



# Lib Dem EuroFILE

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*Eurofile editor PHIL BENNION explores the nightmare scenario. A Greek debt default might be survivable, but is it desirable?*

Pic: Pascal Rossignol, REUTERS

**Eurofile goes to press just after the Greek Parliament voted by a narrow majority to back the drastic austerity and privatisation required by the EU and IMF for the latest rescue package.**

Across the capital city of Athens, a general strike and daily huge demonstrations were met by a blanket of tear gas from riot police. From TV pictures, total collapse of Greek democracy did not seem too fanciful a prospect.

But even though key decisions appear to have been taken and calm at least temporarily restored, the questions that have been raised in the media, in political debates and in bars and cafes across Europe will not go away.

Whether the Euro can survive is merely the biggest and most important. I would suggest that the likely answer

is "Yes", a view clearly taken by the markets, as the Euro is holding up well against rival currencies like the dollar, which has its own serious problems.

Will Greece default in any case? If she does, will there be an inevitable domino of destruction dwarfing the Lehmann Brothers collapse as some fear? Or will it unleash a rapid rebalancing of Europe's economies as other commentators suggest? There are clearly grave dangers of possible fall-out from a potential Greek default.

Many writers, such as the FT's Wolfgang Munchau, believe that a rejection of the austerity package and a subsequent default would be the least damaging path. It is not entirely obvious that such thinking is wrong. Financial journalists have been speculating since the EU first stepped in, that the country may be effectively insolvent and that its debts unpayable.

### What if Greece defaults?

If this scenario were allowed to play out, what would be the outcome? Supporters of the EU/IMF package claim that the crisis would spread to Portugal, Ireland and Spain and that the losses incurred by commercial banks could precipitate another crisis in the

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**Liberal News from Ideg.org**

# Greece forces Euro-zone into crisis:



by Phil Bennion

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banking sector, with governments having to step in to bail it out yet again. Both of these threats present real risks, but if contagion were avoided, the fall-out would probably be manageable, as the Greek economy only represents a little over 1% of that of the EU. However, critics of the bail-out package do not believe that it will prevent a Greek default, only delay it and suggest the ultimate damage to the European and world economy will be far worse as a result.

My own view is that 'contagion' from a Greek default would be far from inevitable. In Ireland, the underlying colossal over-exposure to a banking crisis was realised when their property bubble burst and their new government is now tackling the issues. As Sharon Bowles MEP said recently, "Ireland has the recipe to respond to the economic and banking crisis but is being treated harshly by its EU partners." Ireland has a reasonably competitive and flexible economy, but a sudden though serious debt problem. Spain and Portugal require urgent reforms to improve the competitiveness of their economies, but debt and deficit levels are probably manageable. Only Greece has the worst combination of an uncompetitive economy, very high debt and a deficit out of control.

#### **Can a Greek default be avoided?**

It would still be better for all concerned if a default can be avoided. The last thing that European governments need now is a new liability inherited from ailing banks. A default will occur within weeks if the Greeks do not get the loan package. However it would be unwise for the EU and IMF to soften the conditions too much. Greece needs help in improving its Revenue Service, which seems incapable of clamping down on endemic tax evasion. Early retirement on good pensions seems to be the norm in the over-dominant public sector, which still carries out functions long privatised in the rest of Europe.

But the critics may still be right. The debt levels could still be simply too high for the Greeks to service them. If that is the case, the debate might turn to whether EU governments should pay off creditors in a third round of the bail-out, in order to prevent a second banking crisis even worse than the first.

The bright spots are the potential the Greeks have for raising revenues from huge privatisation and the potential for

improvement in tax collection. The danger is that privatisation will take place too slowly, such that the revenues are frittered on servicing debt rather than paying it down. On balance I would support the EU/IMF package as long as the Greek government enacts the reforms and privatisations swiftly. Even if a "haircut" is subsequently required, some of the fundamentals will have been put right.

#### **How do we stop it happening again?**

Mario Monti wrote last week that the problem stems back to a failure to exact punishments when member states broke the conditions of the Stability and Growth Pact. He also said that the big countries set the worst example through mutual "back-scratching" when voting in Council, thereby avoiding punishment. The current Commissioner, Olli Rehn, has proposed reversing the voting process in Council when such decisions are made. Currently, a Qualified Majority is required to enact sanctions. He is suggesting that the sanctions should be automatic unless a Qualified Majority can be found to waive them.

This, combined with additional scrutiny powers for the Commission over member state budgets, would be a big step forward and is being vigorously supported by the ALDE group.

The Pact allowed for a maximum 3% deficit, meant to be used as a counter cyclical measure in a downturn. Member states connived to allow large deficits to go unpunished even during years of economic growth. Similarly the debt limit of 60% of GDP was systematically ignored. These measures were supposed to guarantee stability of the Euro. Whether Greece remains in the Euro-zone in the long term remains to be seen. It is also fairly likely in my view that the current package will not be the final act in this drama. However, I will be astounded if the Euro fails to survive. The markets clearly believe that its governance will be improved and that its position as a reserve currency is not under threat.

This crisis should not prove the end of the Euro-zone, but it will force all the key players within it to face up to key economic realities.

*Dr Phil Bennion is editor of Eurofile and a member of the Liberal Democrats Federal Policy Committee*

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# Flexible working time is vital, factory bosses tell Commissioner

**MIDLANDS aluminium bosses have made it clear to EU Employment Commissioner László Andor that keeping the UK's Opt Out from EU working time rules is vital to their success.**

The stark warning came as the Commissioner toured Bridgnorth Aluminium in Shropshire in June at the invitation of West Midlands region Lib Dem MEP Liz Lynne, who is First Vice President of the EU Parliament's Employment and Social Affairs Committee.

## 48 hour limit review

The Commissioner and Liz Lynne visited the plant, Britain's top producer of lithographic aluminium strip and discussed current EU legislation with company bosses, especially the UK's opt-out of the 48 hour limit in the Working Time Directive, which is now being reviewed.

Liz Lynne said: "I'm delighted that the Commissioner took the time to visit Shropshire and this thriving factory and find out about how EU laws impact on the factory floor.

"Both workers and the employers at the plant made it clear to us just how vital

the opt-out of the 48 hour working limit in the Working Time Directive is to their success.

"This is a message I have tried to push in Brussels for many years. Workers are already protected by other Health and Safety laws such as the Dangerous Machinery Directive."

Commissioner László Andor commented: "I have an excellent

working relationship with Liz Lynne and this has been an extremely useful visit. Flexibility has to be a central concept. It is important the Working Time Directive is fit for the 21st century and I will take the messages from this factory back to Brussels."

The former Star Litho plant in Bridgnorth employs 242 staff and is a subsidiary of Greek-owned Elval SA.



*Liz Lynne and EU Commissioner László Andor (right) toured the production line with with Bridgnorth Aluminium's Managing Director Simon MacVicker.*

## ALDE warns that anti-democratic grip on Russia is tightening

**The Ministry of Justice of the Russian Federation has refused to officially register the People's Freedom Party (PARNAS). This decision, bringing the total number of parties refused registration to eight, means that PARNAS will be unable to take part in the December elections to the State Duma.**

**Guy Verhofstadt**, leader of the Alliance of Liberals and Democrats for Europe (ALDE) expressed his extreme disappointment at this decision and warned that the anti-democratic grip on Russia is tightening.

He said: "I participated in the Congress of PARNAS in Moscow and I am saddened by the failure of the Russian authorities to allow the party to register.

"The elections in December and the presidential elections in 2012 will now be yet another exercise of stage-managed political campaigning between political forces loyal to the leading duo inside the Kremlin.

"I expect a clear and strong reaction from all EU officials dealing with Russia, including Council President Van Rompuy and the High Representative, Baroness Ashton.

"The continued failure of Russia to uphold basic democratic principles, a commitment for a member of the Council of Europe, must have implications for its relations with the EU and the Member States", he said.

**Kristiina Ojuland** (Estonian Reform, Estonia) ALDE spokesperson on Russia said, "Putin's administration is afraid of open political competition. It also gives a lie to President Medvedev's claim that he is democratising the country. The citizens of Russia will be denied an election based on principles Russia has promised to uphold."



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# Moldova, Governance and the European Neighbourhood:

*Carol Weaver interviews Graham Watson MEP*

**Can the EU project of spreading its model of 'post-sovereign' politics throughout the world continue or has the EU become too pragmatic now?**

The EU has had enlargement in its DNA since the beginning. It's fair to say that analysts agree that we go through a period of expansion, then a period of 'deepening', before thinking about widening again. Last decade's enlargement from 15 to 27 countries sounds like a big jump but a lot of the newer countries have very small populations. We also have a queue of countries waiting to join. In this decade we could see Iceland, Croatia and probably Macedonia and Serbia join the Union. There is still a big question mark over Turkey although I think it is likely that Turkey will join. So is there a limit to enlargement? Well by definition yes, but the challenges for the Union today are of a global nature so a form of global governance of the type the EU is developing is needed.

**So how do you see that global governance? For example, as a UN Parliamentary Assembly or a world of separate EU-model regions with a 'United Regions' as the top layer of a multi-layered governance system?**

Well the latter might work and I would not exclude it. One of the main developments in the Union is that its 'raison d'être' has changed. If you had asked any of the heads of states why they were in the EU in the past they would have said because of peace or prosperity through the single market but now they would talk about more global challenges such as climate change, dealing with terrorism, energy security and population growth. These are challenges that any democracy will face. The EU has become a kind of 'solidarity home' for countries that share common values such as market economy, democracy, human rights and the fight against discrimination or corruption. So yes we could end up with a number of Unions or just one. If there is just one then it would no longer be a European Union, helped by the fact that Europe never had clearly defined boundaries to the east or south-east.

**I am working on EU policy and regionalisation around the Black Sea, including the idea of a security community developing. Do you have any thoughts on that given your work with Moldova?**

Well the European Neighbourhood Policy is really about two neighbourhoods – the South and the East. They are very different. The countries in the immediate South have been until very recently non-democracies but now there is Morocco which is becoming more democratic and Tunisia, one hopes, is heading down the path to democracy and Egypt too. There have been problems but they are also on the other side of the Mediterranean Sea. So the sorts of issues we discuss with them are different from the issues we discuss with Belarus, Ukraine or Moldova where we share a land border. Also, there is more differentiation between countries in the East because some countries like Belarus are autocratic whilst others like Ukraine are more democratic. One big difference between the South and the East is that in the East there is one overwhelmingly powerful neighbour which has its own view of how things should be developed. One of the most interesting aspects of the relationship with Russia is how we deal with the conflicts of the region, in Nagorno-Karabakh, Georgia and Transnistria.

One aspect of cooperation around the Black Sea which is given insufficient prominence but could be hugely important is the one of 'environmental stewardship' issues such as discharges into the sea, crime, borders, fishing stock, marine life. This could take up a lot more policy making time in future. This issue could help to bring us all together. The Danube Delta, for example is one project being worked on with Romania and some of its neighbours.

On regionalisation, I do not see the area coming together as a political entity because the two sides (Russia and the magnet of the EU) are too strong but we could develop enhanced mechanisms for cooperation. I'm currently working as EU rapporteur for

Moldova. We have been remarkably successful there, or perhaps lucky, with the decision of Moldova's people to put the coalition back into office. This has allowed some progress on Transnistria. Given long enough we might even resolve it by creating conditions in the rest of Moldova which are so attractive that the Transnistrians decide that's the best option for them. There are some indications that the Russians might allow this to happen.



It's interesting that Ukraine has been very helpful with regard to Transnistria! It is acting to some extent as a go-between for Brussels and Moscow and has been very helpful. I think that maybe if we could resolve one conflict then it might help with the others. It would mean that we could establish a relationship of trust with Russia. With regard to Transnistria everyone is realising that there is no point to the conflict. It's remarkable though how quickly the EU acted over South Ossetia even before the External Action Service (EAS) was set up.

**You mentioned the EAS. Do you think that a lot of problems lately have been due to the change over from Solana to Ashton?**

I think it is true that the requirement in the Lisbon Treaty of having to create an EAS, even though I think it will be helpful in the longer term, has absorbed a huge amount of energy of those who are meant to be carrying out the Foreign Policy. I think that it was inevitable and there has been an impact on the ability to respond to events in North Africa. Baroness Ashton was given a very rough ride in Parliament over Tunisia. However one thing she has intelligently avoided, unlike Solana, is getting over-involved in Palestine. Hopefully Baroness Ashton will not fall into the same trap!

# Top chef and Chris Davies sniff victory as Fish Fight hits Brussels

**North West Lib Dem MEP Chris Davies' campaign to end fish discards and fight for a sustainable European fishing policy has received powerful backing from celebrity chef Hugh Fearnley-Whittingstall.**

On a visit to the European Parliament to launch the European Fish Fight Campaign, Fearnley-Whittingstall praised the efforts undertaken by MEPs to put the issue of fishing reforms high up on the European agenda.

Chris Davies co-founded the Fish for the Future group which brings together MEPs from all countries and parties to push reform of the Common Fisheries Policy (CFP)

He said: "Hugh Fearnley-Whittingstall has been a great campaigner on the issue of fish discards. Europe's seas are capable of supporting fish in much larger numbers than currently

exist. If we make the right decisions now we could restore the diversity of life in our seas and catch many more fish on an entirely sustainable basis."

Lib Dem MEPs Catherine Bearder, Sharon Bowles and Liz Lynne also met Hugh to support the campaign. Sharon Bowles said: "Hugh's Fish Fight campaign has been great for raising awareness of discards but having spoken with fishermen across the South East their main concern is quota allocation. The current system allows sub-10 metre class boats to catch 1.5 kg of cod per day but when you consider that one cod can weigh 3 kg, that is a catch of half a cod per day per boat - not enough to cover fuel let alone pay the crew. I wholeheartedly support Hugh's Fish Fight campaign but I will also be continuing the fight for fairer quota allocation, so small fishing communities across the South East don't lose out."



## **Commissioner 'has guts'**

Lib Dem MEPs have made a real difference as Commissioner Damanaki has accepted the need to reform the CFP and put an end to discards. She is planning this month to announce radical plans for reform to prevent an inevitable loss of fish stocks and further decline of the fishing industry.

The Greek Commissioner, described as "gutsy" by Chris Davies, has warned that a reduction in employment was inevitable until fish stocks

recover. But without change, the decline in fish would lead to an even greater loss of jobs. She blasted a declaration by six countries, France, Spain, Italy, Portugal, Ireland and Belgium, calling for the continuation of subsidies for new fishing vessels.

***The Commissioner concluded: "If we don't act, we will lose one fish stock after the other. We will lose jobs. All of us will end up with less fish on our plates."***

## **ALDE: Croatia should be confirmed as next EU Member State**

**Ivo Vajgl (ALDE/Zares; Slovenia) has welcomed the Commission's proposal to close the four remaining chapters in Croatia's membership negotiations, clearing the path for Croatia to become the 28th Member State of the European Union on 1st July 2013.**

"The Commission has confirmed that the Croatian government has reinforced its commitment to progress in negotiations and speeded up its work on fulfilling the remaining benchmarks.

"The work done in recent months has been significant and Croatia deserves the positive news

from Brussels," said Ivo Vajgl, ALDE shadow rapporteur for Croatia.

"The Council should now move swiftly and enable Croatia to become the 28th Member State of the EU on 1st July 2013."

***"The confirmation of Croatia's entry date would send a much needed positive message to the remaining aspirants to membership in Southeast Europe.***

"These countries need to see the proof that hard work and sustained political commitment is objectively rewarded."

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# The end for Europe's open borders?

*Olle Schmidt considers the growing threat to the Schengen treaty.*

As everything else, crime is global. The human slave trade, drug and organ trafficking alongside with terrorism, are examples of international criminal activities conducted with mafia methods. Child pornography and money laundering are other serious crimes where national borders cannot stop the criminal organisations.

Worrisome survey results show that serious organised crime has benefited from the financial crisis. Human trafficking is likely to have increased and in Sweden it is reported that companies hire illegal workers from employment agencies controlled by criminals. There is a serious risk that the criminal structures built during the financial crisis will become permanent as the profits are high, while risks and penalties are relatively low. This development is frightening and absolutely unacceptable. It threatens to overturn the very core of the rule of law and poses an increasing threat to the open society that we must protect.

We should not ignore the problems of organised international crime, but it is imperative that we do not in panic respond to this threat with ineffective and unnecessary political measures. Instead, we must increase cooperation between EU member states to fight and destroy this transnational organised crime. It is not national initiatives that we need but joint, comprehensive approaches and a major European initiative to tackle the problem at its core.

Recently, the Danish Government made a pact with the xenophobic and populist Dansk Folkparti, where the Government agreed to increase custom controls in exchange for a pension reform. The purpose, they say, is to combat organised crime. However, the European Commission is concerned that this development stands directly contrary to the idea of free mobility. We do not want to sacrifice freedom of movement, one of the greatest successes of European integration, allowing people within the Schengen area to cross borders without being stopped at time-consuming passport controls. But when the open and free Europe is being exposed to serious pressure, many political leaders find it hard to resist. Several EU Member States seemingly want to undermine this cornerstone of integration.

When North African people seek their freedom, Europe hesitates. When overcrowded refugee boats perish on the Mediterranean and desperately fleeing men and women drown, the European response is shamefully slow and limited: Too little, too late.

Silvio Berlusconi and Nicolas Sarkozy in true drama cry for help to share the "burden". Involuntarily paraphrasing Kipling, that is how leading Europeans describe the men, women and children seeking a new future on our shores. More seldom do we talk about true solidarity and shared responsibility to help and protect. Yes, open borders are being abused for human trafficking,

drug smuggling and other branches of organized international crime. But when the villains work across borders, so must we. Our best response is that we, too, cooperate with our neighbours – creating a European FBI, if you will - to stop them.

Nationalism and increasing protectionism spread across our continent, as apparent in many recent European election outcomes. We must ask ourselves: Is this just a temporary trend or a seriously worrying long-term change of mindsets?

We must remember that the peaceful European cooperation is still only an anomaly of Europe's bloody, war-filled history. We can't be so naïve as to believe that citizens of Europe today might be immune to extremism and nationalism. Those leaders of Europe who respond to the movement of peoples across borders with simplified rhetoric, fear-inducing propaganda and scape-goat accusations against refugees, minorities or foreigners would do well to sign up for some classes in European modern history.

We need a more united Europe. Let us not build border barriers; let us instead tear them down. Let ordinary people work and meet across borders. Open Europe, working together and united in diversity is our best bet to remain prosperous, safe and in peace.

**Olle Schmidt MEP, Liberal Party of Sweden**

## New Liberal force enters Greek politics



**During the weekend of 27-28 May, a new liberal party was born in Greece.**

The **Democratic Alliance** under the leadership of former Greek Foreign Minister and Mayor of Athens **Dora Bakoyannis** was launched in the Olympic Cycling Stadium in Athens.

Mrs Bakoyannis left the conservative party Nea Demokratia last year due to differences over which economic and budgetary reforms are necessary to address the current crisis.

**ELDR Party President Annemie Neyts-Uyttebroeck** addressed the delegates of the Party Congress together with inter alia Liberal Group leader of the European Parliament **Guy Verhofstadt**.

European Liberals strongly welcome the emergence of a strong credible liberal political force in a country where politics has been dominated for too long by a bipolar party system: Nea Demokratia and PASOK.

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# Bearder: Clear labels, not our forests

*A coalition of conservation groups has launched a campaign for mandatory labelling of palm oil on food packaging in Europe.*

**Rapid expansion of the palm oil industry is having disastrous effects on critically endangered species including the orangutan, Asian elephant, rhino and tiger.**

If introduced, mandatory labelling of palm oil on food packaging will ultimately lead to better forest protection in Southeast Asia and Africa.



Palm oil is a hidden ingredient found in up to half of packaged food products across Europe, including chocolate, biscuits, cereals, margarine, soup, crisps and ice cream.

Usually listed simply as 'vegetable oil', consumers are currently unable to make informed decisions about the products they purchase not only on health grounds (due to its high saturated fat content) but also based on the palm oil industry's well-documented negative environmental and social impacts.

**Catherine Bearder MEP**, a member of the European Parliament's Committee on International Trade, said: "Consumers must be given the choice of whether to buy products with palm oil or to avoid



them. Consumers may have moral objections to palm oil plantations and, without realising, they are funding them through the food they buy."

A new directive on the *Provision of food information to consumers* is currently under review in the European Parliament. An amendment calling for mandatory labelling of palm oil on food packaging in Europe has been tabled. If it is passed, companies will have up to three years to comply with the new legislation - ample time to source certified sustainable palm oil.

*Editor's note: At LI Congress in Manila, a spokesman for the governing party in Indonesia promised a 20 year moratorium on forest clearance.*

## Egyptian liberal parties unite under umbrella of Democratic Front

**Five Egyptian liberal parties and movements have announced that they will be integrated into the Democratic Front Party as part of a new liberal coalition.**

'This is an important day in the history of modern political development as we witness the birth of a strong political entity that will participate in re-drawing the Egyptian political map in the upcoming period,' said **Osama Ghazali Harb**, leader of the DFP.

The coalition of parties has together launched a project which promotes the civil state and aims at turning

Egypt into a developed country by 2025.

'These parties and movements share the same principles of the Democratic Front Party and the integration will help the party expand, as well as unite liberal forces,' Harb said.

**Wael Nawara**, Chairman of the **Network of Arab Liberals**, commented: 'At a time where there is too much focus on differences, the Democratic Front Party is presenting a model on how to unite efforts to achieve the dream of Egyptians in a democratic state.'



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# MEPs back limit on phosphorus in household detergents

**The European Parliament Environment Committee has voted to limit the amount of phosphorus permitted in household laundry detergents.**

The decision was uncontroversial - from the point of view not only of the European Parliament, but also the Council and Commission.

However, ALDE Rapporteur **Bill Newton Dunn** (Lib Dem, UK) proposed to go further, to extend the limitation to detergents for household automatic dishwashers.

The Lib Dem MEP for the East Midlands said: "The Commission was not ambitious enough in its proposals.

"Phosphorus leaked into European lakes streams and rivers can lead to eutrophication - the overgrowth of

algae which can starve fish and other plant life of oxygen.

"This is particularly a problem in the many EU member states covering the Baltic and Danube regions, so it makes sense to take EU-level action to tackle its causes.

"However, it is true that we need to ensure small and medium sized enterprises have time to adapt to these requirements without excess burden.

"Nonetheless, phosphate-free formulas are available on the market already, and manufacturers are innovating all the time. It is therefore

reasonable to expect that in the next four years until my proposed ban comes into effect, the vast majority, if not all, will have been able to make the switch and to offer products that meet the expectations of consumers in terms of cleaning performance."



## Syria's sanctions list needs to be urgently extended amid humanitarian crisis



**The current EU sanctions seem to have little or no effect in deterring Al-Assad from continuing his violent crack-down on innocent Syrians, says ALDE.**

**Guy Verhofstadt, ALDE Leader** said: "The violence in Syria is continuing and the death toll is rising, it is time to face the fact that the sanctions introduced so far are not working.

"More comprehensive sanctions must now be introduced, hitting the regime where it really hurts - their pocket. Syria's most powerful economic figures who fund this regime must also be targeted in the EU sanctions lists, this will increase the pressure on those that support Al-Assad financially and send a message that their support will be very costly."

**Marietje Schaake, (D66, Netherlands)** commended the efforts by Turkey in sheltering the refugees and said the EU should also contribute by supporting the UNHCR mission in Turkey in taking care of the growing number of refugees, including deserting soldiers.

She added: "The capacity of the UN refugee body is under great pressure while capacity for a rapid response is urgently needed. Food and water shortages and a real humanitarian crisis are looming.

"We need to explore all options for providing a safe haven for Syrian refugees, including the possibility of an internationally protected safe zone. The international community must act together to end the assault on civilians by the Syrian authorities."



# The European Union Bill: a threat to democracy

by Antony Hook

**The 2010 Conservative manifesto threatened referenda on future “transfers of powers” from Westminster to Brussels. This was carried directly into the coalition agreement without significant modification.**

People who look for consistency in policy will note there is no corresponding provision in Tory policy or the government programme for a “referendum lock” on transfers of power to Westminster from local councils, devolved assemblies or from international institutions. Tory choices about where they want “referendum locks” and where they do not, demonstrate that the Bill comes not from a commitment to localism but from a particular self-interested fetishism for Westminster. Like most euro-scepticism, it resembles an attempt to artificially protect national politics when life is becoming ever more international.

The EU Bill completed its Third Reading in both the Commons and Lords and at the time of writing the outstanding issue is whether the government will accept a number of Lords amendments

## **What the Bill does**

Part 1 of the Bill creates a requirement for UK agreement to an amendment of the Treaty on European Union or the Treaty of the Functioning of the European Union to be subjected to a referendum. This would mean that if a change to Europe’s constitutional framework were proposed that “transferred competence” then the considered judgement of the Government and UK parliament would not be enough without a referendum. Even if the Government and all parties supported it and even if there was hardly any dissent by members of the public the country would have to suffer the expensive ritual of a referendum. The Bill requires a government saying “yes” to change to have a referendum

but does not allow for a referendum to challenge a government saying “no” to a proposed Treaty change.

The inherent weaknesses of referenda are well known. They require most people to vote on a specific question about which they know relatively little instead of elected representatives (or another small group of citizens drawn together for the task, “a citizens’ convention”) who have time and resources to study the merits closely. The ability of a referendum voter to reach a balanced informed decision is at the mercy of lobbyists, campaign financiers and newspaper owners. To make a legal analogy, a referendum is like getting a verdict from a few people on the street who read something about it in a newspaper rather than from the jury who have followed the whole case and seen all the evidence.

## **Referenda on QMV**

In the Bill, a referendum would be required if it were proposed to move, in certain policy areas in the Council of Ministers, from unanimity to qualified majority or simple majority voting. These policy areas are listed in the Bill. The British people would be required to go to the polls if it was proposed that QMV instead of unanimity should resolve points as:

***The appointments of judges to the European Court of Justice, Whether another state should be allowed to join the Union, or The identification of the Union’s strategic objectives.***

To be clear, when the question arises whether person X or person Y should be the next ECJ judge or whether Croatia should join the EU the British people will have a referendum. But the referendum will not even be on the substantive question but on whether the Council’s position should be decided unanimously or by QMV. Does anyone really think this will “reconnect” the public to Europe?

The Bill would also require a referendum on an amendment to the Treaties that amounted to the states conferring on the Union new competence or extended existing competences in economic policy, foreign and security policy and other areas.

***There are at least 56 situations in which the UK Government and Parliament might want to agree to a proposal, which under this Bill would require a referendum.***

The coalition government says that it does not envisage the Bill being used at all before the next General Election. There will be no treaty changes requiring referenda under the Bill until at least then. So, precious Parliamentary time is being given to something that will, for this Parliament, be a mere decoration.

## **The fight against the Bill**

Objections to the Bill have been well made in the House of Lords from members of all three parties and the Cross Benches. The Lords passed amendments to reduce the “excessive and disproportionate” number or occasions on which referenda would be required. Peers recognise that the referendum lock will so restrict Britain’s negotiating position that we risk becoming one of the least influential states at the negotiating table.

Andrew Duff MEP, who leads for the Liberal Democrat MEPs on constitutional issues, has urged Nick Clegg that the government should accept the Lords amendments. In an open letter to Nick on 19 June, Andrew wrote, “The normal constitutional requirement laid down in the EU treaties for the ratification of changes in EU primary law is a decision of national parliaments. In the Lisbon treaty we even inserted

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## European Union Bill: *contd*

new guarantees that national parliaments would need to vote on *passerelle* clauses, the flexibility arrangements designed to allow the gradual evolution of the EU system. Experience suggests that whenever the parliamentary norm is discarded in favour of referendums, the EU risks being badly destabilised for a considerable length of time."

### Repealing the Bill

Elsewhere, Andrew Duff has sensibly suggested that the way Treaty changes are made should be reformed to require four-fifths of the states rather than every last one of them to agree on an amendment. Indeed, the American Constitution can be amended by agreement of only three quarters of the states and a state's approval must be by its legislature or a constitutional convention. Referenda on constitutional changes are in fact constitutionally unlawful in America.

Interestingly, Andrew's proposal was most angrily denounced in the Commons by the Labour front bench on grounds it would take away Britain's "chance to veto" the majority. It seemed to escape the Labour spokesman (a former MEP) that Britain is, and will be, often in the majority that is frustrated by a unilateral veto. We could get One Seat for the European Parliament tomorrow if one lone member state was not able to veto this change.

The No campaign in the recent AV referendum had a lot to say about the financial cost of referenda. Such costs are likely to be unpopular long after the current recession. The comfort for those who support EU reform and the concept of representative democracy is that anti-European and supporters of government by referendum have overplayed their hand by requiring, in this Bill, referenda in so many situations.

There will doubtless come a time when a UK government and Parliament will want to agree to some modest Treaty change about which the European Union Act 2011 (as it will be) shall require a referendum. It should be possible for a politically capable government to point out the cost of the referendum and with general support, to repeal the Act.

**People care about what the EU can do to save the environment, provide economic opportunities and curtail crime. The EU Bill is a threat to our ability to do all those things and more in the coming years.**

**Antony Hook is Vice Chair of the Liberal Democrat European Group**

# Ending uncertainty in foreign property purchases

**Buying property in another European country can go horribly wrong for many people caught out by differences in legal systems and different concepts of property rights.**

The ALDE group recently held a seminar on "Property Rights and Wrongs in the EU" to find a way to overcome legal uncertainties when buying land abroad.

Speaking after the event, **Yorkshire MEP Diana Wallis** said: "Property laws across the EU are very different and complex and fall mainly outside EU competencies.

"However, we must urgently find a system that will guarantee legal certainty to people buying land abroad. The seminar has shown clearly that the EU has a role to play in helping to facilitate property deals across borders and at the very least provide a framework of legal certainty."

**Fellow ALDE MEP Ramon Tremosa**, who comes from a region in Spain that has hit the headlines many times because

of land expropriation problems added: "Without property rights there is no freedom, and without freedom there's no economic development. The European Union needs to make a step forward and defend property rights all over the continent."



## McMillan-Scott: EU must back reformist Arab governments

On his third visit in as many months to Cairo, **Edward McMillan-Scott MEP** (LibDem, UK), European Parliament Vice-President for democracy and human rights, backed William Hague's call that without support from the EU the fragile democratic movements across the Arab world risked collapsing. McMillan-Scott, who initially travelled to Egypt the weekend after Mubarak was ousted from power and again days before the interim regime's first referendum, has called on EU governments to help the reformists as they transition to

democracy by providing funds and resources. He said: "The EU has the means to help. We must give it the will. EU governments can put up billions to stabilise their economies. They should find the resources to support the huge economic and political challenges the countries in our neighbourhood face. We must reinforce the reformists from Libya to Syria to Yemen or they will lose their revolutions. All types of democracy are better than despotism. Democracy is also a more secure basis for economic stability and development."

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# Ludford campaign to ban export of death penalty drugs

**Lib Dem European justice and human rights spokeswoman Sarah Ludford has launched, together with colleagues from other countries and political groups, a European-level campaign to ban the export from the EU of drugs used for executions.**

EU law prohibits EU companies from exporting products intended to be used in executions or torture. But no export check is done on 'dual-use' drugs such as sodium thiopental and pentobarbital.

These have a legitimate medicinal use, but they have also been used to numb or even kill a person subject to the death penalty.

Sarah Ludford has tabled a European Parliament 'written declaration'- similar to a Westminster Early Day Motion - to make such exports subject to controls. The declaration will be co-sponsored by a senior MEP from each of the EPP, European Socialists and the Greens.

## Shameful collusion

Sarah Ludford MEP said: "The EU leads the global effort to abolish the death penalty, but this loophole shamefully permits European collusion in executions that we condemn.

"It's time for some joined up Euro-government. "Organisations like Reprieve and Amnesty have done great work in raising this issue.

"I'm delighted that the UK's LibDem-Tory coalition government has already taken action and banned exports to the US of 4 lethal injection drugs.

"Now the EU as a whole needs to do the same. We want a resounding majority of MEPs to sign this declaration, so that the European Commission is obliged to tell us how it will clamp down on the scandal of EU companies selling drugs to executioners."

**Clive Stafford Smith**, founder and Director of human rights NGO Reprieve, said: "We need to make sure that the shameful sight of drugs from the UK - or any other European country - being used to kill prisoners is never seen again. The EU as a whole needs to follow Britain's lead in banning the export of drugs for use in executions."



## Bearder seminar on social and environmental standards in trade agreements

**Catherine Bearder MEP has led a seminar of international experts in looking at the role of social and environmental standards in international trade agreements.**



Clauses concerning environmental, human rights, social and Corporate Social Responsibility standards increasingly play a role in the negotiations of the trade agreements which the EU conducts on both a bilateral and multilateral level.

The South East Lib Dem Euro MP said: "I strongly believe that freedom, fairness, and sustainability must be central to the EU's trade agenda.

***"Globally the EU's social and environmental record in trade diplomacy is already way ahead of other major trade players, such as the USA and China.***

Despite this, the EU remains a major market for some of the world's most corrupt and least democratic countries."

Catherine organised the seminar to ask the question of how we can weigh and advance the sometimes contradictory aims of efficiency, equity and sustainability? In assessing free, fair, and sustainable trade, is it possible to have Liberal trade objectives?

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# Lib Dem MEP Hall warns against 'lightweight' nuclear stress tests

**Rubber-stamping lightweight security tests of nuclear plants could be a danger, says North East Lib Dem Euro MP Fiona Hall.**

Speaking in the European Parliament, Fiona warned the UK Government against using their own recent checks to avoid stricter procedures agreed across Europe.

Fiona called for assurances that nuclear power plants, will be subjected to the rigorous stress tests agreed by Europe-wide regulators.

## **Comprehensive tests needed**

Fiona Hall said, "The UK jumped the gun with its own safety tests, publishing interim results before

the stress test criteria had even been agreed.

"For public reassurance, the Government needs to make clear that the more comprehensive tests will be fully carried out as part of the investigations by UK regulator Dr Mike Weightman.

"What's more, it would be irresponsible to green light the next generation of plants without first carrying out comprehensive safety checks.

"I am concerned that the Government is gearing up to give the go ahead very soon to new nuclear plants, but the stress test process will not be complete until June 2012.

"Like many people, I am opposed to nuclear power. But even those in favour of nuclear must surely be keen to adhere to the safety procedures agreed by all EU countries."



## EU must back Egypt's plan to ease Gaza blockade

**The plan by the provisional Egyptian government to open the Rafah crossing into Gaza will save countless lives and could transform the peace process says Lib Dem Euro MP Liz Lynne.**

Euro MPs from all main parties have been strongly critical of the invasion and subsequent blockade of the territory by Israel and the weak response by the EU's External Action Service.

Liz Lynne said: "This bold step by Egypt should end a humanitarian nightmare which helps no-one's security. This is the clearest sign yet that the Arab spring has changed the rules of the game. The EU must strongly back this initiative and use it as a catalyst to re-launch a peace process between Israel and the Palestinians, including Hamas.



"The continued injustice in Israel and the plight of the Palestinians is a touchstone issue across the world. It is used by international terrorists as an excuse for their crimes. This is an opportunity EU governments and Kathy Ashton must not duck. We should now be encouraging Barack Obama to take a stronger line on Israel and push them to the negotiating table. Israel has a right not to have rockets fired on civilians but its disproportionate response has undermined her own security."

Liz Lynne, a member of the Delegation for Relations with the Palestinian Legislative Council in the European Parliament, has been a strong supporter of resolutions passed by the Parliament in the last two years urging stronger EU action in the Middle East.

The almost total blockade of Gaza has caused mass unemployment and near starvation to the Gaza strip's 1.3 million civilians, with a ban on cement imports preventing repairs to ruined buildings.

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# ALDE's budget strategy: Ambition and austerity

**The 2012 draft budget just presented by the European Commission for a 4.9% increase in payment appropriations, is already contested by the largest contributing member states, including Britain.**

The ALDE group recommends freezing expenditures in real terms, limiting any increase only to inflation.

As the EU must meet numerous obligations already budgeted for, and in 2012 will have to finance its EU 2020 economic strategy as well as support new Arab democracies, liberals and democrats recommend that the EU break with the previous practice of giving back unused

funds from the previous budget to member states.

If this is done up to 4.5 billion euros from 2011 could be returned to the EU's general budget for 2012.

ALDE president **Guy Verhofstadt** MEP said: "National parliaments will certainly question this as they count on this return each year to balance their own national budgets.

***"We think that they will however appreciate the compensation that we are proposing with a real term freeze on spending.***

"We believe that this evolution should give opportunity to a true inter-parliamentary dialogue on the EU budget. This is why, in the perspective of the opening negotiations on the next Post-2013

Multiannual Financial Framework, we recommend holding a conference which includes representatives from the European Parliament, national parliaments, the Commission, and from the 27 governments."



## Sharon Bowles backs 'Super' Mario Draghi for European Central Bank President



**The Chair of the European Parliament's Economic and Monetary Affairs Committee, Lib Dem MEP Sharon Bowles, has given her backing to Mario Draghi, the man who will succeed Jean-Claude Trichet as President of the European Central Bank.**

Draghi, a respected economist and Governor of the Bank of Italy, was questioned at a special hearing of the Economic and Monetary Affairs Committee last week and has received the support of MEPs with a vote in the European Parliament.

Commenting, Sharon Bowles MEP said: "Mario Draghi is the right choice to succeed Jean-Claude Trichet as President of the European Central Bank. As a former Executive Director

of the World Bank and Director General of the Italian Treasury during a difficult period in Italy's economy, he is well placed to meet the challenges now faced by the Eurozone.

"I was impressed by the answers he gave to my committee drawing on his past experience, not just repeating ECB lines. On Greece of course he did follow the ECB 'no credit event, no haircuts' line but was fulsome in explaining the effect such an event would have on banks. Many other answers were also interesting and thought provoking.

"He has the respect of the committee and of Parliament, the vision to make a significant contribution, and I look forward to our monetary dialogues in the future."

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# We need a more active European Union

**We are falling behind the rest of the world. The answer is More Europe, writes Bill Newton Dunn.**

Why is our corner of the planet, Europe, suffering from decline, relative to the USA, China, India, and the developing world? All European countries have ageing populations, manufacturing jobs leaving for the east, our once-imperial muscle and influence small, and much more. What can we do to improve our position in the world?

Each European country is now too small on its own to have much influence on a world scale. But if we all work together, with one voice instead of 27 separate voices, with one combined effort instead of 27 separate national efforts, our united strength and efficacy could be greatly improved.

Examples where we should work more closely together? Defence (British aircraft-carriers have too few aircraft). Space research (but sadly Europe's successful rocket, Ariane, has no British involvement). One currency across all of Europe, instead of today's one big one (the euro) and ten small national ones. EU Embassies : there are still 27

expensive, national embassies in most capital cities of the world although an EU citizen can already seek assistance from any other EU state embassy, (or even evacuation as in the case of Libya when HMS Cumberland rescued 207 people and carried them to Malta but only 71 were UK citizens).

Fighting international criminal gangs which smuggle drugs, illegal immigrants, and fakes of every possible kind, so destroying genuine jobs and depriving our governments of taxes. Gangs based in China, Russia, Nigeria, and Europe, feed off us: they operate across borders with impunity, but all Europe's police forces are national and cannot cross any boundaries: we could fight the gangs much better by creating a European FBI.

Air traffic control: planes in European airspace could save fuel and emissions by a straight flight-path instead of zigzagging according to 27 national controls. Grids for electricity, gas and oil could be connected across Europe. Development Aid should be coordinated rather than the present duplication of 27 separate aid programs.

Why are these improvements not happening already? The Lisbon Treaty moved all Europeans a little towards

more effective decision-making together, but it was not enough. We still suffer from a lack of central co-ordinated leadership in a world which is changing fast and not in our favour.

The basic problem is that the 27 national governments only agree on the lowest common denominator between them. Even when the 27 national governments make commitments to work more closely together, they often fail to live up to their promises. There is a blinkered un-informed approach by too many MPs in their national parliaments. They do not like to face up to the current predicament of all Europeans. And if national MPs don't like to understand the arguments, how can it be sensible to give the right to voters to decide such big questions in a referendum?

In the powerful European Parliament, Conservative MEPS are totally marginalised and without any influence due to Cameron's foolish mistake of leaving the alliance of centre-right political parties.

The problem is that Europe is falling behind the rest of the world. We could catch up - but only if we pool our efforts and put nationalism behind us. The sooner the better.

## Tar sands: Canada warned to 'back off' by MEP

**A North West Lib Dem Euro MP has warned Canada to "back off" from demands to ignore the high carbon emissions from tar sands for oil production.**

Chris Davies MEP told the European Parliament that Canadian politicians had been "doing the rounds" to lobby against any sanctions, and were threatening the possibility of a trade dispute.

Tar sands are deposits of semi-solid crude oil found mainly in Canada and Venezuela. They can be processed to produce synthetic crude oil but only by using large amounts of energy and fresh water.

Chris slammed Canadian business and politicians for pretending that extracting petrochemicals from tar sands carries no extra environmental impact. He said: "Canada needs to back off. Relations between Europe and Canada are close, but it has broken its commitment to reduce

carbon emissions and cannot expect us to ignore the consequences of its polluting activities.

"Oil from tar sands can only be made by using huge amounts of natural resources and that needs to be reflected in official assessments of the damage tar sand mining causes to our environment.

Canada's aggressive lobbying of Governments and MEPs shows how worried they are about competing with cleaner fuel sources but I am worried that there are signs that the UK Government may have been fooled."

The EU directive assigning a rating to fuel sources according to how energy intensive their production methods are is due to be finalised in July 2011.



# MRI scanners look to be 'safe' under new law

Doctors and Lib Dem MEP Liz Lynne are celebrating progress in a long battle to exempt MRI hospital scanners from being 'effectively banned' by a proposed EU directive.

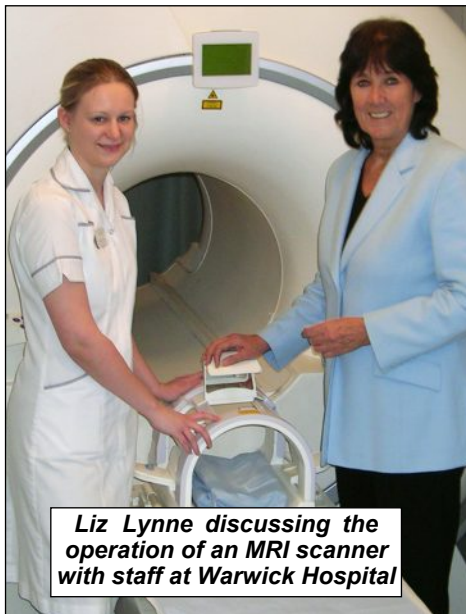
The West Midlands MEP has welcomed news that the EU Commission has agreed to exclude magnetic resonance imaging (MRI) technology from the limit values within the Electromagnetic Fields Directive. As first drafted, the Directive would have drastically affected MRI scanners from 2012.

Exposure limits to guard against theoretical safety risks would have restricted the time operators were able to spend near MRI machines in use and prohibited new uses of MRI technology pioneered by UK hospitals, such as treatment monitoring.

Liz Lynne, Shadow Rapporteur on the directive for the ALDE group of MEPs, said: "I am delighted that it looks as if we have finally won a reprieve for MRI technology. Originally, the directive would have effectively banned MRI scanners, which would have been a disaster. The health of workers is already protected by existing safety standards.

"When it previously went through the Employment and Social Affairs Committee I fought very hard to have MRI scanners removed from the remit of the directive.

"I was unsuccessful at the time as all the other political groups didn't believe there would be a problem. They pushed it through without listening to the medical evidence. Fortunately the Commissioner listened to the lobbying from myself and medical professionals and decided to delay the legislation until more evidence could be looked at."



## LIFESAVERS

"The recommendation from experts is overwhelmingly against restricting the use of MRI scanners. These are vital machines which can save lives; limiting their use would mean doctors resort to less successful, more dangerous procedures." The new text will now go to Parliament for consideration.

Commenting on the possible effect of proposals for exposure limits to electromagnetic fields in industry, Liz added: "We need to look at this carefully. Any limits on commonly used processes must be proportionate and based on up-to-date scientific and medical evidence."

# Time to stop testing of cosmetics on animals

Lib Dem Euro MPs are insisting that all use of animals for testing cosmetics must end within two years.

EU legislation to ban animal testing was approved in 2003. It set deadlines for the phasing out of the practice. Most substances used in cosmetic products like sun creams, deodorants and toothpaste now gain approval without the use of animals, but manufacturers claim that some requirements can not be met by the final 2013 deadline.

Chris Davies MEP, who helped to negotiate the original legislation says that there should be no relaxation of the ban.

"I accept that there are difficulties, but since we introduced the EU law great progress has been made and many non-animal tests have been developed. We made a pledge to end the suffering of animals used to make products intended mostly to flatter human vanity. There is no good reason why that pledge can not be kept."

Davies recently organised a meeting with European Commission officials and industry experts to discuss how to make progress.

Simon Duffy, Founder of Bulldog Natural Skincare and a speaker at the event, commented: 'As a leading natural skincare company, which has always been highly committed to not testing its products or ingredients on animals, we call on the EU to honour its commitment to introduce a full ban in 2013.'



## Mladic arrest is a turning point

Liberal MEPs have welcomed Serbia's arrest of war crime suspect Ratko Mladic.

"It is extremely important that Serbia found and arrested Ratko Mladic on its own.



"It took much too long to happen, but it is significant that it happened now.

"This development heralds a new dynamism in the region and will contribute to more positive political perspectives for the future.

"I commend the commitment of Serbia's President to arrest Goran Hadzic another war crimes criminal who remains at large." said **Jelko Kacin**, EP rapporteur for Serbia.

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# Lib Dem EuroFILE

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## Join ELDR!

Edited by Phil Bennion, the *Eurofile* magazine is supported by ELDR - the alliance of European Liberal, Democrat and Reformist political parties.

In an exciting initiative *Eurofile* warmly welcomes, ELDR has now launched **Associate Membership** for individuals. The scheme is a great way to show support and share the European liberal values of freedom and individual responsibility, democracy and the rule of law, respect for human rights and tolerance. For ELDR, it is a new way to engage interested European citizens in the role and activities of our Party.

Membership is 25 € per year, which gives you: an *Associate Membership* card; home delivery of the quarterly ELDR newspaper; the ELDR electronic newsletter; and personal invitations for selected events. For details and to sign up, visit [www.eldr.eu](http://www.eldr.eu).

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