

# Sharp conflicts precede European Union summit

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After British Prime Minister Tony Blair met with French President Jacques Chirac on Tuesday in Paris, he declared that there was “sharp disagreement” over the European Union budget for 2007 to 2013, adding that “it is very difficult to see how these differences are going to be bridged.” For once, Blair was telling the unvarnished truth.

The Chirac-Blair meeting was the last of a series in which the prime minister was arguing for Britain’s position in advance of the EU heads of state meeting in Brussels on June 16/17 and in Scotland at July’s G8 summit. Such was the acrimony between the two that the customary joint press conference following the talks was abandoned.

The run-up to the EU summit was dominated by demands from France and Germany that Britain give up its £3 billion rebate, negotiated by Margaret Thatcher in 1984, and the counter-demand by Blair for reform of farming subsidies under the Common Agricultural Policy (CAP).

Domestic considerations only partially explain the ferocity of the dispute over the EU budget. France and Germany see attacks on Britain as a means of restoring popular support for their beleaguered governments. Britain is identified as the home of the “Anglo-Saxon” economic model of unrestricted free markets that was decisively repudiated in the referendums on the EU constitution in France and the Netherlands.

For his part, Blair is seeking to play to the anti-EU gallery and to thwart French and German demands that ratification of the EU constitution proceed after he has already declared that a British referendum is now off the agenda.

But more fundamental issues are at stake in a conflict where, at least on the issue of the rebate, Britain appears completely isolated. What is being fought out is the entire future course of the European Union.

The “no” votes on the EU constitution expressed widespread social hostility to the plans of the European bourgeoisie to restructure economic life in the interests of the major corporations. Underlying this is a profound shift in class relations throughout Europe as a result of the ongoing destruction of welfare provisions, privatisations, the restructuring of industry and the erosion of democratic rights.

The results of the referendums have thrown Europe’s ruling elite into crisis.

Blair sees Franco-German insistence that ratification proceed in the remaining EU countries as self-defeating. He proposes instead that the constitution be put on hold while the European governments carry out the economic restructuring advocated by the document and launch a political struggle against the working class in order to destroy what remains of the welfare state. Britain also sees the opportunity to press its long-standing demand for a looser federal Europe that will enable it to build alliances designed to undermine the traditional Franco-German domination of the EU.

Following his meeting with Chirac, Blair told the press, “I think that the French-German relationship is extremely important but it cannot comprise all of what now drives the European Union.”

The response of France and Germany is not animated by political hostility to economic reform. Both are anxious these continue if Europe is to develop as a viable trade bloc against its major international competitors. The issue is, how to do so in the face of popular opposition and under conditions where it has not proved possible to incorporate all the European states into the project.

There is a powerful and growing sentiment within ruling circles in Paris and Berlin that the way forward for Europe, and the best means of implementing economic reform, is to create a core group of states under their leadership. Coupled with this, talk of further EU

expansion, through the inclusion of Turkey, Croatia, Romania and Bulgaria, will not be discussed at the summit.

Previous efforts to consolidate a core group, most notably in 2003, failed to win support and there is little evidence of renewed enthusiasm outside of France, Germany and the Benelux countries. That is why the attack on Britain's rebate has been framed in terms of concern that the poorer EU entrants should not be asked to pay money to one of the richest European nations. London argues that there is no reason for them to do so and that agricultural subsidies pose a far bigger problem and mainly benefit France.

In line with his call for a looser federation, Blair has stated that agricultural policy should be returned to the authority of national governments, which can decide whether to carry on with subsidies or not. He told the press, "I totally understand why countries may want to give their money to support farmers. What I have an objection to is the European Union deciding collectively it is going to give 40 percent of its budget into an area that has got 4 percent of its people. It makes no sense." His alternative was for money to be spent on right-wing populist measures such as law and order and controlling immigration.

The Gaullists in France rely to no small extent on a rural constituency for political support and can hardly contemplate the scale of reform being demanded by Blair. Moreover, France and Germany hope that defending agricultural subsidies will win them support in eastern Europe and offset US influence in the region.

Blair has insisted that he will not retreat on Britain's rebate unless concessions are made on CAP, which would prevent the setting of a EU budget.

Analysts expect some kind of compromise to be patched together at the summit. None of the participants, including Britain, are ready to contemplate the shipwreck of the European Union. It has been suggested that the timeline for ratifying the constitution will be extended beyond November 2006, when much of it was due to take effect. An EU official told the *Financial Times*, "We will have language that puts the constitution in the fridge, but not in the morgue."

Nevertheless, "maybe now we are in a situation where everybody fights their own battles," another EU diplomat told the newspaper.

Blair believes he is fighting from a position of strength in the aftermath of the "no" votes. On the face of things, his confidence appears entirely misplaced. After all,

opposition to the constitution was directed against the agenda championed by the British government.

There is clearly an element of *schadenfreude* at the difficulties being experienced by Paris and Berlin, but the main reason for Blair's confrontational stance is that it enjoys the backing of big business internationally and Washington in particular.

The financial press is insisting that Europe not bow to popular opinion and that it step up the pace of economic reform. And on a visit to Brussels earlier this week, US Treasury Secretary John Snow called on EU governments to proceed with restructuring. In a pointed reference to French attacks on "Anglo-Saxon" capitalism and denunciations of private equity investors as "locusts" by Germany's Social Democratic Party chairman Franz Muntefering, Snow warned, "American business people are going to put capital where they feel they are welcome, where capital is honoured and where they can get good returns."

"It is not so much the language that is used, it is the policies that get embraced. And if policies get embraced that make capital feel unwelcome, capital won't come."

The US opposes the project of European integration it once championed. The Bush administration operates as a European power, seeking to build alliances that will ensure its domination of the continent and the wider Eurasian landmass, while keeping its opponents divided and isolated.

Whether or not it is possible to cobble together an agreement in Brussels, continued instability in Europe is assured. Antagonisms between Europe and America and between the European powers will escalate, while social relations within the continent will worsen as its governments seek to impose unpopular economic measures on a hostile and increasingly combative working class.



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