demand by the use of monetary or fiscal policy. Employers will not take on more labour until they see a stronger demand for the goods and services they produce.

The much-vaunted "structural reforms" seem to consist mainly of labour-market measures to increase the power of employers relative to employees and unions. The only rationale of this in terms of reducing unemployment is that it might make it easier to raise demand without stimulating excessive wage demands.

But the social-democratic approach of working with the unions, rather than the Thatcherite approach of trying to crush them, is a better way forward. National wage bargaining on the continental model was a major factor in keeping down post-war inflation.

## Major source of demand

Tony Blair and Chancellor of the Exchequer Gordon Brown's prescription for structural reform is greater "flexibility." But providing more scope for changes in pay and working conditions without negotiation or consultation would be retrograde; and the idea that wage cuts remedy unemployment was disproved by John Maynard Keynes 70 years ago. They may help one employer or country increase its share of the market, but will not increase employment in total. Wages are not just a cost to employers: they are also a major source of demand.

We urgently need more expansionary policies. But it seems unlikely that monetary policy on its own could be very effective — even if the European Central Bank's remit were widened to include full employment. We need more expansionary fiscal policies in the form of temporary tax cuts or increases in public expenditure.

Countries such as Germany, France, and Italy would have to run temporarily larger budget deficits, even though they are already in trouble with the stability and growth pact.

1912  
Europe  
10-11

- Demand must be stimulated by the use of monetary or fiscal policy

- Full employment must be given priority

- Time for new pact on stability and growth

But the irony is that a key cause of their present deficits is the low level of activity; once they had recovered, their budgets would be in much better shape.

The problem is that the Treaty of Maastricht reflected an approach dominated by the threat of inflation. But that is no longer the dominant issue. It is time to restore full employment to its rightful place on the policy agenda, and acknowledge the need for more expansionary monetary and fiscal policies.

## Limit on national output

The stability and growth pact puts a limit of 3 per cent of national output (gross domestic product) on budget deficits. There are potential exemptions for unusual events outside the control of the state concerned, or downturns in output; and earlier this year Finance Ministers agreed to extend these to cover a protracted period of very low growth, and thus allow more scope for the "automatic stabilisers" to work — that is, the effect of lower tax receipts and higher social security payments in mitigating any fall in demand. But there is still no provision for any deliberate increases in expenditure or cuts in taxation to stimulate demand and reduce unemployment.

It is time for a substantial revision of the pact. The new pact should not be based on arithmetical rules, which can never cover all circumstances in a growing variety of economies. It should allow for more active fiscal policies, and provide a new forum for coordinating economic policies.

As our economies become more inter-linked, changes in demand in one country increasingly affect output and employment in its neighbours, so governments must work together to manage demand.

This does not, however, necessarily mean that we should all be following identical budgetary policies irrespective of differences in economic circumstances, particularly in the eurozone with its common monetary policy.

It has always been implicit in the post-Maastricht structure that demand must be kept in check to avoid a resurgence of inflation.

The reverse is now true and expansionary demand management is urgently needed. Without such a fundamental change in emphasis, there is a serious risk that continued high levels of unemployment could threaten not only the workings of the EU but the very future of democracy in Europe. — ©Guardian Newspapers Limited 2005

(John Grieve Smith is a fellow of Robinson College, Cambridge University, England, and the author of *There Is A Better Way: A New Economic Agenda For Labour* [Central Books].)

THE HINDU

DEC 5

# Spain's biggest trial opens

56 Suspects, 300 Witnesses,  
900 Years Prison Term

**Madrid:** Spain's biggest trial opened on Monday with 56 people facing charges of belonging to a web of support groups for the armed Basque separatist group ETA. ETA stands for Euskadi ta Askatasuna, which means "Basque Fatherland and Liberty" in the Basque language.

The case, under investigation since 1998, comes to the high court months after Spain's Socialist government held out an olive branch

been free pending trial, arrived at the court in three buses. All wore identical T-shirts, bearing their case number "18/98" and the slogan "For civil and political rights".

Charges range from belonging to or cooperating with ETA to false accounting and tax and social security violations.

Prosecutors are seeking a total of more than 900 years in prison for the accused, who face individual sentences of between 10 and 51 years if convicted.

Some 300 witnesses are expected to testify during the trial which could last up to eight months. Defendants include leaders of alleged ETA political wing KAS and its successor Ekin. The first defendant to testify, alleged KAS finance official Bixente Askasibar, refused to answer questions from the prosecutor, saying he considered the trial political,

Spain's Europa Press news agency reported. In response to questions from his own lawyer, Askasibar denied the charge against him of belonging to ETA. He also denied any link to ETA or having received orders from any representative of the group. Authorities have accused Ekin of directing street violence in the Basque country and of being involved in financing ETA.

Other targets of Garzon's investigation were the newspaper Egin, closed in July 1998 after being accused of being ETA's mouthpiece, and companies alleged to be involved in financing the outlawed group. Reuters



The suspects attend their trial in Madrid

to ETA by offering to talk to the outlawed group if it laid down its arms.

Launched by Spain's best-known investigating judge Baltasar Garzon, the case is aimed at organisations alleged to have promoted ETA's aims in the political, financial, media and international spheres. Prosecutors have described the organisations as the "stomach, heart and head" of ETA, which has killed nearly 850 people since 1968 in its campaign for an independent Basque state. The trial, at a high-security courtroom in the outskirts of Madrid, has the most defendants of any trial in Spain's history. The defendants, who had

## Moving closer, yet staying 'neutral'

**T**he Confederation of Switzerland, which joined the United Nations only in 2002 and has kept out of the European Union, voted recently to allow citizens from the 10 new E.U. member-states to work in the country. This is a rebuff to the right-wing chauvinism of the Swiss People's Party (SPP), which imposed a referendum despite a bilateral agreement that guarantees all E.U. member-states access to Switzerland's labour market. The 1999 accord with the E.U., then comprising 15 countries, was ratified in 2000; its extension to the eight Eastern and Central European countries, besides Cyprus and Malta, should have been automatic. However, the ultra-nationalist SPP, which emerged as the single largest party in the Swiss Parliament in 2003, managed to mobilise the stipulated 100,000 signatures of citizens for a referendum in order to block the entry of low cost labour from the 10 States by whipping up a fear psychosis among the Swiss. By returning a 56 per cent vote in the September referendum, the Swiss have demonstrated remarkable far-sightedness — rising above the anti-foreigner and anti-E.U. sentiment. In a similar display of sagacity in the June 2005 referendum, they ratified the Schengen Agreement to join the passport-free travel zone that includes 13 E.U. countries plus Norway and Iceland. The June vote also endorsed the Dublin Convention, which allows cross-border police cooperation in tracking crime.

However, the issue of comprehensive integration with the E.U. continues to be viewed with strong reservation in Switzerland — as evidenced by the firm rejection in the 2001 referendum of the proposal for the commencement of entry talks. This tendency towards political isolation is underpinned by a 500-year tradition of 'neutrality,' which essentially means refraining from military involvement in the affairs of other countries. Short of this, Switzerland's engagement with Europe has expanded through the bilateral route in trade, science and technology, environment protection, and the prevention of cross-border crime. The latest instance of cooperation is Switzerland's participation in the agreement (under the E.U. Savings Tax Directive) to share secret information that would enable E.U. member-states to tax the incomes of savings their citizens held in Swiss bank accounts. Government and administrative circles in Switzerland appear to lean towards full E.U. membership in preference to lengthy negotiations to clinch each deal. However, an important lesson from Europe's experience, highlighted by the French and Dutch rejection of the constitution, is that eliciting popular support on all primary legislation is both unavoidable and a painfully long-drawn process. The uniquely Swiss feature of direct democracy where every major policy initiative can be put to popular vote implies that ceding decision-making to Brussels will be up against the weight of history and informed public opinion.

# French nuclear kiss for India

## *Civilian war supplies to resume as Manmohan meets Chirac*

**VIR Sanghvi**

Paris, September 12

INDIA AND France on Monday jointly announced the broad contours of an arrangement that will result in the resumption of French nuclear supplies to India.

The deal, similar to the one agreed to by India and the US and India and the UK, was hinted at in the joint statement issued by Manmohan Singh and Jacques Chirac. The language of the statement is deliberately vague: "France acknowledges the need for full international civilian nuclear cooperation with India and will work towards this objective." But official sources said that both sides had agreed to a resumption of nuclear supplies.

Singh met Chirac for an hour and a half at the Elysee Palace before both men went in for an official lunch. The two had met recently at Gleneagles during the G8 conference and the discussions were friendly, a sign of France's stated desire to improve relations with India.

Chirac has just recovered from a stroke and Singh was the first foreign visitor he met after his illness. Chirac spoke of his happiness at India's decision to



Chirac welcomes Manmohan Singh on Monday.

PTI

buy 43 Airbus aircraft and six Scorpene submarines. The price of the submarines has been the subject of some dispute, with the Indians asking the French to waive the cost escalation clause. But nobody is willing to officially state what came of the financial negotiations. At a press briefing addressed by the foreign secretary, but attended by half the PMO and nearly everybody else who wanted to appear on TV, there was a firm refusal to divulge any figures.

Chirac restated France's support for India's bid for a permanent Security Council seat and accepted Singh's invitation to visit India on February 20, 2006.

For his part, Singh, who met French CEOs, restated his view that India's liberalisation process was irreversible and said: "I am here to convince the French businessmen community that India is going to be a competitive destination for foreign investment."

Chirac explained France's proposal for a new global tax on all international travel, the proceeds of which would be used to fight HIV/AIDS. Singh promised him that India would go along with this initiative.

# Bird flu knock on Europe's door

## EU holds crisis talks

Ankara, Oct. 14 (Reuters): European Union experts held crisis talks on the spread of the bird flu to examine the risk migratory birds might pose for the region.

The meeting was expected to approve measures to combat the spread of the disease by requiring EU member states to reduce contact between poultry and wild birds in high risk areas, the EU Commission said. This could include keeping poultry indoors.

Turkish medical staff today tested nine people for possible bird flu a day after European health officials confirmed what many had long feared — the arrival of the deadly H5N1 strain on Europe's doorstep.

The spread of the disease from Asia was a "troubling sign", US health secretary Mike Leavitt said, and the world must work harder to prepare for a potential flu pandemic among humans.

The European Commission yesterday advised Europe to prepare for a pandemic while Turkey's Prime Minister urged his country not to panic.

Turkish health officials kept nine people from the western town of Turgutlu under observation and tested them after 40 of their pigeons died, state-run Anatolian news agency said.

"There is no sign of illness in the nine people, but we have taken all the people who have been in contact with the birds under observation," the agency quoted local health official Osman Ozturk as saying.

No human cases of the disease have been reported in Europe and the major threat of a human pandemic is still in Asia, experts believe. Bird flu has killed more than 60 people in Asia since 2003.

Turkey has bird flu in its poultry but Romania must now wait until tomorrow because of a customs delay to find out if it has the same virulent H5N1 strain.

The World Health Organisation said the spread of the virus to Europe's fringes had increased the chances of human cases. "It represents a call to arms on human health," Mike Ryan, director of WHO's alert and response operations, said. "It's not a time for panic, it is a time for action."

Thai Prime Minister Thaksin Shinawatra said his country could serve as a regional bird flu vaccine centre to save every country having to build up its own stockpiles.

"If we would form a networking of stock, and we can borrow each other's if things are happening some place, that might be a better way out instead of every country trying to have their own stockpile," Thaksin said on a visit to Finland.

To calm the public, the Turkish and French Prime Ministers made a point of eating chicken. "Every necessary precaution has been taken from the very first moment both in the place where the illness was first detected and against the possibility that it could spread," Erdogan told reporters in Ankara.



A girl watches a pet rooster perched on a shanty rooftop in Manila on Friday. WHO's western Pacific director Shigero Omi said birds living in cramped spaces with their owners is helping spread the virulent H5N1 strain of the virus. (AFP)

## Poultry panic flies fast

London, Oct. 14 (Reuters): Hungarian butchers throw up their arms in despair as customers shun their poultry, anxious citizens across Europe buy up anti-flu vaccine, and Bulgarian newspapers proclaim outright panic.

The arrival of the deadly H5N1 strain of avian flu on Europe's doorstep is viewed with varying degrees of alarm and puzzlement from Dublin to Athens. A Cypriot daily invoked historic parallels of invasion, announcing a "feathered Atilla".

Greece, on one of the main paths for birds migrating to Africa, has reacted calmly. But Bulgaria, bordering Turkey, awoke to alarming headlines. "Panic! Dead Birds At Home, Too!" runs a headline in red letters in the daily *24 Chasa*.

Hungarian butchers said sales of poultry had fallen sharply over the past week.

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# IRA sheds ire

A profoundly significant landmark

There is an element of irony in the fact that the month that witnessed bombings reminiscent of the wartime blitz in London has ended with what must rank as a watershed in British history. The declaration by the Irish Republican Army to "dump arms" is historic and brings to an end the armed struggle for a united Ireland. Without doubt, the IRA has timed its declaration for dramatic effect. Hopefully, it should be curtains on a bloody chapter on terror that has smirched Anglo-Irish relations for 35 years. The declaration to disarm, which notably comes without conditions, precludes the IRA's use of the gun to achieve its objectives; if the methods indeed turn out to be "purely political and democratic" it marks a dramatic change in its strategy. Terror alone is not the point at issue; the dumping of weapons must be matched with an end to the classic tactics of the urban guerrilla — murder, assaults, robbery and other forms of persecution. In the long history of bedlam and butchery, enough have died and more have suffered cruel, even barbarous, reprisal. A lot now hinges on the response of the unionists, notably the Democratic Unionist Party. If a farewell is actually given to arms and terror, unionists like Ian Paisley ought to be able to do business with Sinn Fenn. The IRA's change of heart must lead to the setting up of a devolved government in Northern Ireland, which logically ought to be the next landmark development.

Without doubt, it is a historic achievement for Tony Blair, wobbling at the knees in the aftermath of 7/7. His hope that peace must now replace war and politics take the place of terror is the consummation devoutly to be wished. The disarmament declaration is a profoundly important development for Ireland, Britain and America. Not just Blair, the renunciation of arms ought also to warm the cockles of the heart of George Bush. The release of Sean Kelly, the "road bomber", was a positive indication that a breakthrough was at an end. The response of the British army has been prompt, swift and defensive; three military installations have been dismantled in the rural strongholds of the IRA, which hopes to complete disposal of its weapons stockpiles "as quickly as possible". And if Catholic and Protestant clergy are allowed to witness the disarmament work, it will be another positive step forward.

05 AUG 2005

THE STATESMAN

TUESDAY, AUGUST 2, 2005

*Summary 4/9 10* **IRA in a  
reasonable mode** *MR*

**T**he announcement by the Irish Republican Army that it has ordered an end to its three decade-long armed campaign against the British government is a momentous breakthrough in the Northern Ireland peace process. The IRA's refusal all along to disarm or dismantle its parallel government in Catholic areas of Northern Ireland, and submit itself to the rule of law ensured that the 1998 Good Friday Agreement did not get off the ground. That pact was for Catholics and Protestants to share power in a Northern Ireland Assembly. However, the organisation came under tremendous pressure to disarm after its involvement in several criminal acts, notably a bank robbery in December 2004 and the murder of Robert McCartney, a Catholic, in March 2005. Among those pushing the IRA to change its ways was Gerry Adams, leader of Sinn Fein, its political wing. Visiting the U.S. days after the killing, Mr. Adams found himself facing the outrage of the sizable Irish-American community. American politicians who backed the Irish cause shunned him. These developments seem to have played a big role in the IRA's decision to give up violence. The July 28 announcement asked all IRA units to "dump arms." Volunteers were instructed "to assist the development of purely political and democratic programmes through exclusively peaceful means," and not to engage in "any other activities whatsoever." While the IRA's pledge "verifiably [to] put its arms beyond use" can be tested only in the coming months, there is a real prospect of activating the Good Friday Agreement.

The IRA decision is a message to armed insurgencies everywhere. While extremist violence may serve to highlight the existence of a societal problem, it soon becomes the problem in itself, as the continuing brutish ways of the Liberation Tigers of Tamil Eelam demonstrate. The group suspended its military campaign against the Sri Lankan government after a ceasefire in February 2002 but its decision to keep open the option of armed struggle, and to this end, build on its military strength by smuggling in weapons and other means of war, including material for a nascent air force, is 90 per cent of the reason for the Sri Lankan peace process not taking off. On the strength of its weapons and fighting capabilities, the LTTE has established a regime of terror in North-East Sri Lanka. It continues to recruit children as fighters, extorts 'taxes,' and intimidates and liquidates opponents. Unfortunately, there is insufficient international pressure on the LTTE to abandon the path of violence. Those within the Sri Lankan Tamil community demanding an end to the killings and counter-killings are discouraged by peace facilitator Norway's indulgent attitude to the LTTE. But there is no escaping the fact that unless the Tigers change their stripes, Sri Lanka's search for an enduring peace will remain unsuccessful.

THE IRVING



# Italy plans to pull out Iraq troops

*Or-19*  
**Gleneagles (Scotland):** Italy plans to begin withdrawing 300 troops from Iraq in September as Iraqi security forces become increasingly capable of securing the territory, premier Silvio Berlusconi said.

Iraq "must come to a point where it must guarantee its own security," the Italian leader told reporters on Friday at the end of the G-8 summit in Scotland.

Berlusconi has come under increasing pressure in Italy over his support for the US-led coalition in Iraq. However, Berlusconi, added that any withdrawal plans would depend on security conditions on the ground and could change. He said the partial pullout would not compromise security for the remaining Italian troops or the zone of southern Iraq under their control. He denied a withdrawal was linked to any terrorist threats against Italy, although he said he wasn't underestimating the potential danger.

In Rome, defence minister Antonio Martino said in a statement that the reduction of the Italian contingent would occur "on the basis of a precise schedule that will always be agreed upon with our allies and the Iraqi government."

Berlusconi, a staunch ally of US

*10/7*  
President George W Bush, sent 3,000 troops to Iraq after the ouster of Saddam Hussein to help rebuild the country. The contingent is based in the southern Iraqi city of Nasiriyah.

In recent months, Italian officials have gone back and forth on when a withdrawal might begin. Berlusconi had said September was a possibility, but foreign minister Gianfranco Fini then talked of early 2006.

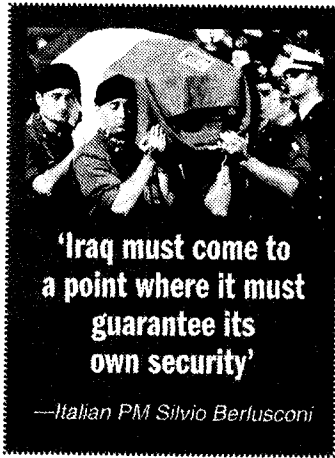
On Friday, Berlusconi said he has spoken "several times" to Bush and British prime minister Tony Blair about starting to withdraw Italy's contingent.

A state department spokesman, Tom Casey, said

in Washington that "we very much appreciate the firm and steadfast support that the Italians and Italian government has provided to the operation in Iraq."

"I am sure that whatever the Italians do in terms of future movements or changes in terms of their fullest force posture will be done fully in coordination with the multinational force," he said.

Pressure on Berlusconi has been mounting, even from within his own conservative coalition. AP



**'Iraq must come to a point where it must guarantee its own security'**

—Italian PM Silvio Berlusconi

# U.K.-French spat on summit eve

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Hasan Suroor

**LONDON:** The carefully-choreographed mood music surrounding what has been billed as one of the most politically significant gatherings of world leaders hit a sour note, even before it started, following an embarrassing Anglo-French spat on Tuesday.

The row erupted after French President Jacques Chirac allegedly made "insulting" remarks about Britain, hours before he was due to arrive in Scotland for the G-8 summit.

Mr. Chirac's off-the-cuff comments, picked up by a French reporter and splashed all over the British media, heightened the simmering tensions between London and Paris over the future of the European Union and the rival bids for the 2012 Olympics.

Apparently, the loquacious French leader let himself go during an informal conversation with Russian President Vladimir Putin and German Chancellor Gerhard Schroeder while on a visit to Russia recently. Accord-

ing to the version, reported by the French newspaper *Liberation* and reproduced by the British media, Mr. Chirac questioned Britain's trustworthiness and mocked the British food calling it the "worst" after Finland.

"The only thing (the British) have ever given European farming is mad cow disease," he reportedly said and, then turning the knife further, added: "You can't trust people who have such bad cuisine. It is the country with the worst food after Finland."

Amid laughter from Mr. Putin and Mr. Schroeder, Mr. Chirac took a potshot at the Scotland's favourite dish, the Haggis. There was no direct official comment, but Prime Minister Tony Blair indirectly paid back the compliment when, asked whether the summit could end up in an anticlimax, he said: "I won't say that G-8 summit would be an anticlimax because that would be undiplomatic. I know when I go there I will be in the presence of very diplomatic people."

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FR. HINDI

# U.K. takes over E.U. presidency

Crisis gathering over the future of Europe as it expands eastwards

*Handwritten:* E.U. HD-12

Hasan Suroor

*Handwritten initials:* MS

**LONDON:** Britain on Friday took over the rotating six-month presidency of the European Union amid a gathering crisis over the future of Europe as it expands eastwards, and sharp differences among member-states on a range of critical issues.

British Prime Minister Tony Blair hinted at the challenges ahead when, addressing European MPs last week, he said that E.U. faced a "crisis in political leadership," and warned that the European project could fail on "grand scale" if it did not re-

spond to the public mood and global realities.

Mr. Blair's remarks came against the backdrop of growing uncertainty surrounding the fate of the controversial E.U. constitution which has provoked Europe-wide opposition and has already been rejected by French and Dutch voters in the referendums held in the two countries recently.

He has his work cut out as he seeks to mobilise support for the British position that the constitution needs a fresh look in the light of the strong passions it has aroused.

Much to the annoyance of

some of its major European neighbours, especially France, who want the ratification process to continue, Britain has put its own plans for a vote in deep freeze.

arguing that it makes no sense to call a referendum until the problems highlighted by the French and Dutch "no" votes are sorted out.

Britain is also on a collision course with its European neighbours on reforms to the E.U. budget and, in a sign of continuing turmoil over the issue, the European Commission president Jose Manuel Barroso on Friday slammed the British po-

sition seeking to link what he called "very different issues" relating to budget reforms.

The proposed reforms hinge on reducing agricultural subsidies, which particularly benefit French and German farmers, and reviewing the £3.2 billion annual rebate which Britain gets to compensate it for its contribution to the E.U. budget.

Foreign Secretary Jack Straw told Parliament that Britain would push for a "rational budget" during its presidency even as Mr. Barroso warned that an agreement would "not be easy" unless all countries were willing to compromise.

02 JUL 2005

THE LINDS

# IRA: from terrorist group to political force

Organisation was responsible for more than 1,700 deaths *Enron*

Angelique Chrisafis *10-15*

**BELFAST:** The first glimpse of the Irish Republican Army's (IRA) new image came at the commemoration for the 18th-century Irish revolutionary hero Wolfe Tone in Kildare county last month. Instead of the usual grim-faced republican flag-bearers in black berets, khaki jumpers and dark glasses there was a genteel parade of men in green blazers and fawn slacks. They could have been mistaken, as one commentator put it, for tennis umpires at Wimbledon.

The IRA's metamorphosis from one of the world's most feared and efficient terrorist groups into a benign veterans' organisation will be one of the most remarkable shifts in Irish history – if it happens.

After 30 years of Northern Ireland's dirty war, in which the Provisional IRA was responsible for more than 1,700 deaths and saw hundreds of its own members killed, it is now to become, in effect, an old comrades' association. Members will be stood down from active service and instead engage in "purely political" activities based around republican clubs.

A decade on from the first ceasefire, and seven years after the Good Friday Agreement, this may be the moment of truth. The IRA must not only put away its guns but prove that it has ended all crime, including robbery and money laundering which, critics claim, have been used to fund it and Sinn Fein's activities.

## Bullyboy methods

An eternity in sackcloth and ashes may never convince the hardline Ian Paisley, now the undisputed leader of unionism, that its intentions are honourable.

But neither can republicans ignore the fears of ordinary Protestants or moderate nationalists sceptical of their motives and fearful of their bullyboy methods.

But Tony Blair hopes the IRA statement – accompanied by an act of complete decommissioning – will inject some adrenaline

*2007*  
into a stalled peace process. He is desperate to secure a once unthinkable power-sharing arrangement in which Mr Paisley sits down in government at Stormont with Sinn Fein.

## Main target

But if Northern Ireland is to truly govern itself, there needs to be a further, final act of transformation from republicans. The British and Irish Governments have made clear that Sinn Fein must endorse the new Police Service of Northern Ireland, the reformed RUC, which was the main target of IRA attacks during the troubles. This will be as difficult for the police who saw hundreds of their comrades murdered to swallow as it will be for republicans, who always viewed the almost exclusively Protestant force as a sectarian militia. Men who have killed members of the police may even end up serving alongside, helping to administer or at least work with, the new force.

The truth is that often brutal and arbitrary parallel paramilitary policing systems, republican and loyalist, operate in larges swaths of Northern Ireland.

Many republicans may be reluctant to give up the almost total control over their communities, and despite Thursday's statement, many people will continue to view the IRA as their legitimate police force.

While republicans were debating their future, one 64-year-old farmer in its South Armagh heartland told the *Guardian*: "I live on an isolated farm. Who am I going to call if someone breaks in? The IRA. They will sort it out. We don't go to the police here, there's too much history."

Eventually, Sinn Fein will have to call a special party conference to debate policing before it can move to join the policing board. Control over justice and the police could then be devolved to Stormont from Westminster.

The first step will have to be a definitive act of decommissioning in which the IRA discards all

## IRA ends armed struggle

The Irish Republican Army has officially ended its armed campaign for a united Ireland. All IRA units have been ordered to "dump arms" and work to achieve their aims through "exclusively peaceful means"

### 36 YEARS OF THE "TROUBLES"

**Aug 1969: Battle of Bogside** – civil rights demonstrators clash with police. British troops deployed in Northern Ireland

**1971:** Internment without trial introduced

**Jan 1972: Bloody Sunday** – British troops open fire, killing 13 at Derry demonstration.

**Mar:** Direct rule from London imposed

**1973: Sunningdale Agreement**

Council of Ireland established – Agreement collapses 1974

**1974:** Major bombing campaign in Ireland and on British mainland. "Troubles" death toll reaches 1,000.

**Prevention of Terrorism Act** introduced

**1975:** End of internment

**1979:** IRA bomb kills Lord Mountbatten

**1981: Bobby Sands** becomes first of 10 IRA prisoners to die on hunger strike

**1984:** Brighton bomb at Conservative Party Conference

**1985: Anglo-Irish Agreement** gives Dublin role in N. Ireland

**1987:** Bomb kills 11 at Enniskillen

**1992-93:** Huge bombs in London's financial district

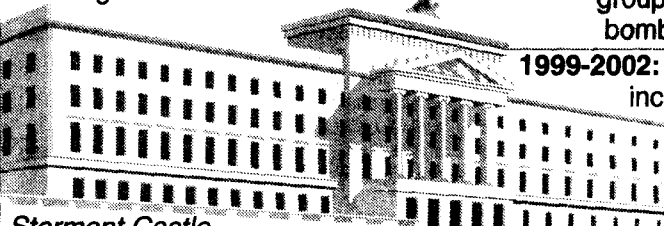
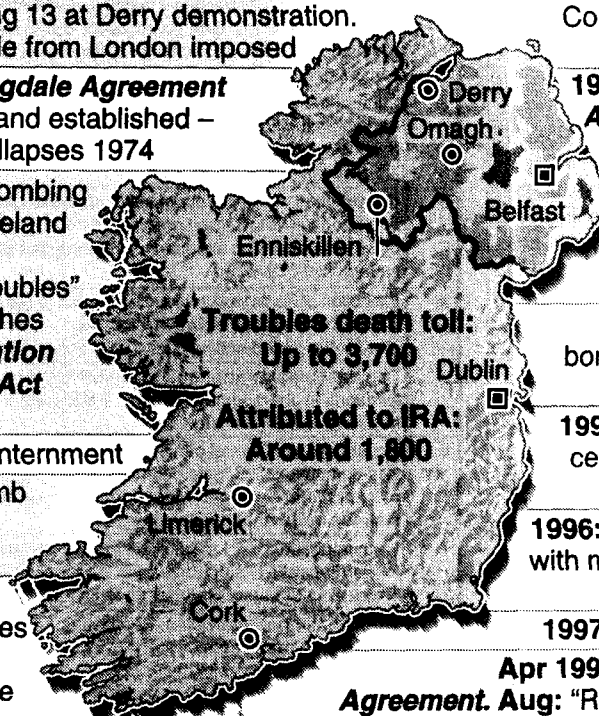
**1994:** IRA declares ceasefire, loyalists soon follow suit

**1996:** Ceasefire ends with massive bomb at Canary Wharf

**1997:** New ceasefire

**Apr 1998: Good Friday Agreement.** **Aug:** "Real IRA" splinter group kills 29 people in Omagh bomb, worst attack of Troubles

**1999-2002:** Power-sharing Assembly, including *Sinn Fein*, formally takes power but direct rule reimposed following deadlock over IRA arms decommissioning



Stormont Castle

**Jul 28, 2005: IRA declares armed campaign over**

© GRAPHIC NEWS

its remaining weapons. General John de Chastelain, the Canadian decommissioning chief, will watch as weapons are destroyed. But the choreography of

the event will be markedly different from the last disastrous effort in October 2003, when he emerged bedraggled and exhausted from his secret

rendezvous and failed to provide unionists with a convincing account of what he had seen. – ©Guardian Newspapers Limited 2005

*THE TUNDRY*

# IRA ends arms struggle

**PHILIPPE NAUGHTON**

**London, July 29:** The Irish Republican Army declared an end to 35 years of armed struggle today and ordered its members to dump their arms and pursue their political goals by "exclusively peaceful means".

The move was hailed as historic and momentous in London, Dublin and Washington, although unionist leaders in Belfast were predictably sceptical and said that they would wait until the IRA's deeds matched its rhetoric before celebrating.

Tony Blair hailed the long-awaited IRA statement as "a step of unparalleled magnitude in the recent history of Northern Ireland" and said

that he looked forward to the day when power-sharing government returns to the province.

"This may be the day when finally, after all the false dawns and dashed hopes, peace replaced war, politics replaces terror on the island of Ireland," the Prime Minister said.

The IRA, which has observed a ceasefire since 1997, said it would end all armed activity from 1600 (British Summer Time) today, three hours after the statement was delivered. But it said that it would not — despite Unionist demands — formally disband.

In the 14-paragraph statement, the IRA's Army Council told its "Volunteers" not just

that they should get rid of their weapons but that they "must not engage in any other activities whatsoever". For the British government that phrase was seen as a crucial pledge to end criminality.

The statement begins: "The leadership of O'Glaigh na hEireann has formally ordered an end to the armed campaign. This will take effect from 4 pm this afternoon.

"All IRA units have been ordered to dump arms. All Volunteers have been instructed to assist the development of purely political and democratic programmes through exclusively peaceful means.

"Volunteers must not engage in any other activities whatsoever."

It is understood that General John de Chastelain, the Canadian who has been acting as a monitor for the arms decommissioning process, has been moving around in the Irish Republic for the last couple of days. This may signal that the process of putting arms beyond use has already begun.

The IRA made its decision after an internal debate prompted by the call in April by Gerry Adams, the Sinn Fein president, for it to pursue its goals exclusively through political means. During almost 30 years of the "Troubles" in Northern Ireland, the IRA was blamed for about 1,800 murders.

*THE TIMES, LONDON*



Tony Blair plays table tennis during a visit to Langdon School, east London. (Reuters)

# END OF TERROR ■ IRA asks all units to 'dump arms', chooses the political route

## IRA ends armed campaign

JODIE GINSBERG

DUBLIN, JULY 28

**T**HE Irish Republican Army announced an end to its armed campaign against British rule in Northern Ireland on Thursday, in a move that British leader Tony Blair said could mark the day "politics replaces terror" there.

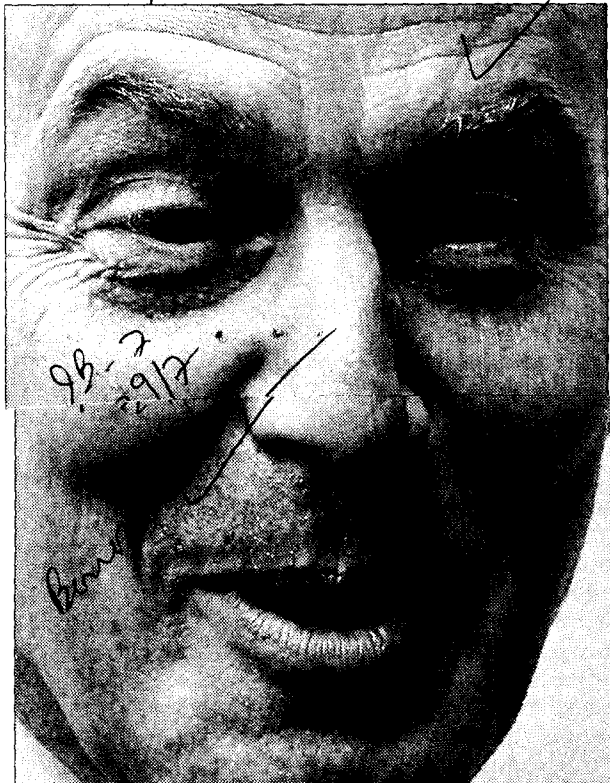
But the province's main Protestant party, the DUP, later on the keenly awaited statement by the Catholic guerrilla group, saying it failed to forswear acts of crime or to inspire confidence that guns had been set aside for ever.

The IRA said in a statement it would cease all armed activity and pursue its aims through politics—a crucial move to restart talks on a lasting political settlement in the violence-torn province. It said its units must "dump arms".

But it made no explicit reference to ending criminal activity—a major stumbling block to the peace process—nor did it promise to disband, a move the group that has fought for decades for a united Ireland sees as akin to surrender.

The statement read in part: "The leadership of the IRA has formally ordered an end to the armed campaign. This will take effect from 4 p.m. this afternoon. All IRA units have been ordered to dump arms. All volunteers have been instructed to assist the development of purely political and democratic programmes through exclusively peaceful means."

The IRA said it would engage with an independent



Britain's Prime Minister Tony Blair in London on Thursday

arms decommissioning body to verify it had put its massive arsenal of guns and explosives beyond use, but gave no date for completion.

"We have invited two independent witnesses, from the Protestant and Catholic churches, to testify to this," it added.

In London, Prime Minister Blair welcomed the statement as "a step of unparalleled magnitude", adding: "I welcome its clarity, I welcome the recognition that the only route to political change lies in exclusively peaceful and democratic means."

"This may be the day which finally after all these false dawns and dashed hopes peace replaced war, politics replaces terror on the island of Ireland," he told reporters.

But Northern Ireland's Democratic Unionist Party (DUP), which supports continued union with Britain, was far less enthusiastic.

"Even on the face of the statement, they have failed to explicitly declare an end to their multi-million-pound criminal activity and have failed to provide the level of transparency that would be necessary to truly build confidence that the guns had gone in their entirety," a statement said.

Talks on reviving an Assembly, set up under the 1998 Good Friday peace agreement for Catholics and Protestants to run the province's affairs together, broke down in December after the DUP demanded photos of arms being destroyed. The IRA refused such

### Key players react to the IRA laying down arms

■ "Today's developments can herald a new era for all of the people on the island of Ireland. I welcome the commitment by the IRA to end its armed campaign, to complete the process of decommissioning and to use exclusively peaceful means. The end of the IRA as a paramilitary organisation is the outcome the governments have been working towards since the cessation of military activities in 1994. If the IRA's words are borne out by verified actions it will be a momentous and historic development."

IRISH PRIME MINISTER BERTIE AHERN

■ "The history of the past decade in Northern Ireland is littered with IRA statements which we were told were 'historic', 'ground-breaking' and 'seismic'. Even on the face of the statement, they have failed to explicitly declare an end to their multi-million-pound criminal activity and have failed to provide the level of transparency that would be necessary to truly build confidence that the guns had gone in their entirety."

NORTHERN IRELAND'S MAIN PROTESTANT POLITICAL PARTY, DUP

■ "Now the road is totally clear, I am reasonably confident we will make further progress. The real duty now, if we want to have a totally peaceful and stable country, is for all true democrats to implement the will of the people. I think this should make quite a substantial difference because obviously a complete and absolute end to violence is a necessity in our situation."

MODERATE CATHOLIC POLITICIAN, NOBEL LAUREATE, JOHN HUME

■ "I can't take any statement from the Republican movement at face value because we've had that many of them in the past. Let's wait and see what happens. If the arms are dealt with, if criminality is dealt with. With people getting proof of that happening, that will have far more impact than any statement that anyone will make."

ULSTER UNIONIST LEADER REG EMPEY

"humiliation".

The group has allowed international monitors to witness three private acts of decommissioning but would not permit them to reveal any details about the weapons.

The IRA was expected to outline plans for its future since April, when its political ally Sinn Fein called for the guerrillas to end armed struggle.

A high-profile robbery and murder blamed on the IRA fanned calls for it to disband and sparked harsh censure of the Sinn Fein from traditional supporters, notably in the United States.

Earlier on Thursday, Sinn Fein President Gerry Adams promised the statement would "challenge" all parties to the Northern Ireland conflict.

The DUP refuses to talk directly to Sinn Fein, still less sit in government with it, while it maintains links to the paramilitary organisation.

The IRA arsenal—used to wage a 30-year campaign against British rule until a 1997 ceasefire—has long been the main obstacle to a political deal. Some 3,600 people died during Northern Ireland's "Troubles", half of them killed by the IRA. —Reuters

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## THOMAS FRIEDMAN'S COLUMN

# The end of the rainbow

HERE IS something you probably did not know: Ireland today is the richest country in the European Union after Luxembourg.

Yes, the country that for hundreds of years was best known for emigration, tragic poets, famines, civil wars and leprechauns today has a per capita gross domestic product (GDP) higher than that of Germany, France and Britain. How Ireland went from the sick man of Europe to the rich man in less than a generation is an amazing story. It tells you a lot about Europe today: all the innovation is happening on the periphery by those countries embracing globalisation in their own ways — Ireland, Britain, Scandinavia and Eastern Europe — while those following the French-German social model are suffering high unemployment and low growth.



**How Ireland became one of the richest countries in the European Union in less than a generation.**

Ireland's turnaround began in the late 1960s when the Government made secondary education free, enabling a lot more working-class kids to get a high school or technical degree. As a result, when Ireland joined the EU in 1973, it was able to draw on a much more educated work force.

By the mid-1980s, though, Ireland had reaped the initial benefits of EU membership — subsidies to build better infrastructure and a big market to sell into. But it still did not have enough competitive products to sell, because of years of protectionism and fiscal mismanagement. The country was going broke, and most college graduates were emigrating.

"We went on a borrowing, spending and taxing spree, and that nearly drove us under," said Deputy Prime Minister Mary Harney. "It was because we nearly went under that we got the courage to change."

### Unusual development

And change Ireland did. In a quite unusual development, the Government, the main trade unions, farmers and industrialists came together and agreed on a programme of fiscal austerity, slashing corporate taxes to 12.5 per cent, far below the rest of Europe, moderating wages and prices, and aggressively courting foreign investment. In 1996, Ireland made college education basically free, creating an even more educated workforce.

The results have been phenomenal. Today, nine out of 10 of the world's top pharmaceutical companies have operations in Ireland, as do 16 of the top 20 medical device companies and seven out of the top 10 software designers. Last year, Ireland got more foreign direct investment from America than from China. And overall Government tax receipts are way up.

"We set up in Ireland in 1990," Michael Dell, founder of Dell Computer, explained to me via e-mail. "What attracted us? [a] well-educated work force — and good universities close by. [Also,] Ireland has an industrial and tax policy which is consistently very supportive of businesses, independent of which political party is in power. I believe this is because there are enough people who remember the very bad times to de-politicise economic development. [Ireland] also has very good transportation and logistics and a good location — easy to move products to major markets in Europe quickly."

Finally, added Mr. Dell, "they're competitive, want to succeed, hungry and know how to win. Our factory is in Limerick, but we also have several thousand sales and technical people outside of Dublin. The talent in Ireland has proven to be a wonderful resource for us. Fun fact: We are Ireland's largest exporter."

Intel opened its first chip factory in Ireland in 1993. James Jarrett, a vice-president, said Intel was attracted by Ireland's large pool of young educated men and women, low corporate taxes and other incentives that saved Intel roughly a billion dollars over 10 years. National health care didn't hurt, either. "We have 4,700 employees there now in four factories, and we are even doing some high-end chip designing in Shannon with Irish engineers," Mr. Jarrett said.

In 1990, Ireland's total work force was 1.1 million. This year it will hit two million, with no unemployment and 200,000 foreign workers (including 50,000 Chinese). Others are taking notes. Prime Minister Bertie Ahern said: "I've met the premier of China five times in the last two years."

Ireland's advice is very simple: Make high school and college education free; make your corporate taxes low, simple and transparent; actively seek out global companies; open your economy to competition; speak English; keep your fiscal house in order; and build a consensus around the whole package with labour and management — then hang in there, because there will be bumps in the road — and you, too, can become one of the richest countries in Europe.

"It wasn't a miracle, we didn't find gold," said Ms. Harney. "It was the right domestic policies and embracing globalisation." —New York Times News Service

JUN 2 5

THE HINDU

# Bulgarian Socialists seek allies after poll win

SOFIA, June 26. — Bulgaria's ex-communist Socialists today faced a battle to form a stable government to lead their country into the European Union after winning elections without gaining an overall majority.

With most of the vote counted, the heirs to the post-war Communist dictatorship, led with exactly 31 percent of the vote, according to the independent electoral commission. The centre-right party of outgoing Prime Minister Mr Simeon Saxe-Coburg lost half its support and garnered only 19.9 per cent.

The Socialists were hunting for a coalition partner since they fell clearly short of an overall majority.

The Muslim-minority Movement for Rights and Freedoms came in third with 12.7 per cent of the vote, followed by a new nationalist formation, Ataka, with 8.2 per cent.

The overtly racist party coalition of extremist right and left parties, Ataka ("Attack" in Bulgarian) is openly hostile to the Turkish and Gypsy minorities, which each make up nine percent of the population.

The grouping, which polled below two per cent in surveys only

a week ago, was likely to have between 20 and 22 representatives in the national assembly.

"Bulgaria, take care!" warned the independent daily *Trud* in an editorial. "The father of Ataka is our political class, ineffective and greedy. Its mother our legal system, riddled with corruption."

Analysts said today that the political conundrum comes at a difficult junction for Bulgaria, which could be only 18 months away from joining the EU but has been warned to speed up reforms or face a longer wait. — AP

27 JUN 2005

THE STATESMAN



# Saving Europe from itself?

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Like the Duke of Wellington before him, Tony Blair seems to have found a new battleground.

Alan Cowell

ON THE broad and fraying canvas of European integration, the "brawl" between France and Britain that wrecked a summit meeting late on Friday seemed, as one British official put it, to be "the worst crisis."

But, through the narrower focus of the political fortunes of Prime Minister Tony Blair of Britain, Europe's disarray may offer different omens, diverting attention from challenges closer to home and enabling him to rewrite the timetable of his third term in office. With a bold — and as yet uncertain — manoeuvre to mould Europe's agenda, he might even be hoping to resuscitate the global role he once pursued as a bridge between the United States and Europe.

Like his predecessor Margaret Thatcher, Mr. Blair returned from the Brussels meeting in the bloodied mantle of a victorious warrior against those in Continental Europe — France and Germany — whose demands have long grated on his nation's euro-sceptic soul. A poll on Sunday in the tabloid *News of the World* showed almost three-quarters of respondents in favour of Mr. Blair's readiness to face down his adversaries in what was reported here as a macho arm-wrestling match with President Jacques Chirac of France over the European budget. He could hardly have chosen a more suitable adversary than Mr. Chirac, mocked in British tabloids with almost the same venom that British chauvinists reserve for the Germans.

Suddenly, this weekend, no one was talking about Mr. Blair's unpopular support for the war in Iraq — the issue that haunted his re-election campaign. The vote on May 5 returned Mr. Blair to office for a third term, but with a reduced parliamentary majority that inspired much debate about when he might hand over power to his rival and Chancellor of the Exchequer Gordon Brown. But, faced with a common enemy across the channel, Mr. Brown and Mr. Blair seemed united in opposing French demands for an end to Britain's multibillion-dollar rebate from the European Union, because of Britain's meagre benefits from European agricultural subsidies.

Like the Duke of Wellington before him, Mr. Blair had found a new battleground. With Mr. Chirac in France and Chancellor Gerhard Schroeder of Germany weakened politically, he clearly feels it is a battle worth the fight to mould Europe's future. "It's certainly a crisis — it's the worst crisis that I've seen during my four years as Foreign Secretary, indeed my more than eight years as a member of this government," Jack Straw, Britain's Foreign Secretary, said on Sunday.

On July 1, Britain will assume the ro-

tating presidency of the 25-nation European Union, offering Mr. Blair the chance to combine two roles as a leading combatant in the continent's division, and as umpire in its struggle for healing. Then, on July 6, as chairman of the summit meeting in Scotland for the Group of 8 major industrialised nations, he will strut the world's stage as host to the leaders of the richest and most powerful nations, including the U.S. — a gathering that offers, in equal doses, the opportunity for great statesmanship and the peril of unseemly disputes over climate change and poverty relief with friend and foe alike.

In some ways, the battle for Europe has finally crystallised the distinctions that have kept Britain aloof from the Franco-German social vision of the continent — and thus from the closer integration of the euro single currency — for years.

It is, said Mr. Straw, "essentially a division between whether you want a European Union that is able to cope with the future or whether you want a European Union that is trapped in the past."

In this analysis, Britain, with its hire-and-fire labour laws, its low unemployment, its struggling public services and its economic growth, is depicted here as the future. Continental Europe, with its jobless millions cosseted by unaffordable benefits, is history.

Of course, it may not turn out to be so simple. European plans for a new constitution — which Mr. Blair once said he supported — have been wrecked by referendums in France and the Netherlands rejecting the charter. The continent Mr. Blair seeks to lead may well be adrift, with domestic politics dominating agendas from Paris to Berlin.

When he took office in 1997, moreover, Mr. Blair set out a grand vision of putting Britain at the heart of Europe and overcoming a profound Euro-scepticism among his own people. Now, though, he seems to be the central proponent of that same hostility to the rest of the continent. "At last he has 'come out' as Mrs. Thatcher in a suit," Simon Jenkins, a columnist, wrote in the *Sunday Times*.

What will underpin Mr. Blair's actions in the coming months is the sense that he is seeking a triumph that will define him for posterity in a way that eluded him in Iraq or at home.

"Two hundred years ago William Pitt gloomily rolled away the map of Europe for as long as Napoleon was on the loose," Mr. Jenkins wrote. "At Waterloo, 10 years later, it was unrolled. Today it is unrolled again and, briefly, laid at Tony Blair's feet. His legacy is what he does next." —New York Times News Service

# Europe struggles to find way forward after debacle

## Britain faces criticism for the failure of Brussels summit

**BRUSSELS:** The European Union nations struggled to find a way forward on Saturday after the spectacular failure of a two-day summit that produced neither a budget for the years ahead nor a clear sign that the bloc's constitution will ever get ratified.

The blame-game began the moment the bleary-eyed leaders emerged from their fruitless talks in the early hours of Saturday. And British Prime Minister Tony Blair, whose country takes over the E.U.'s six-month rotating presidency on July 1 from Luxembourg, was the main target.

Summit host Jean Claude Juncker, Luxembourg's Prime Minister, pointedly told reporters he will make sure to miss Mr. Blair's outline his plans for the E.U. when he addresses the Eu-

ropean Parliament on Thursday.

"As that is the national day of Luxembourg, I will not be listening," he said.

In two days of extraordinarily acrimonious negotiations, the 25 E.U. leaders haggled over their common spending plans for the 2007-2013 period.

### Profound damage

They failed to reach a deal. Nor did they present a clear blueprint to save a proposed E.U. constitution recently shot down by voters in France and the Netherlands.

Mr. Juncker said the damage caused was profound. In weeks ahead, E.U. diplomats and others "will tell you that Europe is not in crisis," he said after the summit collapsed.

"It is in a deep crisis." Britain was criticised for postponing its referendum on the E.U. constitution after French and Dutch voters rejected it. Luxembourg, Denmark and others are now also expected to postpone their votes, throwing the charter's fate into more uncertainty.

The budget debacle centred on Britain's refusal to surrender an annual rebate to reimburse it for its outsized payments to the E.U. coffers.

Mr. Blair's demand to link any discussion of the rebate to overall reform of the E.U.'s agricultural subsidies — of which France is the main beneficiary — scuttled a spending deal.

British Foreign Secretary Jack Straw accused other E.U. leaders of wanting a European Union "trapped in the past". — AP

19 JUN 2007

THE HINDU

# Continuing demise of Old Europe

The recent electoral verdicts in Euroland reveal deeper problems with the continent's economic model. To stem the decline, a new leadership in Old Europe needs to promote market-oriented reforms, says Ruchir Sharma.

**T**HE most charitable comment that can be made about Old Europe today is that it's a nice place to visit. Otherwise, France, Germany and Italy are in the throes of such political, economic and social crises that they are the object of much derision and despair with the global commentariat.

Euroland is currently almost synonymous with economic stagnation, protectionism and insularism. The region's large economies have been the weakest link in the powerful global economic recovery over the past two years, and unemployment in countries such as France and Germany has hovered near double-digit levels for more than a decade. While it's fashionable to cite studies of long-term prospective growth trends that show China and India emerging as major economic powers, the equally telling point is the projected decline of Euroland in the economic league tables. And there's little apparent reason to expect any change for the better. The recent 'No' vote by the French and Dutch electorate against the new European Constitution followed by the political debate in its aftermath are far from inspiring.

Most political analysts read the French and Dutch decisions as a verdict against economic reforms. Similarly, the electoral setback that Germany's chancellor, Gerhard Schroeder, suffered in a key state election last month was interpreted as a cry of pain by the country's voters against attempts to dismantle the sclerotic welfare state. This is rather ironic as it's the lack of reform and the over-reliance on welfare policies that have severely undermined the economic and social dynamism of Euroland.

In a strange twist of events and fortunes, Old Europe has turned increasingly inward looking at a time when Eastern European countries are adopting many of the same policies that led to the economic successes of France and Germany in the '60s and '70s. Back then, those countries — in their deter-



mination to become world-class economies — opened the way for foreign investment and used their large pool of labour to export their way to prosperity. Now, as countries from Poland to Turkey try to emulate that model, Old Europe is feeling threatened and reacting in an atavistic manner.

An important reason why the US is expected to remain the dominant economic power in the foreseeable future is that it has embraced globalisation more fervently, with positive implications for the country's productivity profile. While much attention has been recently paid to protectionist noises coming out of the US on outsourcing and various trade issues, the fact is that America is still much more open to overseas business and immigration than Euroland.

This is as good a time as any to review the contrasting results between the US and Euroland growth models. During the past two decades, the US has largely followed free market-oriented economic policies by cutting taxes, restraining welfare benefits and reducing the power of unions. Meanwhile, Euroland has let the welfare state expand to include lavish benefits, has enacted

laws that make it harder for companies to hire and fire people and has broadly increased state involvement in the economic sphere. Consequently, Europe's rates of economic growth and job creation have been half of those for the US during the current global economic recovery phase. Even this year, the US economy is expected to grow 3.5% whereas growth estimates for Euroland are closer to 1%.

**P**ESSIMISTS like to argue that growth in the US is unsustainable due to several structural imbalances, ranging from the record current account deficit to the rapid accumulation of mortgage debt. However, Euroland's public finances are in far worse shape. Italy's public debt-to-GDP ratio exceeds 100% while Germany and France are on track to run budget deficits totalling 4% of GDP in 2005. Furthermore, the unfunded pension liabilities are a ticking time bomb for all countries in the Eurozone.

Given the state of affairs in Old Europe, it's a wonder that so many countries in Eastern Europe are still keen to integrate with their western neighbours. Well, such aspirations have their

roots in Europe's centuries-old success story. The continent is still revered for its economic prosperity, cultural sophistication and secular values. The problem is that, of late, many Western European countries seem to have lost their desire to keep up with the times and reinvent themselves. Weak leadership, which has often pandered to the baser instincts of the people by engaging in populism and anti-American tirades, has only compounded the problem.

The 'No' vote on the European constitution were partly a revolt against the non-democratic way in which governments tried to sneak in laws that deepened European integration. Further, the anti-American rhetoric of the past few years has bred contempt for all 'Anglo-Saxon' associated concepts. In other parts of the world too, anti-Americanism has been on the rise, but elsewhere leadership — including in the combustible Middle-East region — has been sensible enough to appreciate the benefits of the Anglo-Saxon free-market-oriented economic model and is pursuing a reformist path rather than letting boorishness prevail.

Given the current attitudes in Old Europe, it is tempting to write off France, Germany and Italy as countries in existential decline. But it's important to remember that the Anglo-Saxon world faced a similar challenge in the '70s — which was defined as the malaise decade following excessive government involvement in the economy. It took the bold leadership of Ronald Reagan and Margaret Thatcher to decisively change the course of their nations.

The most popular candidates tipped to head the next governments in Germany and France have the potential of playing a similar role. Angela Merkel in Germany and Nicolas Sarkozy in France are both right-wing leaders who believe in a reduced role for the state. The only hope for Old Europe is that they carry out meaningful reforms in the 'Anglo-Saxon' mould and re-engage their countries with the rest of the world.

## The French referendum is an assertion of nationalist sentiment

# Voting on Europe

**POLITICS AND PLAY**  
**RAMACHANDRA GUHA**

**I**n the last week of May, as the French were preparing to vote on the new European constitution, I was travelling through two countries connected most intimately with France. Reading the newspapers, and talking to a cross-section of scholars, I got a privileged peep into what that historic referendum signified, for the idea of France and for the idea of Europe itself.

I began in England, a country that is separated from France only by a few miles of sea. In the 19th century, the two nations fought bitter wars against each other; in the 20th, they were uneasy allies in more bitter wars still against the common enemy, Germany. The British national spirit was forged in opposition to the French. As Linda Colley has written, "imagining the French as their vile opposites became a way for Britons to contrive for themselves a converse and flattering identity". The British claimed that the French clad themselves in wooden shoes while they wore fine leather ones. The British played cricket, a subtle game quite beyond the reach of the French. And, most significant of all, the British rejected the pope in Rome, while the French cravenly followed him.

Of late, the British have become more generous, allowing that the French make better food and more gorgeous women. Even the French countryside is now held to be as beautiful as the British — to judge only by the number of houses in Provence paid for by cheques drawn on London banks. As with its relations with India and the United States of America, England's relationship with France is composed equally of enchantment and distaste — albeit in a more intense form still.

**N**aturally, the run-up to the French vote was followed in the British press with an obsessive fascination. I was particularly struck by a two-page spread in the *Times* that examined the responses to the EU constitution from the edges of the political spectrum. The extreme right was represented by Jean-Marie Le Pen, whose National Front based its opposition on the enlargement of the EU. In urging his followers to vote against the constitution, Le Pen spoke against the backdrop of banners asking the French to say no to a "Muslim Europe" — this a reference to Turkey's application for admission to the EU.

Le Pen is a thick-set, grim and humourless old man — a sort of French L.K. Advani, we might say. His counterpart on the left is altogether more charismatic, if less well known in India. This is José Bové, a farmer's

leader, who shot into fame when he ran his tractor into a McDonald's outlet that had just opened in his native village. Bové is a plump man who sports a large moustache — though I would not go so far as to call him a French Veerappan. He stands for the autonomy and dignity of the farmer and against the global market. In asking his followers to vote against the EU constitution, he was, he said, taking a stand against "Anglo-Saxon liberalism". Bové was joined by the vigorous Trotskyite movement in France, likewise opposed to the free market and to the creeping — some might say galloping — Americanization of French society.

Polls in France revealed that 98 per cent of communist voters would vote against the EU constitution, along with 94 per cent of the non-communist left and 93 per cent of National Front voters. The press in London affected surprise at this coming together of left and right. The British prefer pragmatic, middle-of-the-road politicians anyway. The extremist sects in their politics — the Socialist Workers Party on the left and the British National Party on the right — have little influence, and would perhaps never vote on the same side. But as an Indian, I did not find the congruence so surprising. Right-wing radicals in France, as in India, base their politics on a single point agenda — keep out the Foreigner. Left-wing radicals are more discriminating — they seek only to keep out foreign goods. The xenophobia of Le Pen, like that of the RSS ideologues, is predominantly cultural. The xenophobia of Bové, like that of the CPI(M) intellectuals, is chiefly economic.

From Britain I moved on to Spain, a country that shares a border with France, and which is bound to it by ties of history, economics and religion. Here I found a man who had actually read the EU constitution — the distinguished Catalan social scientist, J. Martinez Alier. The document is 400 pages long, and written in bureaucratic jargon — for the referendum on which the French voted it had

been boiled down to 16 short points. Neither précis nor full document referred to the enlargement of the EU. Nor was further economic integration actively pushed for here. Rather, the new constitution called for common action on such questions as human rights, asylum-seekers and immigration, for greater rights for the European parliament, and for a diminution of the powers of the Brussels bureaucracy. Its avowal of a common Europe was more political than economic or cultural — for example, it advocated that there should be a European foreign minister to more effectively articulate a single European foreign policy. Its avowal of common Europe was more political than economic or cultural — for example, it advocated that there should be a European foreign minister, to more effectively articulate a single European foreign policy.

Now in his sixties, Martinez Alier knows France very well indeed. He speaks fluent French, has lived for long periods in France, and had his first books published in *émigré* editions in Paris at a time when Spain itself was a dictatorship. When news of the French vote reached us, he was disappointed that the "Nons" had carried the day. For his view of Europe is deeply coloured by his understanding of modern European history. For the 19th century, and the first half of the 20th, witnessed in full force the brutal consequences of German, French, British, Russian and assorted smaller nationalisms. Other forms of political belonging, such as sub-nationalism and supra-nationalism, are, he believes, more likely to be productive of harmony rather than violence. (Martinez Alier is himself Catalan before he is European, and European before he is Spanish.) In the past, I had heard him say that the present generation of Germans were the best, or the least nationalistic, since the generation that made the revolutions of 1848. Perhaps he now thinks that the present generation of Frenchmen is the worst, or most jingoistic, since the end of the World War II. Their recent

vote is certainly at odds with their own past behaviour — with the French being one of the original six countries that created the European Economic Community, with the fact that the EU, as we now know it, is, above all, the work of two Frenchmen, Jean Monnet and Jacques Delors.

Martinez Alier thinks that as a transcendence of destructive nationalisms, the EU is a good thing — and it would be even better if it gave more powers to the regions. Like him, the younger Spanish intellectuals I met were strongly in favour of the European idea. They felt that a more unified Europe would, among other things, be a counterweight to a unilateralist and arrogant US.

**N**ine countries had already endorsed the EU constitution — among them Spain and Germany. Now France's rejection, followed soon after by that of the Dutch, has placed the constitution in jeopardy. These twin votes have also let the British prime minister, Tony Blair, off the hook — no longer need he hold a referendum where his own pro-European sentiments would most likely be overthrown by the insularity of the majority. Now Blair can safely blame the French for derailing the process.

The French vote has been viewed as a vote against economic liberalization — and, as such, deplored by free-market commentators and cheered by left-wing ones. It is more useful to interpret it, as Martinez Alier does, as a political statement, as an assertion of nationalist sentiment against the further strengthening of a transnational institution. The shelving of the European constitution does not mean the end of the EU of course. But it is certainly a setback.

It is noteworthy that among those who welcomed the French result were sections of the American elite. The *New York Times* ran an article reporting, with some glee, how the uncertainty caused by the referendum had allowed the dollar to make steady gains against the euro. And a commentator in the *International Herald Tribune* crowed that the negative vote, by causing a serious division within the countries of the Continent, had "eroded the European mystique", and punctured the EU's "self-portrayal (of itself) as the Righteous Power, its exalted but hollow pretensions to project to the world a will and a strength that is not yet and may never be its own." A will and a strength, we may infer, that must always be the exclusive preserve of the US. Were I a conspiracy theorist, I might begin to suspect Le Pen and Bové of being on the payroll of the Central Intelligence Agency.



Carrying the day

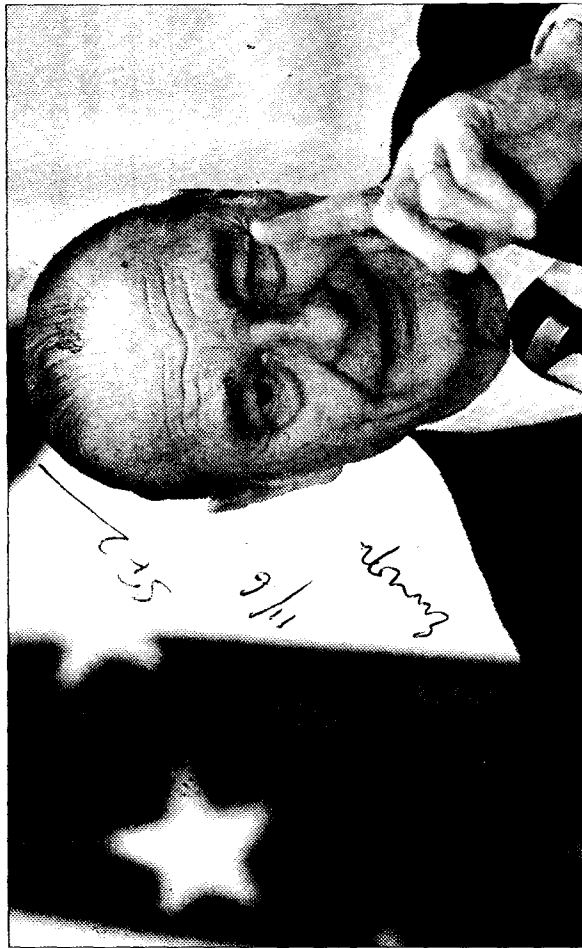
# Chirac, Blair in disagreement

Associated Press

PARIS, June 10. — The gulf between Britain and France over European spending widened today when President Mr Jacques Chirac rebuffed a suggestion from Mr Tony Blair that subsidies for farmers should be reviewed.

Even as he called for unity among European Union members in the midst of a crisis over the bloc's future, Mr Chirac said he was not prepared to discuss changes to the EU's agricultural policy, which greatly benefits French farmers. "I am of course ready for France to bring its response, like others, to a solution to the problems we face, but I reserve the right to choose the response," said the French leader after a meeting with German Chancellor Mr Gerhard Schroeder.

"I am not disposed to compromise on the unani-



Mr Chirac addresses the media in Paris on Friday. — AFP

mous accord reached in 2002 on the Common Agricultural Policy and it is a question that I am not prepared to revisit."

Mr Chirac's blunt response seemed targeted at the British Prime Minister who earlier today called for a fundamental review of the EU budget

and suggested the current heavy focus on farming subsidies must change.

"There is a genuine European interest in making sure we spend money on the things that are necessary," Mr Blair said. "If people want to look again fundamentally at the Common Agricultural

Policy of course everything then can be looked at properly." The tensions came amid EU's 2007-2013 spending plans and ahead of a summit of EU leaders in Brussels next week.

Mr Chirac said he and Mr Schroeder agreed at

their meeting, their second in a week, that there should be no "excessive increase" in the EU budget and that everything should be done to avoid adding financial difficulties to the bloc's political ones.

Mr Chirac also called for pragmatism from Mr Blair on Britain's lucrative EU budget rebate, saying "our British friends should take stock of changes" regarding the contentious issue.

Mr Schroeder called for a "gesture" from Britain and other countries to allow for a budget agreement. Mr Chirac noted that Europe was facing a "difficult period" and should "come together and reflect" in the wake of referendums in France and the Netherlands in which voters rejected the EU's blueprint for bringing the 25-nation bloc closer.

Despite the French and Dutch "no" votes, both Mr Chirac and Mr Schroeder said the process of ratifying the proposed EU Constitution should continue.

1 JUN 2005

THE STATESMAN

**LOOKING AHEAD:** *At the root of the rejection of the EU constitution lies the feeling of being betrayed*

# Et tu, EU?

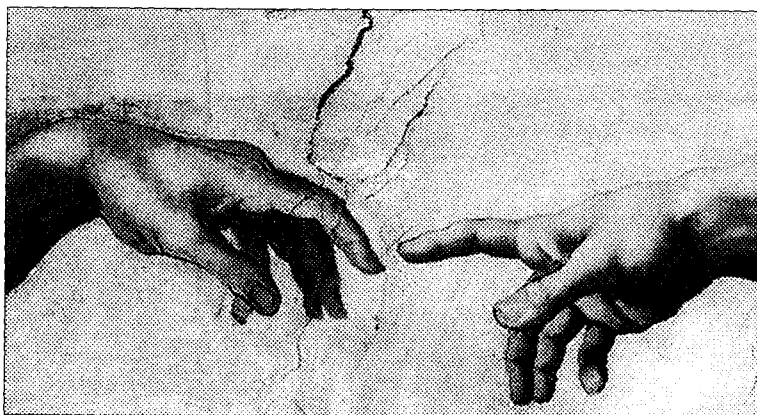
BY PREM SHANKAR JHA

**I**N ONE short week, the hope harboured by liberals across the world, that an increasingly powerful and united European Union would emerge as a moral counterbalance to an increasingly unilateral US, has been dealt a savage blow by two referenda held in France and Holland. In France, defying confident predictions made as recently as two months ago, 55 per cent of the voters rejected the new EU constitution proposing a more unified Europe. Two days later, Dutch voters dealt it an even more stunning blow: 65 per cent rejected it. Since the new EU constitution can only come into force when all the 25 member States ratify it, as of now it is dead in the water.

The double defeat has released a wave of consternation, bordering on panic, in the EU governments. The proponents of greater unity have tried to minimise the significance of the vote. They have stoutly asserted that the rejection only puts a brake on further integration and does not endanger the very considerable coordination of policies that the EU has already achieved. They also point out that nine other countries have already ratified the new constitution and that the ratification process will continue. In the end, they hope the constitution's endorsement by an overwhelming number of the members will isolate the nay-sayers and put pressure upon them to change their minds. Europe will get where it is going, only a little more slowly.

Analysts have looked for rational explanations of the rejection. Several have blamed the pronounced allergy in most countries towards the 'Eurocracy' in Brussels that has been passing laws that cut across national legislation on matters large and small, with little respect for national sensibilities. Others ascribe the defeat to a fear of being inundated by hordes of job-seekers from the ten new Eastern European states and further down the line from Turkey. Still others fear a migration of capital from 'old Europe' — the original founders of the European Common Market — to the new member countries in search of low cost labour.

All of these explanations contain more than a grain of truth but do not come close to explaining the rejection of further European integration. For instance, the constitution would have made the EU bureaucracy in Brus-



sels more accountable by bringing it under a directly elected EU parliament and president. This did not prevent the French and Dutch voters from rejecting it.

Again, the nay vote will not prevent, or even significantly diminish, the inflow of labour from, and outflow of capital to, the ten new members as it won't affect economic relations within the EU. Still more important, this explanation fails to explain why the working class in the original Common Market did not mind its expansion into the European Commission in the Seventies and the EU in the early-Nineties. These brought low wage countries like Spain, Greece, Portugal and Ireland into the EC, and triggered precisely the labour and capital movements that are being feared now. But few people opposed those expansions.

The root cause of the revolt that Europe is experiencing lies in a profound feeling of betrayal. For almost three decades, the majority of the working class swallowed the placebo handed out to them that these stresses were only temporary. Globalisation and the flight of low wage manufacturing to developing countries would create only transient unemployment. The answer lay in re-educating the workers and, of course, the next generation to do higher skill jobs, and cut back immigration to minimise the competition for jobs. Eventually freer trade, higher exports to the now much richer developing countries, and a shift to high skill work, would leave everyone better off.

But in the last five years, this belief has evaporated. The rate of unemployment, which used to be as low as 1-2 per cent in the Sixties and early-

Seventies, has averaged 9-10 per cent in the original EC countries for the last 30 years. The prolonged American boom of the Nineties brought it down by a couple of percentages and gave hope to a new lease of life. But it too proved to be a flash in the pan. Today unemployment is back at 10.2 per cent in France and over 9 per cent in Germany.

But statistics on unemployment do not even begin to describe the havoc that globalisation has wreaked on society in the industrialised countries. Most of the unemployment is concentrated among the youth. In France, 23 per cent of adults under the age of 25 do not have jobs. In Italy, which officially slipped into recession three weeks ago, the figure is even higher. Outside the gilded circle of the transnational corporations, most of the jobs that are available are in the services sector. These are insecure, poorly paid, often part-time, and do not carry pension benefits apart from what the eroding State system has to offer. The disappearance of secure, permanent jobs is making it extremely difficult for young people to marry and start a family, sign a mortgage agreement for an apartment or even buy a car.

The failure of their children to find secure jobs has placed a huge and unforeseen burden on the parents. Suddenly in their old age, when they are living upon their pension and their accumulated savings, they are having to face a demand that they had not even imagined and therefore have made no provision for. This is the need either to divert some of their savings to renting or buying their children an apartment, or allowing them to continue living with,

and off, them. This conflict, between love for their children and fear for themselves, is producing stresses that only a minority are able to cope with successfully.

After 30 years of chronic unemployment, poverty and insecurity, the majority of the young and the less educated have come to accept that the good old days will never return. Their feeling of having been betrayed arises from a belief that their leaders have known this all along, but have hidden it from them. What is worse, behind empty assurances that they will set things right, they have knowingly taken decisions that have eliminated or severely circumscribed their actual capacity to bring them relief. And they put the blame for this on the formation of the EU.

In the pre-EU days, a government could fight a slowing down of exports caused by a loss of competitiveness by devaluing the currency. But with the adoption of the euro as a common currency, this option has ceased to exist. The only way left to lower costs is to automate production further to increase labour productivity, or cut the wage bill. This means sacking workers or lowering their wages. In the old days, if unemployment rose, the government could meet the increase in social security payments by increasing the budget deficit. Today, stringent EU rules that put a ceiling on the fiscal deficit rule this out too. The only alternative is to reduce the unemployment allowance itself. In all cases labour alone is being forced to bear the brunt of adjustment.

Economists know that these — and a plethora of other policy measures open to a government when markets were still largely national and capital was not free to move from country to country in search of cheap labour — have become self-defeating except as very occasional and strictly temporary measures to stave off a crisis. But the common people are still coming to terms with the realisation that in a global market the high wage economies have become islands without barrier reefs to shield them from the tsunami of cheap imports.

Protectionism, the knee-jerk reaction, will only worsen the disease, and that too very rapidly. There is, thus, nowhere to look for succour. Their first reaction is to look for a scapegoat. Their governments are conveniently at hand.

# *EU must get the economics right*

Eurocrats had a vision of integration that would never work. But now there is a chance to rewrite the script.

Larry Elliott

**T**HE DREAM is over. For the past 17 years, large sections of the Left and Centre-Left in Britain have believed in the vision presented by the then president of the EU Commission, Jacques Delors, at the U.K. Trade Union Congress in 1988. Mr. Delors said to the assembled brothers and sisters: do you want an alternative to mass unemployment and attacks on the working class? Then sign up to my vision of Europe. What might be called the "sensible Left" duly signed up. It liked the talk of solidarity and internationalism, but there was more to it than that.

The Delors vision also appealed to some of the less attractive traits of the Left — the worship of power, the notion that there is always a big solution to the smallest of problems, and the feeling, identified by George Orwell long ago, that there is something unseemly about loving your own country. Ever since, it has been urging that Britain fulfil its destiny and whole-heartedly back the "project." It has berated Chancellor of the Exchequer Gordon Brown for allowing the Treasury to put economic obstacles in the way of political engagement. It has turned a blind eye to sky-high levels of unemployment, seen simply as transitional costs on the way to the promised land. It has contented itself with the comforting thought that euro-scepticism, fanned by the right-wing press, is something peculiar to Britain.

## **Dream shattered**

The events of the past week have shattered this cosy little fantasy. In France and the Netherlands, opposition to the constitution was strongest among the poor, the young and the excluded. The vote in France could just about have been shrugged off as the last roar of a nation of luddites against the inevitability of globalisation. But the Dutch? For these model Europeans to vote by almost 2-1 against the constitution was a hammer blow. The Netherlands is one of the countries the British Left has always admired: liberal, tolerant, prosperous, generous. And now in open revolt against its political masters.

Some big lessons now need to be learned. The first is to understand how it was that in France and the Netherlands last week, and in Sweden in 2003, a big initial lead for the "yes" camp was turned into a resounding "no" vote by polling day. The reason is that those making the case for the euro and ever-closer union

do so with the arguments and language of management consultancy. They talk of "the project" making markets more efficient. The "no" camp does not talk of "projects". It taps into the things that matter to the people: the urge for security, identity, a sense of belonging. Like it or not, people love their own country more than they love the abstract notion of the European Union.

A second lesson is that unless Tony Blair is a secret masochist, there will be no referendum on the constitution in Britain. If the Government were stupid enough to hold one, it would be lost by a landslide dwarfing that in the Netherlands. The odds on Britain joining the euro are longer than the odds on monetary union collapsing.

Thirdly, the Left has to wake up to the fundamental reason for the unpopularity of Europe. It is that the Delors model was perhaps appropriate for the Europe of the 1940s but not the Europe of the 21st century. Europe's social model, which was rightly envied from this side of the Channel in the 1980s, was only affordable if there was strong enough growth to generate the tax revenues to pay for the welfare state. Finally, the Left needs to realise that the priority now is a set of policies that will raise Europe's derisory growth rate. There is a lot of talk about Britain taking over the leadership of Europe, much of which sits oddly with a £5 billion a month visible trade deficit and the loss of a million jobs in U.K. manufacturing since 1997.

## **Superior model**

In macro-economic policy, however, there is no doubt that the British model is superior. Take Italy, which would be far better off outside the eurozone, with the flexibility to set its own inflation target and a floating currency to compensate for its lack of competitiveness. It turns out that there was a point to all those small currencies after all. They were the shock absorbers that allowed countries that were structurally very different to rub along together.

Those who say a retreat from the integrationist approach would mean Europe failed to punch its weight globally could not be more wrong. Influence is a function of success, not size. Europe will only wield influence once more when it gets its economy right. It now has the chance to do just that. — ©Guardian Newspapers Limited 2005

(Larry Elliott is economics editor of the London-based Guardian newspaper.)

08 JUN 2005

THE HINDU

# Europe: The lessons of the 'no' votes

Rejection of the EU constitution by France and the Netherlands is a mortal blow for the European project.

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Peter Mandelson

THE PEOPLE of France and Holland have spoken. Politicians across Europe now need to listen and think. There were multifarious motives for the "no", but the message is stark. People are disenchanted with the European Union. They are confused about its direction or think it is speeding ahead in the wrong one. They feel it lacks connection with their real concerns.

Europe presents too many visible targets to its enemies: from the failure of MEPs to control their expenses to a culture of over-prescriptive regulation. This produces a vicious circle in which national politicians, claiming to be pro-Europeans, make populist attacks on Brussels that only nurture public alienation. In this, Jacques Chirac made the mistake of behaving like the average British politician. If political leaders are to persuade their electorates to support the idea of Europe, they have to explain clearly why, despite the inevitable frustrations of Brussels, Europe is a good thing from which we gain many benefits.

The decisive "no" vote among the younger generation was distressing. The old European project of "an end to war" has inevitably lost resonance. The freedoms Europe offers — democracy and human rights, the freedom to travel, study, work and settle in different countries — are taken for granted, though they should not be.

So where does this leave the treaty? The immediate issue is the pressure in London, from some quarters, to kill it off. But the British Prime Minister is surely right to insist on proper reflection. Ratification needs the support of all 25 EU members. It is difficult to think of the circumstances in which the French and Dutch votes could be reversed. That leaves Britain for now with no meaningful proposition to vote upon. But Europe's member states should decide on the next steps collectively in the European Council in two weeks' time, rather than unilaterally.

The treaty's institutional reforms would make the EU more effective, transparent and accountable. Europe would be mad to scrap a painfully established consensus. If ratification is put on ice, the hope must be that, in future, popular support could be mobilised to implement those reforms, perhaps in a different form but without seeking to bypass the people's will.

So what is the future for pro-Europeanism? I believe we should turn despair into opportunity by concentrating on Europe's policy and direction, making it easier later to answer the institutional

questions. The coming British presidency of the EU should be judged on how far it succeeds in turning the French and Dutch "no" into the makings of a "yes" to a New Europe.

I do not underestimate the challenge. Pro-Europeanism is under sharp attack from a populism of the right that blames foreigners (and the prospect of Turkish membership) for every woe, and a populism of the Left that feeds on fear of globalisation, Anglo-Saxon "liberalism," job losses and "delocalisation."

If Europe gives in to this populism and opts for the voices that want to erect new barriers between ourselves and 'foreigners' and world markets, it will have chosen a protectionist dead end: a *cul de sac* that may save a few jobs in the short term, but will result in declining competitiveness and steady erosion of Europe's social model.

The real problem is a lack of popular consensus on what Europe stands for and where it is going. Europe must press ahead with painful economic reforms. But reform is for a purpose: not to Americanise Europe but to make our European model of society sustainable for generations.

Hitherto, Britain has offered only some of the answers to Europe's problems. This is why it is opportune that Tony Blair assumes the leadership of the European Council at this time. He should spend the British presidency helping to drive forward the economic reforms contained in the Barroso Commission's growth and jobs programme and formulating a new concept of a modern, reformed social Europe that offers genuine security and opportunity for all.

Making this new case for Europe can galvanise British pro-Europeans. We have to put on the back burner the old argument that Britain has no alternative to Europe. With our present economic success, there is an alternative — but one that is not as good as being members of a reformed EU and its vast single market.

A more successful Europe is critical to enhancing British prospects of achieving greater prosperity with social justice, and of being part of a strong grouping of states that can advance shared interests and values in a world of globalisation.

The time is ripe for the Government to go on to the front foot in Europe, but not in a divisive way. At home, the Prime Minister and his colleagues should make a modern pro-European case and lead the way forward to a vision of a New Europe that all the 25 member states can share. — ©Guardian Newspapers Limited 2005

(Peter Mandelson is EU Trade Commissioner.)

06 JUN 2005



# Euro sucked into crisis

Luxembourg, June 3 (Reuters): Europe foundered in its bid to contain the damage over a new EU constitution today as the fate of the euro single currency became increasingly swept up in the crisis engulfing the bloc.

Despite calls for calm after France and the Netherlands rejected the constitution in referendums this week, the language of EU leaders turned increasingly edgy.

Luxembourg Prime Minister Jean-Claude Juncker, whose country holds the EU presidency, spoke of a "big European crisis" if EU leaders failed to agree on a long-term budget this month.

And Italian welfare minister Roberto Maroni, a member of the Eurosceptical Northern League party, sparked a flurry on financial markets by sug-

## Warning of European disaster after negative votes

gesting that Italy hold a referendum on abandoning the euro and returning to the lira.

European monetary affairs commissioner Joaquin Almunia defended the euro in the latest of a string of comments from leaders that have highlighted how far the currency has been caught up in the crisis over the constitution.

"The euro forms part of our landscape. I think nobody is going to succeed in eliminating an achievement that cost us a lot to bring about and that is bringing us many advantages," he said in an interview with Cadena Ser radio in Spain.

The constitution was meant to make the EU work more smoothly after its enlargement to 25 states from 15 last year and had nothing to do with the euro set up by 12 members in 1999.

But the rejection of the treaty by two EU founding members has raised questions about how committed European countries are to working together to make the single currency a success, and opened the door for eurosceptics to question its existence.

Italy's Maroni told the *Repubblica* daily the euro "has proved inadequate in the face of the economic slowdown, the loss of competitiveness

and the job crisis.

The euro, which slipped to eight-month lows against the dollar this week, fell further on Maroni's comments but recovered to trade at \$1.2288, little changed on the day.

Germany's chief government spokesperson, Bela Anda, echoed others in the European leadership when he said that Germany was not worried about the state of monetary union and that "the euro has proven itself".

But many Europeans blame the euro for an economic slowdown and high unemployment, and — if the referendums in France and the Netherlands are representative — no longer trust their governments to decide what is good for them. Both the French and Dutch governments had campaigned for a "Yes" vote.

04 JUN 2005

THE ECONOMIST

# Political Europe after the Dutch 'Nee'

**T**he 63-to-37 per cent Dutch 'Nee' to the European Union constitution treaty in Wednesday's referendum — coming close on the heels of the French 'Non' — lends substance to the view that even though people in the 25 member states broadly support the idea of a united Europe, a huge number is either not comfortable with the pace of integration or has serious reservations about the process on some other counts. Technically, the verdict in the Netherlands referendum is not binding; the vote is supposed to be part of a 'consultative' process, with the Dutch Congress having the final say. However, political parties committed themselves to abiding by the verdict if the voter participation exceeded 30 per cent; at 62 per cent, the voter turnout met the requirement twice over. Thus, the Netherlands is the second member state to throw out a blueprint that has so far been ratified by nine others. In recent months, public opinion in the country coalesced against the constitution despite Prime Minister Jan Peter Balkenende's bid to rally support for it. Among the principal factors has been the growing perception that the country's contribution to the EU budget, which in per capita terms is among the highest, is far greater than any benefit it gets.

Compounding Dutch resentment over subsidising poorer members is the perceived arbitrary behaviour of the big two, Germany and France. The most recent example was the way they first evaded penal proceedings imposed by the European Court of Justice for failing in three successive years to keep their fiscal deficit below three per cent of the GDP; and then pressured the European Council to bend the rules on fiscal discipline. As elsewhere, there have been growing fears in the Netherlands that political integration would result in erosion of the country's sovereignty and distinctive identity. Dutch suspicions over the country's growing remoteness from Europe have been strengthened by the far-Right's campaign against last year's enlargement of the EU. Adverse reactions to the highly technical and legalistic nature of the draft came to haunt its authors. Direct democratic approval of a primary statute is a huge task; the enormity of the task cannot be underestimated, given especially the precondition that the constitution should be unanimously adopted. The ratification process is still under way in a majority of member states. Whatever the specific outcomes, completion of the exercise will provide a comprehensive picture of the EU's preparedness or otherwise for political integration.

# Dutch join French on EU charter

SEBASTIAN ROTELLA  
BRUSSELS, JUNE 2

**D**UTCH voters dealt the proposed European constitution its second major blow today, fueling urgent debate in the European Union headquarters here, about the future of an alliance that aspires to become a global power bloc.

About 61 percent of Dutch voters cast ballots against the constitution in a referendum, according to partial results. On Sunday, the French had stunned the continent by rejecting the initiative, which would increase the power of EU institutions and streamline decision-making to integrate 10 new members from Eastern Europe.

Like France, the Netherlands is one the union's six founders. European officials and other analysts said voters' rejection of the constitution could threaten the vision of building

## From LA Times

Europe into a prosperous bloc, that could compete with the United States and Asian powerhouses. "There's great danger that the whole European project will be stopped dead in the water," said Dutch political scientist Maarten Van Rossem.

Nine EU nations approved the document, but it needs to be ratified by all 25 members to take effect. The expected bad news from Dutch voters hit Brussels on a day when top EU officials held heated discussions about how to deal with voters' hostility toward the union.

In Britain, Poland and the Czech Republic, ratification of the constitution faces such an uphill fight that leaders could respond to the French and Dutch results by simply calling off the process. Some leaders favour junking most of the proposed charter and salvaging a few key measures by having them passed by more simple treaties, said a well-placed EU official.

The issues driving Dutch opposition resembled those in France: a faltering economy, disenchantment with the government, and angst about na-



European Commission President Jose Manuel Barroso (L) with European Parliament President Josep Borrell (R) at a Conference of Presidents meet in Brussels. Reuters

## Rail strike tests Villepin over jobs pledge

**PARIS:** French PM Dominique de Villepin put the finishing touches on Thursday to a new government meant to restore voter confidence as striking rail workers wrought transport chaos across the country. Unions from the state rail company SNCF began a 36-hour strike late on Wednesday over pay and jobs, having rejected management's offer to compensate the loss of 3,000 jobs this year with the creation of 500 new posts. The dispute severely disrupted mainline and regional rail traffic although the cross-channel Eurostar link was unaffected. Villepin met Chirac to put the finishing touches on the government. —Reuters

tional identity. The Dutch are anxious about losing sovereignty to the EU and jobs to low-wage countries on the east. Although the country's 5 percent unemployment is only half of France's, the Netherlands has endured four years of recession. Many Dutch resent that their country is the most generous per-capita contributor to the Brussels budget.

Two Eastern European nations—Bulgaria and Romania—are on track to join the alliance in 2007. As in other countries, both sides in the Dutch debate exaggerated their claims.

Proponents all but warned of new wars if the constitution failed, while opponents depicted an ominous, Brussels-based "super-state" on the march. "It's not a super-state," he said. "It's still a cooperative scheme of sovereign nations. But people believe in this mythical ogre of the EU bureaucracy."

## Fortuyn's ghost seen in Dutch 'No' to EU constitution

PHILIP BLENKINSOP  
AMSTERDAM, JUNE 2

THREE years since his murder, maverick Pim Fortuyn's still has a hold on Dutch politics.

The stinging Dutch 'No' in Wednesday's referendum on the proposed European constitution exposed Dutch anger over social welfare cuts, fears about Islamic fundamentalism and an anti-establishment rage the populist tapped into in 2002.

"The comet-like arrival of Fortuyn was the first rendering of this discontent. Yesterday's massive 'No' was the second," *Algemeen Dagblad* said on Thursday after the public resoundingly rejected a constitution that most major parties, including the centre-right government, had backed. 'Raised middle finger to the elite,' the paper said in a headline above its analysis.

No Dutch government heads will roll, unlike in France where Sunday's 'Non' forced the Prime Minister to resign, yet Dutch media warned its leaders not to ignore the electorate's 'Nee'.

"The result will not have a direct effect on these politicians. But the repercussions will probably linger, just as the rumble from Fortuyn in 2002 is still evident," said top-selling newspaper *De Telegraaf*.

The anti-immigration maverick who accused the Dutch political establishment of losing touch with the electorate was killed three years ago last month by an animal rights activist.

*De Volkskrant* advised politicians to tone down their ambitions for Europe and suggested PM Jan Peter Balkenende apply the brakes in Brussels or face the consequences in the Dutch general election due in 2007. The immediate aftermath of the Dutch 'No' will be a parliamentary debate to consider the referendum, which was not binding but is expected to rule out Dutch ratification. —Reuters

EU CHARTER REJECTED: EXIT POLLS

# Dutch follow the French

Associated Press

AMSTERDAM, June 1. — Dutch voters overwhelmingly rejected the proposed EU Constitution today, dealing a devastating blow to hopes of salvaging a charter already decisively defeated by the French.

An exit poll by Dutch TV said the “no” camp won 63 per cent in a referendum against 37 per cent in favour. The rejection came three days after France plunged the future of EU integration into uncertainty with its own “no” vote.

The emphatic defeat could prove fatal for the charter, which was designed to further unify the 25-nation bloc and give it more clout on the world stage but has instead polarised opinion across Europe.

Voter turnout was 62 per cent, far exceeding even the most optimistic expectations and a reflection of the heated debate in recent days.

Parliament will have the final say, but all parties already had pledged to accept the public verdict if the 30 per cent mark was exceeded and the result was clear. Dutch NOS television broadcast the results of the exit poll as polling stations closed.

## A spectacular blow to political arrogance

Stephen Castle in Rotterdam

June 1. — In central Rotterdam the face of Pim Fortuyn, the populist scourge of the political elite who was murdered in 2002, smiles down from a statue on a 12-foot plinth. Three years after his death Fortuyn's ghost has returned to haunt the mainstream politicians he tormented in life.

Like the French before them the Dutch have struck a spectacular blow, not just against the European Constitution, but against the arrogance of the political establishment that constructed it.

Rotterdam was Fortuyn's home town, the place from which he launched a popular uprising which destroyed one Dutch government and, after Fortuyn's assassination, propelled his anti-immigration party to the status of Holland's second party. Today's vote was a second Dutch rebellion.

In the heart of Rotterdam it is not easy to find supporters of the European Constitution. Mr Jan-Willem Vissen, a 23-year-old graphic designer, is a “no” voter not so much because of the document's content but because of those who wrote it — the politicians whom he does not trust. “They are always longing for more power,” he said. Instead of looking after themselves, the politicians should be protecting the unique system of the Netherlands, with its permissive drugs policy, its tolerance of euthanasia and its liberal approach to gay rights. “I want the country to have its identity,” Mr Vissen said. “That's why I am against the Constitution.”

Mr Peter van Heemst, MP for the Opposition, pro-constitution Labour Party, argued: “People do not want to support a government which, they believe, has allowed Europe to grow without their consent. It is perhaps a Dutch characteristic that, the more important people advise you to vote ‘yes’, the more Dutch people are inclined to vote ‘no’.” — **The Independent**

06 JUN 2005

THE ST

## NON-PLUSSED

Dismissed with a monosyllable: such has been the fate of the new European constitution. And this shattering little No comes from the very heart of Europe. Slightly less than 55 per cent of the people of France have voted against the European Union's new constitution. The Dutch referendum is happening today, and the opinion polls seem to point in the same direction. If the Dutch also end up saying No, then the constitution is as good as dead. Brussels will then have to dream up another text of unification. Of course, such referenda are never confined to the particular issue on which the people are asked to vote. Every French household was sent a copy of the tome, and apparently one out of ten people in the country has read it through. But ultimately, what has been rejected is not simply the constitution, but the entire idea of a unified and centralized Europe, together with all that it implies economically, politically and culturally. This is not a simple No. It is born out of fear, uncertainty and mistrust, and profound divisions within, and between, the French polity and society.

What are the French afraid of? Of the changing, globalizing world, Euro-enthusiasts would say, of modernity itself. And in this, the extreme right and the extreme left, the Le-Pen-type nationalists and the communists, converge. The former fears the invasion of the Turks and the Poles — Islamic terror and cheap labour. (Unemployment is currently at a five-year high of 10.2 per cent.) The latter fears the destruction of "social Europe" by economic "ultra-liberalism", the collapse of the welfare state and of social justice, with the opening up of the market. The former is battling "Anglo-Saxon" tyranny and the "Berlin-Ankara axis"; the latter resisting what it regards to be Thatcherite — or worse, Reaganite — free-market economics. The referendum is also the people's verdict against their political leaders — a visibly rattled president and his prime minister, who is already history. This rupture, within democracy, between the citizenry and the government is also part of the post-9/11 world in which Europe seeks unity. It had happened in Britain, though in another guise, over the issue of the Iraq war.

If the new Old Europe is to become the much-needed counterpoint to American unilateralism in an increasingly unipolar world, then this entity has already proved itself far from unified in its range of attitudes to the Iraq war. This lack of unity is in the rejection of the constitution as well. Each naysayer within the EU has its own, local reasons for opposing it. The French No and the Dutch No would be very distinct, even antagonistic, responses. To India — somehow managing to remain unified in spite of its chaotic diversity of language, politics and culture — Europe would seem almost dully unreal in its homogeneity. But the French referendum exposes how deceptive this distant vision could be.

# Euro tumbles on French vote

CHRISTINA FINCHER  
LONDON, MAY 30

98-13  
**T**HE euro slid to its lowest level against the dollar in over seven months on Monday after French voters rejected the European Union constitution, throwing doubts over the political future of the bloc.

The "No" vote garnered 55 per cent, higher than most polls suggested before the referendum on Sunday.

The euro fell 0.8 per cent to \$1.2471, its lowest since October, after hitting automatic sell orders on the break of chart support at \$1.2590. Trading volumes were thin with markets in Britain and the

United States closed for national holidays.

"It has to be pinned down to the French no vote," said Niels Christensen, senior currency strategist at Societe Generale in Paris. "Some stops were taken out which caused the euro to fall further."

While France's rejection of the EU treaty was not expected to jeopardize the monetary union underpinning the single currency, it did raise questions about public support behind the EU and future integration.

It also plunged France into political turmoil just a week after Germany's Chancellor Gerhard Schroeder called for early elections after his party

suffered humiliating defeat in a regional poll.

"A no vote was expected but the size of the rejection will cause a government crisis in France," said Armin Meckelburg, currency strategist at Hypovereinsbank in Munich.

The euro was down 0.85 per cent against the yen, at 134.65, and was underperforming both the Swiss franc and British pound.

European Commission President Jose Manuel Durao Barroso said France's rejection of the European constitution was a serious problem and risked affecting the charter's ratification chances elsewhere.

Dutch voters go to the polls on Wednesday amid widespread expectations for

another "no" verdict. Analysts pointed out that political uncertainty in the euro zone was rising at a time when the economy was showing increasing signs of weakness.

Data last week showed German business confidence at its lowest in almost two years and industry groups are calling on the European Central Bank to cut interest rates to stimulate sluggish domestic demand.

"There is still a lot of uncertainty going forward about what will happen to the constitution. It is unfortunate for the euro that this difficult political situation is coinciding with a difficult economic situation," said Richard Batley, an European economist. —Reuters

31 MAY 2000

INDIAN EXPRESS

# No oui, only ouch for EU

PRANAY SHARMA  
AND REUTERS

Brussels, May 30: Reeling under the impact of a French electoral earthquake that has pushed the European Union towards potential paralysis, the bloc has convened a meeting of its leaders in Brussels on June 16 to decide the future course.

"The French electorate has chosen to say no to the ratification of the constitution treaty. We take note of this act," the European Union said in a statement.

Since all 25 member states need to ratify the constitution, designed to streamline EU leadership and make decision-making more efficient following the bloc's enlargement, the prospects for its entry into force look dim.

The French refusal to say

*oui* (yes) is being seen as a backlash against domestic woes — unemployment is above 10 per cent — as well as the economic model enshrined in the constitution, which critics say is too "free-market" and does not offer workers enough protection.

The Dutch will hold a similar referendum on Wednesday. Most voters in the Netherlands are expected to oppose the common constitution. The emphatic French rejection — nearly 55 per cent have voted "No" — may strengthen Dutch resolve to throw out the treaty.

So far, among the European big guns, only Germany has voted in favour. After the French "No", the EU leaders are not sure how many more will stay on course and ratify the constitution.

"We regret this choice, which comes from a member

state that for 50 years has been an essential driving force in the construction of our common future," the President of Luxembourg, Jean-Claude Juncker, whose country has the chair now, said.

Some in the EU are of the view that the process of ratification should be allowed to continue as each member country must be given the chance to express its view. But others feel that it should be stopped now and resumed after the constitution is explained better to the voters.

"Europe needs its people, but each one of us also need her. Europe is, above all else, a venture of hope," Javier Solana, the EU high representative for the common foreign and security policy, said.

He said consultation among member states would soon start.

If four-fifth of the member states — 20 of the 25 — say "Yes" to the proposed constitution, there is a faint hope for the treaty. The heads of member states will then meet and decide what to do. But a Dutch rejection would make it harder for EU leaders to call repeat votes in countries that oppose the charter.

Though a French slap was expected, many in the EU could not help but betray a "sense of shock" as Paris had been in the vanguard of every step in European integration.

The French result drove the euro down to a new seven-month low against the dollar.

While the outcome was not seen as jeopardising the monetary union that underpins the euro, many fear that the expected political uncertainty could hit investment and reform efforts. (See Page 4)

## THE FALLOUT



A journalist in Brussels reacts as the result is announced. (AFP)

- **FRANCE:** President Jacques Chirac insists he won't quit but everything else looks up for grabs
- **THE NETHERLANDS:** The Dutch were expected to say "No". Now it may be a louder "No"
- **THE UK:** Tony Blair now has an excuse not to hold a referendum that could end his career
- **TURKEY:** Fresh debate on Ankara's entry
- **THE EURO:** At seven-month low against the dollar
- **THE EU STATUTE:** Looks as good as dead

MAY 2005

THE TELEGRAPH

# A Non Verdict

The French reject Europe but could take a tip from India and the US

**I**N an increasingly integrated world of globalisation and regional groupings has nationalism become old hat, or perhaps, old beret? In the referendum to adopt a constitution for an enlarged European Union, the French have responded with an emphatic 'Non' to that question: Some 54.9% of those who exercised their franchise voted 'no.' This will have far-reaching political consequences and cast a shadow on the concept of an integrated Europe. The vote raises fundamental questions. What constitutes a European identity? Can France or any one country unilaterally decide what that identity ought to be by what in effect amounts to a veto? The French vote could affect other EU countries that will vote on the matter. Holland, for instance, has its own poll midweek. The prospect of countries like Turkey, Estonia and Latvia joining the expanded EU has given rise to qualms in Germany, Holland and, most notably, in France. Much of this apprehension is economic: Low wage migrant labour from the new member states will take away local jobs. There are also fears that the individual cultural and political identities of the member nations, nurtured over centuries, will be dissolved in a supra-European uniformity with about as much character as a loaf of sliced bread.

The French, and other neo-nationalists who share their disquiet, might have done well to take a leaf from two literally hugely successful, ongoing experiments in multicultural living: India and the United States. Fifty-five years ago, the Indian republic was formed by merging together peoples significantly different from one another in language, social mores, economic status and religious beliefs. The US did much the same thing, in that it was the first nation state to be composed almost entirely of people coming from very different origins. In neither case has assimilation been easy, and problems of integration remain in both societies. But both countries, thanks to their exposure to vibrant diversity in everyday experience, have contributed to creating globalised citizens who encompass, and celebrate, multiple elective identities. Former president Clinton is a fine example. Visiting India to raise aid for tsunami victims — and incidentally savouring local Mughlai fare with a connoisseur's zest — he showed what a global citizen can be, in concerns as well as taste. There are millions of others, many belonging to the great Indian diaspora, who are increasingly making an international mark, culturally and economically. Do such individuals represent a concept bigger or smaller than nationalism? Mon Dieu, what a question.

3 1 MAY 2005

THE TIMES OF INDIA



# French "No" in E.U. vote could seal the fate of Constitution

Outcome may have a domino effect on other nations

Vaiju Naravane

**PARIS:** Will France remain true to herself - individualistic, defiant and reckless, or will last-minute reflection lead to prudence and temperance in Sunday's vote on the European Union's first-ever Constitution?

France's 42 million eligible voters are voting in a referendum to approve or reject the Treaty and a largely predicted "No" could seal the fate of the document and plunge the 25-nation European Union into an unprecedented crisis.

Polls opened at 8 a.m. local time and the last polling booths in Paris and Lyon are to close at 10 p.m. local time when the results will be known.

## Solid lead

Observers say the warm, sunny day could tempt many undecided voters to leave for a day in the country and give the referendum a miss. Such a development would work against the Yes vote since the No camp is highly motivated and has a solid lead in the polls.

Supporters of President Chirac's centre-right UMP party, its ally the centrist UDF, the Green Party and a section of voters from the deeply split Socialist Party are expected to vote in favour of the Constitution.

Opposition to the treaty has been concentrated at the two extremes of the political spectrum - the Communists and Leftist

radicals on the one hand and ultra-nationalists from extreme right parties such as Jean Marie Le Pen's xenophobic National Front or Philippe de Villiers' Movement for France on the other. A section of the Socialist party, led by former Prime Minister Laurant Fabius has joined hands with the treaty's opponents to create a hard core of resistance to the "ultra-liberal dictates of Brussels".

Mr. Chirac is counting on the 20 per cent of undecided voters to swing the vote in favour of a Yes. Opinion polls at the end of the campaign gave the No camp a solid lead, prediction that 55 per cent of the voters would reject the Treaty.

Commentators have described the two months of heated debate over the Constitution as "a new kind of civil war."

## Nation divided

Roland Cayrol, the director of the CSA polling institute told *The Hindu*: "The country is deeply divided. The degree of support for the No vote indicates a deep chasm has opened between the population and the country's ruling elite. On the one hand the popularity of the No vote is an expression of deep seated dissatisfaction with Mr. Chirac's policies and the performance of his Government led by Prime Minister Raffarin. But there is also genuine fear that because of this Constitution, France will lose its influence



**THE BATTLE IN HAND:** French President Jacques Chirac waves as he departs from a polling station after casting his vote in a referendum on the E.U. Constitution in Sarran, southwestern France, on Sunday. - PHOTO: AP

within the E.U. and that French jobs will suffer because of an influx of cheap labour from other E.U. countries.

Whatever the outcome, there will be a change of Government within the week after the poll. I am more worried however,

about how this referendum appears to have split the country, pitted one section of the population against the other."

A French No is expected to let loose a domino effect across Europe. The Dutch are to vote on June 1, three days after the

French poll and referenda are to be held in Britain and Poland later this year.

All three countries have a healthy number of euro-sceptics and a French rejection would probably kill the future of the treaty.

# Europe on edge as France votes

Paris, May 28 (Reuters): Overseas voters cast their ballots today in France's referendum on the EU's constitution, with the "No" camp holding its lead in the final opinion polls before a vote that has Europe on tenterhooks.

One survey yesterday showed a sharp drop in the size of the majority opposing the treaty, giving a ray of hope for the "Yes" camp, led by President Jacques Chirac. But another showed an increase in opposition to the charter.

Polling stations opened for voting in French Guiana, the Caribbean islands of Guadeloupe and Martinique, and Saint-Pierre and Miquelon off Canada's eastern coast. France's overseas possessions have some 1.425 million registered voters. Mainland France votes tomorrow.

Supporters say rejection

would kill the constitution and weaken France in Europe. Opponents say a "No" vote would force the EU to redraft the treaty and improve it. Rejection would weaken Chirac, although he has said he will not quit.

"Europe stands to be put back years by a rejection and all the existing fears in the population would only be exacerbated," Jean-Luc Dehaene, former Belgian Prime Minister and one of the key architects of the charter, told Belgian magazine *Vacature*.

EU industry commissioner Guenter Verheugen said a "No" vote would be serious but not mark the end of European integration.

"I do not think it would be appropriate to talk about throwing in the towel and the end of European integration," he told Austrian radio ORF.

The constitution is intended to make the EU work more smoothly following its enlargement last year and requires the backing of all 25 member states to go into force.

Supporters say the constitution will help make Europe and France stronger. Opponents say it enshrines economic policies that have failed to stop the loss of jobs to low-wage economies, including countries outside the EU such as China. Economists say concerns over the constitution have contributed to the euro's recent weakness and the currency could fall further in the event of a "No" tomorrow. A rejection of the treaty could also cause jitters on financial markets.

Nine countries have approved the charter. None has rejected it so far although polls show a majority oppose the

charter in France and the Netherlands, which holds a referendum on June 1.

One French poll published yesterday showed 52 per cent of people who have decided how to vote will reject the treaty. Another put the "No" camp on 56 per cent. But at least one fifth of voters are still undecided.

Another poll yesterday showed 57 per cent of Dutch voters plan to vote "No". Dutch Prime Minister Jan Peter Balkenende urged voters not to reject the constitution, saying the reasons for many planned "No" votes had nothing to do with the treaty.

"Are you against the (Dutch) cabinet, then in 2007 you can head to the ballot box. The euro and Turkey also have nothing to do with the constitution," he told *De Telegraaf* newspaper.

28 MAY 2005

THE TELEGRAPH

# “No” vote looms in the heart of Europe

Jon Henley

**LILLE (FRANCE):** They were gushing like schoolgirls. “He was so logical, and full of such passion,” said Evelyne, a 43-year-old nurse. “And just so right,” said Carole-Anne, who was “a few years older than that”. It was “one of those moments,” she said. “I feel like I understand the universe.”

The object of their effusions was a gaunt, gravel-voiced former Minister who, for the past hour, had preached the virtues of voting No in Sunday’s referendum on the E.U. Constitution. In the city that calls itself “the heart of Europe”, they loved him.

Henri Emmanuelli is a class act. But what made the rapturous reception most interesting was where he was: Villeneuve-d’Ascq, a neat, green, new-town suburb of Lille, France’s great northern metropolis. Fifty years ago, the city was the country’s industrial locomotive. Then

came the slump.

For nearly three decades, Lille suffered. It got to the point, Carole-Anne said, “where you were just too ashamed to admit you came from here”. The turnaround began in the mid-1980s, and from a purely selfish point of view alone, France has to keep its voice in Europe, so that money keeps coming.”

Against that background, the five-minute standing ovation for Mr. Emmanuelli, a rebel Socialist campaigning against the party hierarchy, on Tuesday night is intriguing. It is more so because the current Mayor of Lille, Martine Aubry, was a top Minister in France’s last Socialist government, and is also the daughter of a former European Commission head and arguably the best Socialist president France never had, Jacques Delors.

“It’s unreal,” said Thomas Vireux, a Young Socialist bravely handing out Yes tracts outside the No rally. “We have the youngest population in France and more than 100,000 stu-

dent

suburb of Hellemmes, “would not have happened without Europe. Over the past five years, greater Lille will have benefited from euro3.6 billion in E.U. funds. Europe is rebuilding us, and from a purely selfish point of view alone, France has to keep its voice in Europe, so that money keeps coming.”

Against that background, the five-minute standing ovation for Mr. Emmanuelli, a rebel Socialist campaigning against the party hierarchy, on Tuesday night is intriguing. It is more so because the current Mayor of Lille, Martine Aubry, was a top Minister in France’s last Socialist government, and is also the daughter of a former European Commission head and arguably the best Socialist president France never had, Jacques Delors.

“It’s unreal,” said Thomas Vireux, a Young Socialist bravely handing out Yes tracts outside the No rally. “We have the youngest population in France and more than 100,000 stu-

dents; we’re 40 minutes from Brussels, an hour from Paris, two hours from London. We’re the future. And we want to turn our back on all that, vote No?”

Inside, and on the streets of Lille, not everyone saw things that way. There, the undeniable and practical and immediate benefits brought to much of this region by the E.U. manifestly failed to measure up to the more ideological concerns.

Beneath the banner announcing that the meeting had been organised by the Villeneuve Committee for a Progressive, Popular and Citizenly No, Nasera Bouhlala, a civil servant in her early 20s, was waiting for a friend. “I’m voting No because this text is purely about the free market and competition; French jobs will be lost to countries where the wages are lower and the protection is less,” she said.

Daniel Leclerc, a trade unionist who works for a large chemicals company, said the constitution would destroy

France’s social system. “Part of my No is reasonable and responsible, it’s a good leftwing No,” he said.

Mr. Emmanuelli summed up their concerns: “Europe is not a value, it is a project, a container, and unlike the neo-liberals, the Yes-men, the compromise merchants, I am interested in its contents,” he roared. “Our No, France’s No, must be the event that shakes up the debate, that saves the future of the social Europe we have been working for all our political lives, and that they are now trying to bury. This text is the neo-liberals’ revenge for 150 years of social progress. It will not pass.”

What is behind it is a deep and growing fear that France will have to give up some of what makes it France. Listening to Mr. Emmanuelli and his cheering, tearful, wholly convinced supporters, that particular France has not surrendered quite yet. — ©Guardian Newspapers Limited 2005

# French vote may affect U.K. move

Britain may be forced to put on hold referendum on European Union Constitution

Hasan Suroor

**LONDON:** Britain could abandon plans for a referendum on the controversial European Union constitution if the French say "no" in their referendum on May 29.

In the first official comment on whether the French vote could affect the British Government's plans to hold a referendum next year, Foreign Secretary Jack Straw admitted that a "no" by French voters was likely to cause a "problem" which would have been considered by the European Union.

## Growing opposition

"There is a formal mechanism for that to be considered if a number of countries vote 'no'," Mr. Straw said as opinion polls indicated growing opposition to the constitution in France barely a week before the referendum.

Downing Street confirmed that the outcome of the referendums in France and the Netherlands would "influence the context in which other countries debate the matter".

Though the official line was that what Mr. Straw had said was a "statement of the obvious", his remarks were seen to be at odds with the Minister for Europe Douglas Alexander's statement in the Commons that Britain would go ahead with a referendum irrespective of how other countries voted.

"It doesn't matter what other countries do, we will have a vote on the constitution," he said.

## The Straw line

Within hours, Mr. Douglas was forced to toe the "Straw line". In a BBC interview, he said Mr. Straw was "perfectly right to acknowledge the fact that it would clearly have consequences if the French people chose to vote no in their referendum."

There is widespread euro-scepticism in Britain and significant



**FOR THE UNION:** Youths cheer and hold posters that read "Yes for France" in reference to the upcoming referendum on the E.U. Constitution during a public meeting in Marseilles on Tuesday. - PHOTO: AP

sections on both the Left and the Right are opposed to the constitution fearing that it would compromise its sovereignty.

Many Labour supporters are backing a "no" campaign launched on Wednesday.

In the event of a French veto, Prime Minister Tony Blair will have his work cut out when he takes over the presidency of E.U. in July.

## Leaders urge people to back treaty

**NANCY (FRANCE):** Joining forces to try to save the E.U. constitution, the German, Polish and French leaders on Thursday implored France to back the treaty by saying

"yes". German Chancellor Gerhard Schroeder said it was "pure illusion" to think that the 25 E.U. nations would go back to the text and modify it if France votes "no." "France has

a big responsibility not to let other Europeans down," said Mr. Schroeder, standing beside the two other leaders at a news conference in the eastern city of Nancy. - AP

THE HINDU THE HINDU

# Council of Europe "unity" meet in Warsaw

Our continent is living the best years in its history, says Polish President

*Blum*

**WARSAW:** Europe has never been so strong, safe or united, Polish President Aleksander Kwasniewski told leaders from across the continent as he opened the Council of Europe's "unity" summit at Warsaw's Royal Castle on Monday.

"Our continent is living the best years in its history. Never before has Europe been so strong, so safe, so close to being united," Mr. Kwasniewski told the gathering, which will chart the future of the council, Europe's oldest political organisation.

"Europe has many friends and allies. It is admired throughout the world," he told delegations from the 46-member council, including 22 Presidents and 13 Prime Ministers from across the continent.

"The challenge facing this summit is to answer the question: what is the purpose of the Council of Europe?" Secretary-General Terry Davis told the summitteers.

"I believe the Council of Europe is the future, which is based for Europeans on unity, rule of law and respect of human rights," said Mr. Davis, a former British lawmaker.

Among European leaders attending the summit were Ukraine's President Viktor Yushchenko, Georgian leader Mikhail Saakashvili, and the Presidents of the three Baltic states.

Among issues that will be debated at the summit are traffick-



**HIGH HOPES:** Ukrainians wave pro-Viktor Yushchenko orange flags during a special concert in support of the country's E.U. ambitions in Warsaw, prior to the Council of Europe meeting. - PHOTO: REUTERS

ing in human beings, terrorism, money laundering, organised crime, minorities' rights and violence against children.

Conventions on human-trafficking, prevention of terrorism and the financing of terrorist acts are expected to be signed.

"Europeans must be protected against terrorism... against the clash between civilisation and barbarity," the Speaker of the Council's parliamentary Assembly, Rene van der Linden, told summitteers.

## Membership

Founded in 1949, the Council of Europe took in its 46th member, Monaco, in October last year. In addition to member states, five countries have observer status — Canada, Japan, Mexico, the United States and the Vatican — and former Soviet republic Belarus has applied to join.

Since the break-up of the Communist bloc in eastern and central Europe in that late 1980s, one of the key roles of the Council has been to act as a human rights watchdog for Europe's post-communist democracies while helping them carry out political, legal and economic reforms.

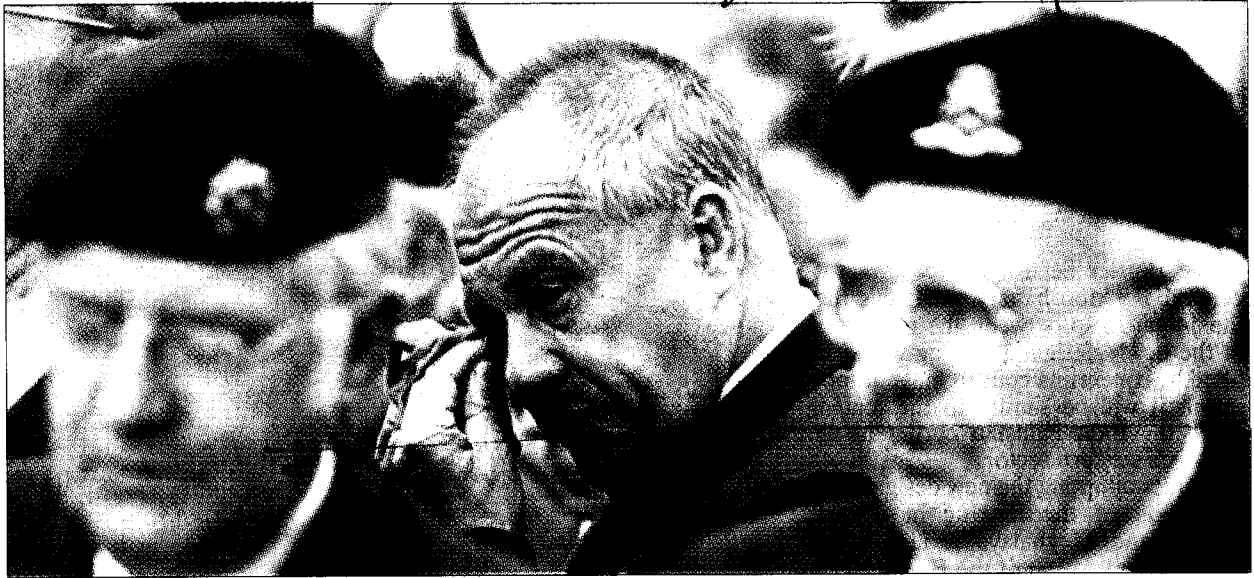
The Council, including 21 countries from Central and Eastern Europe, is distinct from the 25-member European Union though all E.U. member states belong to it. Its legal arm is the

17 MAY 2005

THE HINDU

# Europe fetes end of war

Europe 5/3 9/5



COST OF VICTORY: A British veteran recalls the painful memories of World War II at the Cenotaph, in London, on Sunday. — AFP

## Associated Press

LONDON, May 8. — Solemn commemoration services and street parties drew huge crowds today as Europe celebrated the 60th anniversary of Nazi Germany's defeat and the end of the continent's most devastating war.

Prince Charles wore naval uniform as he laid a wreath before London's monument to the dead of

both World Wars, while President Bush paid tribute to American lives lost in the 1939-45 conflict at a cemetery in the Netherlands. He was joined in the event by Queen Beatrix of the Netherlands.

French President Jacques Chirac and German Chancellor Gerhard Schroeder also attended ceremonies in their countries to mark the close of World War II in Europe.

Thousands of people,

including Spanish Prime Minister, Mr Jose Luis Rodriguez Zapatero, traveled to a former Nazi death camp in Austria to mark its liberation. Russian veterans gathered in Moscow to prepare for celebrations tomorrow.

In Berlin, Mr Schroeder and German President Horst Koehler attended a cathedral service ahead of a wreath-laying ceremony at a memorial to victims of Nazism and war. Most

Germans consider Hitler's defeat to have liberated them as well as the rest of Europe from the terrors of Nazism.

In London, meanwhile, World War II veterans and hundreds of other spectators watched Prince Charles place a wreath of blood-red poppies at the Cenotaph memorial in honour of some 260,000 Britons who died fighting Nazi Germany and her allies — mainly Japan and Italy.

09 MAY 2005

THE STATESMAN

# Europe: deciding to look outwards

The EU firmly believes that preventing conflicts is not only a moral imperative, but also less costly in the long run.

Benita Ferrero-Waldner

EVERY MAY we commemorate the end of the last great European war, and out of that horrific experience the emergence of the European dream – a new form of European organisation which has given us an unprecedented period of peace. This year is particularly significant, since it is 60 years since the end of that war, the longest period of peace Western Europe has ever known. And May 9, or Europe Day, is the anniversary of the Schumann Declaration that paved the way to our current European Union and brought us that peace.

As we celebrate those with the vision and the commitment to bring about our unique community, we also reflect on the latest accomplishments of our Union, and our ambitions for the future. The European Union is constantly evolving, as it seeks to keep pace with the changing demands of its citizens, and the changing nature of the world.

## EU expansion

The last year has seen the culmination of many years of hard work as 10 new members joined the EU. On May 1, 2004 the Czech

Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia became the EU's latest members. Contrary to many predictions, the expansion of the EU from 10 to 25 members did not result in chaos or cause the EU to implode. In fact it has been an unprecedented success, and we are already reaping the rewards. We are now a Union of 450 million citizens, we have the world's greatest GDP, we are the largest trading bloc, and we are the largest donor of humanitarian and development assistance in the world.

We also adopted the EU's Constitutional Treaty, which must now be ratified by all the EU's member states. From my perspective this is a particularly exciting development. It will have a huge impact on our ability to speak with a coherent voice in international affairs. For a long time we have struggled to play a political role on the global stage which matches our economic clout. Now we will have the necessary tools to do so. Once the constitution is ratified, a new position of European Minister of Foreign Affairs will be created to coordinate all aspects of the EU's foreign policy.

We know that the challenges we face in

today's globalised world can only be dealt with on an international level. And that if we want to project our influence effectively, pushing for multilateral responses and promoting our fundamental values, we have to bring our full political weight to bear on the international scene.

The priority issues the European Commission has adopted for this five-year term (2004-2009) are solidarity, security and prosperity. This applies both within the EU and in our external relations. We will continue to be the world's largest donor of development and humanitarian assistance; to develop our rapid response capabilities which enable us to mobilise emergency assistance (for example in the case of the tragic Indian Ocean tsunami); and to promote economic development and our core values of democracy, human rights, good governance and the rule of law.

In our foreign policy we will prioritise conflict prevention and crisis management; promoting human rights and human security; and strengthening effective multilateralism. The EU firmly believes that preventing conflicts is not only a moral imperative, but also considerably less costly in the long run. We must address the root causes of conflicts and deny support to terrorism. We will continue to champion human rights, and put particular emphasis on human security – combating hunger, deadly diseases, environmental degradation and physical insecurity. We will also continue to support the U.N. system as the guarantor of international law

and the arbiter of international peace and security, and participate actively in the reform debate later this year.

2005 is also the year we start implementing our new European Neighbourhood Policy (ENP). Having finally overcome 60 years of division in Europe, we are determined not to create a new set of dividing lines in Europe, and want to capitalise on our new members' relations with their neighbours to project the EU's stability, prosperity and security beyond our shores. So we have developed the ENP to build a special relationship with new neighbours, aimed at bringing them closer to our values and standards. In return for their taking meaningful steps to strengthen the rule of law, good governance, human rights, democracy, and economic reform, we offer new opportunities to share in the EU's Single Market, closer cooperation on energy and transport links.

The EU is becoming an increasingly strong player in the international arena, which gives us a firm platform from which to develop closer ties with partners across the world. We want to develop an outward-looking Europe – for our interests, but also for our partners. Through our network of delegations overseas, the European Commission is working to develop ever-deeper relationships with its partners. We need a worldwide network of friends to address the challenges and opportunities of the 21st century.

*(The writer is European Commissioner for External Relations and European Neighbourhood Policy.)*

# Romania & Bulgaria take the first steps

**R**omania and Bulgaria recently signed an accession treaty that should pave the way — subject to ratification by their respective Parliaments and the 25 member states — to eventual admission to the European Union (EU) in 2007. The European Parliament approved their accession earlier, despite pressure to postpone a decision pending a European Commission (EC) report on the preparedness of the two Balkan countries for membership. They failed to qualify last year because of their unsatisfactory record in the areas of human rights, corruption, judicial reforms and freedom of the press. The latest treaty provides for delaying entry by one year should progress in the coming months prove inadequate. After the biggest ever expansion in 2004, there was apprehension that major players may stall entry of more states in order to appease their domestic constituencies in the run-up to the referendum on the constitution. The accession pact has allayed this fear. Gaining entry into the North Atlantic Treaty Organisation in 2004 was a major step forward in their endeavour to come under the Western umbrella. What boosted the prospects of their integration with Europe was their recognition by the EC as functioning market economies — a precondition for membership — by virtue of their sustained economic growth and financial stability in recent years. Accession means that officials of the two states will be allowed to take part in EU meetings as observers.

While it is true that previous European Conventions and the new constitution accord a pre-eminent position for the enforcement of human rights legislation and greater transparency of public institutions, outstanding questions have served as a pretext to stall negotiations in the past. While the absence of a free press is often held against Romania, such criticism betrays a lack of holistic appreciation of issues, since corrupt institutions are an enemy of an independent press. This was revealed graphically by a recent controversy involving the two newspapers, *Evenimentul Zilei* and *Romania Libera*, which protested against what they termed interference in their editorial content by their Western owners who were keen to be on the right side of the government. It would be most unfortunate if such systemic shortcomings were exploited by Western Europe for countering the challenges thrown up by last year's expansion, in particular their political cost. The two-way benefits of Europe's integration should be only too obvious to founder members France and Germany. It is therefore imperative that they eschew rhetoric and win over sceptical opinion. A significant long term fallout of the entry of Romania and Bulgaria could be the eventual admission of the Western Balkan states. This is of particular relevance to the future of the states carved out of former Yugoslavia, whose integration into the EU is a crucial part of the international plan for the rehabilitation of this war-torn region.

04 MAY 2005

THE HINDU



# Italy overhaul

*Europe* *Gr 3* *24/4*  
**Rome, April 23** (Reuters): Italian Prime Minister Silvio Berlusconi resolved a bruising row with his coalition partners today and named a new government tasked with reviving the sluggish economy ahead of next year's general election.

The cabinet was sworn in at a swift ceremony at the Quirinale presidential palace that stood in stark contrast to 2001 when Berlusconi's initial team took the oath of office amidst much backslapping and applause.

Centre-Left Opposition politicians said the new government, put together in just three days, was a carbon copy of the old administration and would be incapable of confronting the economic and social problems besieging Italy. But coalition allies said the cabinet represented a break with the past, and promised that it would focus its efforts on boosting industry, increasing employment in the poorer south and protecting the purchasing power of Italian families. Today's overhaul saw the appointment of new health, communications, industry and culture ministers. It also marked a return to front line politics for Berlusconi's long time ally, Giulio Tremonti, who was named deputy Prime Minister 10 months after being ousted as economy minister.

24 APR 2005 THE TELEGRAPH

# Italy's longest-running govt ends with a whimper

Peter Popham in Rome

April 20. — Italy's longest-running government since World War II ended with a whimper this evening when Prime Minister Mr Silvio Berlusconi handed in his resignation to President Mr Carlo Azeglio Ciampi, the head of state.

It was a formal act required of him by the Italian constitution after a minor member of his coalition, the centrist and Catholic UDC party, pulled out of the government last week.

That action was prompted by regional elections earlier this month in which Mr Berlusconi's Forza Italia party was badly beaten. With a general election due in May 2006 at the latest, the UDC, a rump of the once-dominant Christian Democratic party, was keen to put some clear blue water between itself and a Prime Minister many in Italy now believe to be doomed.

As the UDC has promised to continue to support Mr Berlusconi's government from outside, President



Mr Silvio Berlusconi waves to the public as he leaves the Senate (Upper House) in Rome on Wednesday. — AFP

Ciampi was expected to ask the media billionaire to form a new gov-

ernment. But exactly when was not clear: the President might feel it his duty to have talks with all political forces before calling on Mr Berlusconi to resume.

Today's mini-drama came three days after Mr Berlusconi had been expected to resign. On Monday he received a written promise from the UDC that it would loyally support him. The document was given on the assumption that Mr Berlusconi would then formally throw in the towel. Instead he tried to brazen his way through the crisis. Today, however, another coalition partner, the post-Fascist Alleanza Nazionale, said it would precipitate the government's fall if Mr Berlusconi did not do the decent thing. The man Italians call *Il Cavaliere* (the Cavalier) had run out of options.

Speaking to the Senate today hours before meeting the president, Mr Berlusconi said: "With your confidence and support we have written important pages in our country's history; with your confidence and your support I am sure we will write many more." — **The Independent**

21 APR 2005

THE STATESMAN

# Berlusconi to face confidence vote

**Rome:** Italian Premier Silvio Berlusconi, hanging on to power amid the worst political crisis of his four-year tenure, will put his government's record to a vote of confidence this week, parliament officials said on Tuesday.

The premier is scheduled to deliver a speech on Wednesday afternoon, first in the Senate and then at the lower house of parliament, Senate officials said. He will face the confidence vote the next day. If he loses, the government must resign. Berlusconi is struggling to find a way out of the crisis, which started when his coalition suffered a crushing defeat at regional elections held across Italy earlier this month.

It was unclear who demanded the vote of confidence, although it was widely expected after Berlusconi resisted calls from his own allies to resign and reshuffle the Cabinet to strengthen his coalition.

In a statement issued on Tuesday, Deputy Premier Gianfranco Fini—the Premier's most important coalition ally—expressed "regret" that Berlusconi had not resigned.

Fini said his National Alliance party would continue to support the centre-right coalition, but that the continued participation of its ministers "depends solely on what Berlusconi will say and do".

He said National Alliance ministers had prepared letters of resignation and that the party's leaders would meet following Berlusconi's address to parliament on Wednesday.

The opposition contends that the government is falling apart and is no longer able to run the country. It is pressing for early elections, currently scheduled for spring 2006.

"There's no government anymore. The only one who doesn't seem to realise is Silvio Berlusconi," said opposition lawmaker Willer Bordon, according to the ANSA news agency. Berlusconi's coalition has so



far enjoyed a solid majority in parliament, and may still do so despite a key centrist party's decision last week to pull its officials from the government.

The party, the Union of Christian Democrats (UDC), is guaranteed to vote with Berlusconi's coalition in parliament, despite the withdrawal of its ministers.

UDC official Mario Baccini, one of the outgoing ministers, was quoted as saying on Tuesday that the decision was "for the

supreme good of the country." The party says its goal was to push Berlusconi to form a stronger government—not cause the downfall of the centre-right.

Cabinet minister Roberto Maroni said in an interview with the *Corriere della Sera* newspaper that Berlusconi might appeal to the party during his parliament address and ask the UDC to return into the government. Berlusconi's decision not to step down shocked many, as some allies of the premier indicated he would do so when he met with Italy's president late on Monday.

The UDC had demanded that Berlusconi form a new government with a new platform—a technique that past Italian premiers have used to strengthen faltering coalitions. Berlusconi has rejected it, sensing it would dent his image as a new-style politician. Berlusconi's coalition took power in 2001, and the premier has said he hopes the government will become the first in postwar Italy to serve out the full five-year term.

But analysts said Monday's confusion signaled that Berlusconi was losing grip on his coalition.

"This time, Berlusconi has showed he no longer controls his majority," wrote leading political analyst Stefano Folli in Tuesday's *Il Sole 24 Ore*.

His coalition "seems on the verge of dissolving. After yesterday, it is difficult to imagine that Berlusconi can patch things up in a few hours or a few days." AP

# Europeans voice dissent on America's Iraq war

Associated Press  
London, March 20

TENS OF thousands of anti-war protestors demonstrated across Europe on Saturday to mark the second anniversary of the US-led invasion of Iraq, with 45,000 Britons marching from London's Hyde Park past the American Embassy to Trafalgar Square.

British elections expected in May lent an added charge to the largest protest in London, where Prime Minister Tony Blair's staunch backing of the war has diminished his base of support.

Police said about 45,000 demonstrators participated in a march. However, organisers put the number at a lakh. Several army veterans were among the crowd.

"I disagreed with the war to start with because I was suspicious of the weapons of mass destruction claims," said Ray Hewitt (34), a veteran of the 1991 Gulf War. "I saw the Iraqi army in 1991 and we destroyed it," he asserted.

In the Turkish capital of Istanbul, an estimated 15,000 people participated in the protest — some carrying signs reading "murderer Bush, get out".

Two marchers, dressed as US soldiers, pretended to rough up another, dressed as a detainee, with a sack on his head in a mimed criticism of the US abuse of prisoners.

In the southern Turkish city of Adana, home to a Turkish military base used by American forces, protesters laid a black wreath in front of the US Consulate, the Anatolia news agency reported.

In Poland — which commands a multinational security force in Iraq that includes 1,700 Polish troops — about 500 protesters marched to the US embassy in Warsaw, holding banners reading "Pull out from Iraq now" and "Poles back to Poland."

"We are protesting this war in Iraq because it has no point. Only innocent people are killed, and nothing good results from it," said Klaudia Kosicinska, a 17-year-old high school student.



AP  
An Egyptian woman shouts anti-US slogans in Cairo on Sunday.

In Athens, about 3,000 trade unionists, members of peace groups and students, brought the city centre to a standstill for about three hours as they marched to the US embassy.

In Sweden, about 300 protesters filled Sergel Square in downtown Stockholm, chanting, "USA, out of Iraq!"

The protests were nowhere near as big as those in February 2003, just before the war, when millions marched in cities around the world to urge US President George W. Bush and his allies not to attack.

"People have become apa-

thetic about this, it's no longer something they walk around thinking about every day," said Linn Majuri (15), a protester in Stockholm.

With international forces still facing violent opposition in Iraq, protesters were divided about what to demand from leaders now. While some wanted complete troops withdrawal, others argued that would leave Iraqis in a worse position than before the invasion. "We got the Iraqis into this mess, we need to help them out of it," said Kit MacLean in London.

## ইউরোপে বিশেষ সুবিধা পাবে উন্নয়নশীল দুনিয়া

প্রজ্ঞানন্দ চৌধুরী • ব্রাসেলস

১৬ মার্চ: আগামী ১ এপ্রিল থেকেই ভারত ও পাকিস্তান-সহ উন্নয়নশীল দেশগুলির রফতানি-পণ্য ইউরোপীয় ইউনিয়ন (ই ইউ)-এর বাজারে সমপর্যায়ের বলে অভিহিত হবে এবং শুক্রে বিশেষ সুবিধাও পাবে। কারণ, এই দিন থেকেই ই ইউ-ভুক্ত ২৫টি দেশে 'জেনারেলাইজড সিস্টেম অব প্রেফারেন্সেস স্কিম' বা জি এস পি ব্যবস্থা চালু হয়ে যাওয়ার কথা। এই ব্যবস্থায় উন্নয়নশীল দেশগুলির রফতানি-পণ্য ইউরোপের বাজারে ঢুকতে পারবে বিনা শুক্রে অথবা অনেক কম শুক্রে।

অর্থনৈতিক ভাবে কিছুটা দুর্বল, এমন উন্নয়নশীল দেশগুলি বিশেষ ছাড় পেতে পারে এবং এই সব দেশকে 'জি এস পি-প্লাস' তালিকায় রাখা হয়েছে। এই তালিকায় বাংলাদেশ ও শ্রীলঙ্কা আছে, তবে ভারত ও পাকিস্তান নেই বলে জানা গিয়েছে। জি এস পি-প্লাসের আওতায় তাকা দেশগুলির রফতানিকারীরা প্রায় ৭২০০টি পণ্য বিনা শুক্রে পাঠাতে পারবেন ইউরোপের বাজারে।



Gerry Adams

## Lack of funds may see the end of IRA

Vijay Dutt  
London, March 13

14/3  
14/3  
14/3

BUFFETED BETWEEN US President George W. Bush's refusal to see him or allow him to raise funds in America and the rising tide of anti-Irish Republican Army (IRA) feelings in Northern Ireland, Sinn Fein leader Gerry Adams, has declared that the IRA might one day cease to exist.

"We in Sinn Fein want to see the IRA ceasing to exist. I have said that I do think we'll see the day when there is no IRA."

Bush is apparently putting immense pressure on Adams and has cut off the prime source of funds to Sinn Fein by refusing to let him collect money from Irish-Americans. But Adams said he was unaware that a US state department official called on Friday for the political party to make a "clear break" with the IRA to restore the progress made towards a united government, based on equality between Catholics and Protestants.

Adams is scheduled for a meeting with the official, special envoy Mitchell Reiss, in Washington on Wednesday. Reiss was quoted as saying that the party must sever its links with the outlawed group, which remains armed in spite of the ceasefire.

Adams sidestepped any public denunciation of the IRA, saying Sinn Fein stands for peace and harmony among all Irish people.

The IRA and Sinn Fein have found themselves plunged into crisis ever since the fatal stabbing of Robert McCartney by a gang which included IRA members outside a Belfast pub.

THE HINDUSTAN TIMES

14 MAR 2001

# 'Pocket multinationals' looking to India

By Siddharth Varadarajan

**ROME:** In the old joke about capitalism, culture and cattle — you know the one where the Indians worship theirs, the Nazis shoot yours, and the Swiss have none of their own but charge interest for storing the cows of others — capitalism, Italian-style, is summed up thus: "You have two cows but you don't know where they are. You break for lunch."

Like most jokes, this one too perhaps once had a grain of truth, though it is hard to relate the stereotype of indolence to the dynamism, innovation and style that is so evident here today. The Italian economy is the sixth largest in the world (based on non-PPP adjusted national income) and Italian brands — particularly in automobiles, textiles, leather and food — are well-regarded in most coun-

tries. But Italian capitalism is different from say, the American, German or Japanese variety in two key respects: in the prevalence of a large number of small and medium enterprises (SMEs), many of them family-

## INSIDE ITALY — I

owned and run, and in its tendency to be inward looking, focussing primarily on the domestic and European market.

Aware that they have beaten by competitors in several lucrative markets overseas, particularly China, Italian businesses are particularly anxious not to "miss the boat" in India. So when Italy's President, Carlo Azeglio Ciampi, comes to India on a state visit next week, no fewer than 40 top CEOs will be accompanying him as part of a large business delegation put

together by Confindustria, the Confederation of Italian Industries. Among these will be the head of Fiat and Ferrari, Luca Cordero Di Montezemolo, who is also the president of Confindustria, and the heads of defence firm Finmeccanica (which has won the contract to design India's air defence ship), oil major ENI, Perfetti, Olleificio Colavita, Brembo, Carraro, Lombardini, Benetton and Ferragamo.

The dominance of SMEs — rather than the oligopolistic market structure prevalent in most advanced capitalist countries — has been described by the former Prime Minister, Giuliano Amato, as 'dwarf capitalism' and is seen here as both a bane and a blessing. If the business historian, Andrea Colli, calls these firms "advanced posts of the new Italian capitalism" and estimates that the top

350 SMEs ("pocket multinationals") account for more than 30 per cent of GDP, Massimo Mucchetti calls Italian owners and managers "captains of hot air." The SMEs, he believes, are incapable of taking risks and prefer acquiring smaller companies to investing in production.

Though nothing much can be done about the small to medium nature of businesses here, the Italians are keen to spread their wings overseas, beyond Eastern Europe where the expansion of the European Union is leading to higher wages, and into Asia.

"This is going to be far more than a simple state visit," says Mr. Montezemolo, who has pushed for the greater internationalisation of Italian business ever since he took charge of Confindustria last year.

Businessmen and economists here believe that Italy —

with its core strength in manufacturing — and India, with its comparative advantage in services, particularly those that are IT-enabled, are potentially ideal business partners. At the same time, they acknowledge that quite a few Italian projects in the past had come a cropper, largely because Italian firms tended to avoid making greenfield investments and instead relied heavily on local partnerships which often came un-

stuck.

"In China, we definitely got in too late," says Beniamino Quin-tieri, head of the Italian Institute for Foreign Trade (ICE). "We are late in India too but are hoping to still manage something."

The visiting Italian companies will take part in a business forum with CII and FICCI as well as a large exhibition at Pragati Maidan.

# US, Italy ties under strain after shooting

Rome, March 5 (Reuters): The US and its staunch Iraq ally Italy face their worst falling out in years after American troops killed an Italian secret service agent and wounded an Italian reporter.

The shooting in Iraq yesterday, as the reporter was being whisked to freedom after being held hostage for a month, was sure to fuel anti-war activists in Italy and put pressure on Prime Minister Silvio Berlusconi.

Berlusconi, who defied

widespread public opposition to the Iraq war and sent 3,000 troops, took the rare step of summoning US ambassador Mel Sembler to his office.

He demanded the United States "leave no stone unturned" in investigating the incident. President George W. Bush was quick to call Berlusconi and promise a full investigation.

The shooting was the worst diplomatic incident between Italy and the United States since 1998, when a US Marine

jet flying recklessly low and fast cut a ski lift cable, killing 20 people.

US troops at a checkpoint shot and killed agent Nicola Calipari and wounded journalist Giuliana Sgrena as they rushed to Baghdad airport.

The agent had helped free Sgrena a month after she had been kidnapped and held hostage. Sgrena returned to Rome today. Calipari's coffin will follow.

"The hardest moment was when I saw the person who

had saved me die in my arms," Sgrena's long-time companion quoted her as saying on her flight back to Rome. Such poignant words are fueling national rage.

Berlusconi, whom the Opposition accuses of taking orders from Washington, put on a brave face but leading newspaper *Corriere della Sera* cited political sources as saying he was furious.

"His friendship with Bush did not stop him from getting really ticked off with the

White House," it reported.

Even President Carlo Azeglio Ciampi, whose role is largely ceremonial and who usually stays above the political fray, today demanded an explanation.

"Like all Italians, I am waiting for the US to clear up this painful and tragic episode," he said. The killing also lays a battleground for Berlusconi at home.

Commentators predicted a clash with the Centre-Left once the joy for Sgrena and

grief for Calipari have passed. "The political poison has started to flow," *Corriere della Sera* wrote.

More than 20 Italians have been killed in Iraq and commentators said the opposition would make the latest tragedy a rallying cry in their campaign for regional elections next month, seen as a test of strength for Berlusconi's government.

"The idea of someone being killed by those who say they are in Iraq to protect its

citizens is absurd," said Piero Fassino, head of the largest Opposition party, the Democrats of the Left.

Deputy Prime Minister Gianfranco Fini called Calipari's death "a tragedy of destiny" and hoped it would cause no anti-American feeling in Italy.

Four US soldiers were killed in action yesterday in Iraq's western Anbar province, the US Central Command said today. The soldiers were carrying out security and stability operations.



Giuliana Sgrena in Rome. (AFP)



# Let's walk hand in hand...

**B**Y astutely sidestepping controversial issues and stressing his support for a strong Europe, George Bush has succeeded in improving the mood in once-sour transatlantic relations. But despite the mellow public talk of common goals and values, repairing transatlantic relations following two years of bitter acrimony over the Iraq war will not be easy. "The vast majority of Europeans still view Bush with a mix of suspicion and disdain," says Fraser Cameron of the European Policy Centre, a Brussels-based think tank. "Beyond the rhetoric, the prospects for a significant improvement in transatlantic relations are likely to remain poor," he says.

Certainly, basic divergences over political approaches remain. But the realities of economic interdependence, common philosophy, and necessary pragmatism have brought about a modus vivendi between the USA and European Union. To maintain this relationship, both sides must sweep some differences (for example, over the Kyoto treaty and the International Criminal Court) under the carpet, and focus instead on areas of agreement.

This week, both parties have taken significant strides in acknowledging several common goals:

■ Nato member states will expand their security training operation in Iraq, and EU governments will undertake a first-ever collective police training mission for Iraq.

■ Europeans will join efforts to secure elusive West Asia peace. "Our greatest opportunity, and our immediate goal, is peace in West Asia," Bush said.

■ Both parties are united in opposing Russian authoritarianism. "The USA and all European countries should place democratic reform at the heart of their dialogue with Russia," Bush said.

■ Leaders also underscored the necessity for Syrian withdrawal from Lebanon. In a joint statement, President Bush and French President Jacques Chirac issued a "call for a sovereign, independent and democratic Lebanon."

After years of squabbling, why the change of tune? For all the new mood music, few in the EU have any illusions about just why Bush is coming courting. Washington is discovering the need for friends and allies because US troops are stretched thinly in Iraq. The Bush administration has finally realised that it can make a stronger moral case for its presence in the country – especially vis-à-vis Islamic nations – with the EU on its side, says William Drozdiak, head of the New York-based American Council on Germany.

An end to transatlantic squabbles will also bring rewards for the EU. Pressure from European business leaders, anxious to keep transatlantic trade and investment relations

Europe, too, is ready to work with Bush on some issues but differences and doubts persist, writes SHADA ISLAM



HAPPY DAYS ARE BACK AGAIN? Bush and Schroeder at press conference in Mainz. — AFP

on an even keel, is partly responsible for Europe's change-of-heart. With transatlantic trade valued at about \$1 billion a day, and totals for two-way investment amount to over \$1.5 trillion, maintaining these economic ties is crucial. Also, having been ignored and derided for almost two years, EU politicians are clearly flattered that the USA is now wooing them so openly. Many EU policymakers also believe that easing tensions in many global hotspots, including in West Asia, can only be done through joint US-EU efforts.

But Europeans are also insisting that the 25-nation bloc will no longer accept a mere walk-on role as junior partner in the transatlantic alliance. German Chancellor Gerhard Schroeder is leading calls to allow Europe a stronger say in decisions made on the other side of the Atlantic. Schroeder told Bush in recent talks that their countries were "equal friends, partners, and allies." Chirac has also called for a new balance in transatlantic ties, stressing the significance of the EU's emerging military capability. "On a global level, we are both major powers," European external relations commissioner Ferrero-Waldner said recently.

Though both parties understand the neces-

sity for cooperation, they must still figure out how to reconcile fundamental differences in their political approaches. Unlike the USA with its penchant for unilateral action, the EU remains a firm believer in multilateral institutions and their ability to resolve crisis. European governments are playing a leading role in UN reform efforts, while the USA stays aloof. In contrast to frequent US threats of military action, Europeans have mastered the use of "soft" instruments – diplomacy, trade and aid – to counter threats. While Washington talks of a "war against terrorism," Europeans see it as a struggle "with action on several fronts," says an EU diplomat. Both parties firmly believe in spreading democracy and freedom across the world, but each does it differently. The USA remains wedded to the notion of regime change; the EU, meanwhile, views its recent expansion and new "neighbourhood policy" to promote political and economic reform in Russia, Ukraine, and West Asian nations, as even more effective – and peaceful – vectors for promoting political transformations worldwide.

In the coming months and years, EU-US relationship will face several specific challenges. One major point of contention is the

lifting of the EU's 15-year-old arms embargo against China. While Washington believes this move could destabilise the military balance across the Taiwan Strait and endanger US forces, EU leaders insist a more effective code of conduct will prevent any transfer of sensitive technology to Beijing. The rift is about more than the arms ban, however, with the EU refuting the US view of China as a strategic competitor.

The Bush administration also remains sceptical of efforts by Britain, France, and Germany to negotiate a deal with Iran, under which it would cease nuclear enrichment activities in return for trade and economic benefits and security assurances. Washington, rebuffing European pleas to join the talks, has not taken the military option off the table. The USA is similarly hostile to EU support of Iranian membership in the World Trade Organisation, despite Brussels's contention that it would help open up the country and encourage reform.

Arguments over Syria are also expected. The EU is resisting US – and Israeli – demands that Hezbollah be added to an EU blacklist of terrorist organisations. This move would deprive the group, suspected of a role in the recent assassination of former Lebanese Prime Minister Rafik Hariri, of funding from European supporters. Some EU members argue against a ban, on the grounds that the organisation also has political and social welfare functions.

This week, European governments may have welcomed President Bush as a hero, but leaders know they must tread carefully in promoting transatlantic ties. European public opinion is still largely suspicious of the USA – huge public protests greeted Bush in Brussels – and people remain wary of seeing their leaders cozy up to the US President. Once the echo of the grandiose speeches has faded, the transatlantic relationship will probably focus on what Ferrero-Waldner calls "pragmatic cooperation," with both sides working together in areas where there is no danger of clashing ideologies and philosophical differences. Though less ambitious than the mouthed promises, this would be a vast improvement on the past fraught state of affairs.

In his speech before European leaders Bush declared: "No temporary debate, no passing disagreement of governments, no power on earth will ever divide us." While the line received applause, there is no indication that the disagreements are passing or the debates will cease any time soon.

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Kicking Off Fence-Mending Tour, US President Seeks Unity On West Asia, Assails Syria And Iran

# Bush launches his European crusade

Brussels: US President George W. Bush sought on Monday to win over Europeans critical of the Iraq war to a wider campaign for Middle East democracy, pledging to work for Israeli-Palestinian peace and assailing Syria and Iran.

In a keynote speech in Brussels, home of the European Union and Nato, Bush pledged on the first day of a European tour to work in partnership with a united Europe in implicit contrast to the much-criticised go-it-alone thrust of his first term.

He drew mainly subdued applause from a hand-picked audience in the 19th century Concert Noble hall, except when he called for a strong Europe, which drew a resounding ovation.

Bush's blunt warnings to Syria to get out of Lebanon and to Iran to end its nuclear ambitions — and to both to stop what he called their support for terrorism — struck a tough tone that may alarm European publics which strongly opposed the Iraq war.

"Just as the Syrian regime must take stronger action to stop those

who support violence and subversion in Iraq and must end its support for terrorist groups seeking to destroy the hope of peace between Israelis and Palestinians, Syria must end its occupation of Lebanon," he said.

He praised diplomatic efforts by Britain, France and Germany to persuade Iran to end nuclear enrichment that could enable it to build a bomb, but offered no US incentive to Tehran to comply, as European Union leaders have sought.

Instead, he renewed a veiled threat of military action, saying "no option can be permanently taken off the table." Bush

sought to reach out to European leaders who had opposed his Iraq war policy playing down their severe rifts as a 'temporary debate' and passing disagreement of governments'.



He will spend much of his five days in Europe meeting anti-war leaders, beginning with Belgian Prime Minister Guy Verhofstadt and French President Jacques Chirac in Brussels on Monday.

Chancellor Gerhard Schroeder in Germany on Wednesday and Russian President Vladimir Putin in Slovakia on Thursday. Reuters

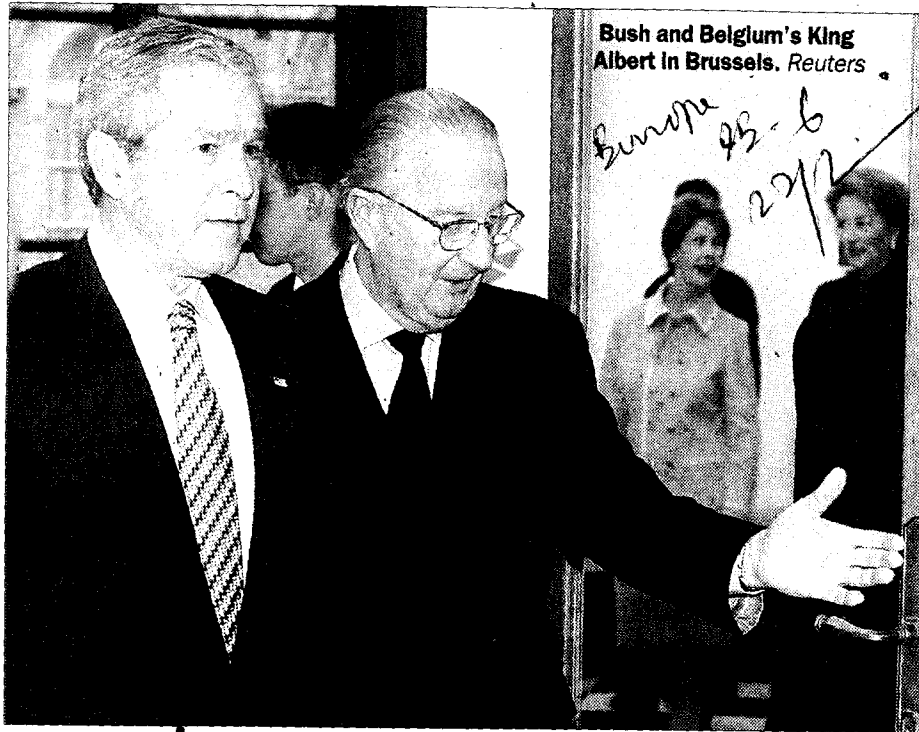
## 'Assad ready to pull out of Lebanon'

Damascus: Syrian President Bashar al-Assad said on Monday he would take steps soon to withdraw his troops from Lebanon under an accord that ended the 15-year civil war there, according to the head of the Arab League.

Syria is facing intense international pressure to end its political and military domination of Lebanon and is suspected of having a hand in the murder a week ago of former Lebanese prime minister Rafiq Hariri.

"During our meeting, President Assad expressed his firm desire, more than once, to continue implementing the Taef Accord and to withdraw from Lebanon in keeping with this agreement," Arab League secretary-general Amr Mussa said. APF

# Bush seeks Europe help on West Asia



Bush and Belgium's King Albert in Brussels. Reuters

Europe 95-6  
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REUTERS  
BRUSSELS, FEBRUARY 21

**U**SPRESIDENT George W. Bush sought on Monday to win over Europeans critical of the Iraq war to a wider campaign for West Asia democracy, pledging to work for Israeli-Palestinian peace and assailing Syria and Iran.

In a keynote speech in Brussels, home of the European Union and NATO, Bush pledged on the first day of a European tour to work in partnership with a united Europe in implicit contrast to the much-criticised go-it-alone thrust of his first term. He drew mainly subdued applause from a hand-picked audience in the 19th century Concert Noble hall, except when he called for a strong Europe, which drew a resounding ovation.

Bush's blunt warnings to

Syria to get out of Lebanon and to Iran to end its nuclear ambitions — and to both to stop what he called their support for terrorism — struck a tough tone that may alarm the European public which strongly opposed the Iraq war.

He praised diplomatic efforts by Britain, France and Germany to persuade Iran to end nuclear enrichment that could enable it to build a bomb but offered no US incentive to Tehran to comply, as European leaders have sought.

Instead, he renewed a veiled threat of military action, saying "no option can be permanently taken off the table".

Bush sought to reach out to European leaders who had opposed his Iraq war policy, playing down their severe rifts as a "temporary debate" and "passing disagreement of governments".

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anti-war leaders, beginning with Belgian Prime Minister Guy Verhofstadt and French President Jacques Chirac in Brussels on Monday, Chancellor Gerhard Schroeder in Germany on Wednesday and Russian President Vladimir Putin in Slovakia on Thursday.

Reflecting Western concern at a perceived authoritarian drift in Moscow, he urged Russia to renew its commitment to democracy and the rule of law and said Washington and Brussels should make reform the heart of their dialogue with Putin.

There were no apologies on either side for the bitter differences over the war to oust Saddam Hussein.

Verhofstadt, the host, said in introducing Bush: "The time has come to draw a line under the tensions of the recent past. It makes little sense to continue arguing about who was right and who was wrong."

# Bush rejects move to boost EU might

ALEC RUSSELL

Washington, Feb. 19: President George W. Bush set strict limits on the EU's global ambitions last night, saying that there was no need for the Franco-German goal of forming an alternative superpower.

In an interview with *The Daily Telegraph*, his first with a British newspaper since his re-election last year, he pointedly rejected a call by Chancellor Gerhard Schroeder for Nato to be overhauled. Schroeder's words have been widely interpreted as an attempt to give the EU's fledgling foreign and military bodies more muscle.

"I disagree," Bush said. "I think Nato is vital. Nato is a very important relationship as far as the US is concerned. It is one that has worked in the past and will work in the future just so long as there is that strong commitment to Nato."

Echoing Tony Blair's repeated calls for Europe and America to work together, Bush had emollient words for Europe's leaders before his visit next week.

He implicitly acknowl-

edged that the time for the unilateralism of his first term was over. His message next week would be that America needed Europe on its side and could not "spread freedom" alone.

Despite a series of unresolved disagreements he was clearly determined to bolster hopes on both continents that they could rebuild some of the relationships that were shattered in the bruising transatlantic rows of his first four years in office.

"My trip to Europe is to seize the moment and invigorate [the] relationship," he said.

"We compete at times but we do not compete when it comes to values."

Bush will become the first American President to visit the European Commission and, given his supporters' deep misgivings about the EU's ambitions, he had remarkably warm words for European integration.

"I have always been fascinated to see how the British culture and the French culture and the sovereignty of nations can be integrated into a larger whole in a modern era," he said. "And progress is being made and I am hopeful it

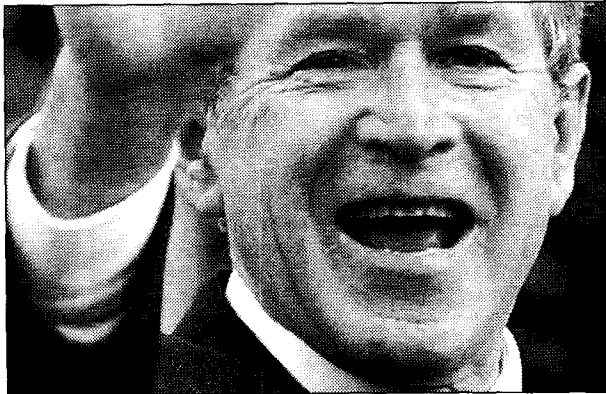
works because one should not fear a strong partner."

Asked about the draft European constitution, he cited the difficulties that the US had faced in formulating its federal system of government. But there was no hiding his view that the EU should not try to counter-balance the power of America.

He delivered a pointed rebuff to Schroeder who suggested last week that Nato was no longer an adequate body for consulting and co-ordinating the vision of its members. "I look forward to talking to him about exactly what he meant by that," Bush said.

"Some have said we must have a unified Europe to balance America. Why, when in fact we share values and goals? As opposed to counterbalancing each other, why don't we view this as a moment when we can move in a concerted fashion to achieve those goals?"

The President said it was up to him to "do a better job of explaining the common goals and the fact that by working together we are more likely to achieve them for our own security".



George W. Bush: Nato vital

# Finland unhappy with Iraqi poll outcome

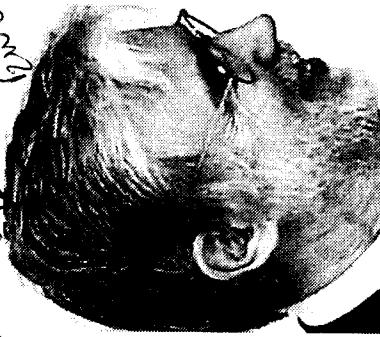
By Amit Baruah

**NEW DELHI, FEB. 14.** The Finland Foreign Minister, Erkki Tuomioja, is of the opinion that a Shia orthodox government would not be a happy outcome of the just-concluded elections held in Iraq in the name of bringing democracy to that country.

Speaking to *The Hindu* recently, Mr. Tuomioja said: "I don't think we were happy with the approach imposed by military intervention... there was no legitimacy in that. But after the event, it is in everyone's interest, if we can work for real, inclusive democracy that respects human rights, particularly the position of women."

"The Iraqi Constitution is still to be adopted and has to be passed by a qualified majority in a referendum. That means that — will impose their own view. There has to be compromise involving some checks and balances."

Mr. Tuomioja, who was here for meetings related to the Hel-



**Erkki Tuomioja**

sinki process, a group of nations looking to bridge the gap between supporters and opponents of globalisation, said there would be a major conference in Helsinki in September.

He said details about the Helsinki process had been provided to India and a response was now awaited. Tanzania, Spain, Malaysia, Brazil, South Africa, Algeria, Mexico and Hungary were among the countries, which were

part of the Helsinki process. "We would be very happy if India were to join."

According to him, those in the Helsinki process subscribed to the theory of "responsibility to protect." In a situation where a Government is unable to deal with a situation of genocide or human rights violations, then the international community had the responsibility to take action. That, he stressed, had to be on the basis of the United Nations Charter and approval of the U.N. Security Council.

"Even the most mundane international agreements limited sovereignty," the Foreign Minister pointed out. "And the notion of internal affairs has been and is being eroded with the acceptance of human rights' conventions, to which we all have signed on. We are in many regional organisations, particularly in Europe, but elsewhere as well."

Mr. Tuomioja said his country favoured the expansion of the U.N. Security Council — both in the permanent and non-permanent categories. "We need a new

G-20 plus — whatever it will be called.

That will have the G-7/8 countries but also other large countries and be representative of the world as a whole to address global issues on a summit level."

If the Security Council reforms move forward, the same countries that are in this "G-20 plus" could also find a place in the Council, he suggested. There should also be a rotating element as well in this.

About India getting a permanent seat on the Council, Mr. Tuomioja said Finland had supported Germany and Japan for such a slot. "India is certainly a strong candidate, but we are not openly taking any position on the other regional candidates ..."

"We recognise the donor capabilities of Germany and Japan — they are some of the biggest national economies... we certainly have to take into account the population of the country and, therefore, I would think that it would be very difficult to come up with any other primary candidate from Asia than India."

THE HINDU

15 FEB 2005

# Behind new Europe's facade

By Neil Clark

VISITORS ON cheap weekend breaks to Budapest, Prague, Warsaw and other Capitals of "new Europe" may well return home believing the standard western orthodoxy: that the former communist nations of eastern Europe are vibrant, thriving places, populated by increasingly prosperous people, reaping the benefits of their country's integration in Euro-Atlantic structures. If, however, tourists strayed beyond the main boulevards and city-centre attractions, they would see a very different picture — one which the enthusiasts for economic reform are less keen to be highlighted.

The statistics speak for themselves. GDP in the former communist states fell between 20 and 40 per cent in the decade after 1989 — an economic contraction which, in the words of Budapest economist Laszlo Andor, "can only be compared to the Great Depression of the 1930s."

Only Poland managed to return to its 1989 level of output by the end of the 20th century. Hungary, considered by many the most "advanced" economy of the region — and certainly the most open to foreign investment — had to wait until 2002.

While a minority has seen real wages rise, for the vast majority in the countries in question, the transition process has witnessed a spectacular fall in living standards. In Hungary, average real wages fell by 24 per cent in the first six years of transition; in the Czech Republic it was only in 1997 that average, real wages reached their 1989 level.

Inequality has risen sharply.

Countries that not so long ago prided themselves on their egalitarianism now challenge Britain at the top of the European income inequality tables. Unemployment is widespread, particularly among the young: in Poland, 39 per cent of under-25s are without a job, the highest figure in Europe; in Slovakia, 27 per cent.

Reformers blame problems on the legacy of 40 years of communism. But could it be that the reform process itself is responsible? Far from being a panacea, as claimed by eastern Europe's political elite, following the

neo-liberals' full approval.

Membership of NATO — the other western club that eastern Europe's reformers were so desperate to join — means that member-states must spend at least 2 per cent of their GDP on defence, regardless of the impact on overall state expenditure. At the same time as the Hungarian Government insists that there is no alternative to the "economic reorganisation" of the country's public health service, the Hungarian Defence Ministry announces it will spend an extra GBP 7.7 million on

electd western institutions.

Did it all have to be like this? Thirty years ago many European progressives believed that the cold war would eventually end with the western European social democracies becoming more socialist, and the eastern socialist states becoming less authoritarian. We would all, they argued, meet in the middle in the best of all possible worlds — part Kreisky's Austria, part Kadar's Hungary.

Global capital and its political emissaries made sure this never happened. Instead of morphing into 1970s Austria, with its mixed economy, welfare state and minimal disparities in wealth, new Europe has instead become 1980s Latin America.

But, however bleak the immediate vista, not all is lost. An alliance between the liberal nationalist Fidesz party and the Marxist Workers party in Hungary would have been unthinkable a few years ago. But both parties recently joined together to campaign for a referendum to stop the Government's proposals to privatise health care. The Fidesz leader, Viktor Orban, has also conceded that for many, life was indeed better under communism.

It is only a start, but if opposition groups can come together and form effective popular fronts against the tyranny of neo-liberalism, new Europe can revive, and become an attractive place not just to western tourists on weekend breaks, but to its own populations as well. — ©Guardian Newspapers Limited 2005

(Neil Clark is a writer and broadcaster specialising in East European affairs.)

## Neo-liberalism has delivered unemployment and lower living standards for the majority in eastern Europe. But opposition is growing.

IMF-EU economic prescription has caused hardship for millions. In return for enduring 15 years of austerity, the average Czech has received the equivalent of 29 euros of aid — compared to the 437 euros per capita Greece received on accession in 1981. The average Hungarian (49 euros) and the average Pole with (67 euros) have fared little better.

For those countries determined to join the euro by 2010, the economic cost will grow even higher. The EU's 3 per cent budget deficit rule for euro members means that a fresh wave of deflation is on its way for populations which, since the late 1980s, have known nothing else. While spending on healthcare, education and welfare continues to be slashed, one item of government expenditure is, however, allowed to rise with the

new medium-range, air-to-air missiles from the U.S. arms manufacturer Raytheon. This is on top of a further GBP 34.5 million earmarked for training reforms to "adapt" the armed forces to the demands of NATO and EU membership.

In Poland, a country where 17 per cent of the population now lives below the poverty line, the Government has recently spent \$3.5 billion on new fighter planes and \$250 million worth of anti-tank missiles.

Throughout the region, groups and political parties who have opposed the Euro-Atlantic integration process are portrayed as extremists by the predominantly western-owned media. In reality, the extremists are those who have surrendered the management of their economies to the dictates of foreign capital and un-