

The Europe that died

And the one that should live on

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FOR those who fancied that they were building a United States of Europe, a combined power with more people and a bigger economy than the United States of America, the double “no” to the European Union's constitution from France on May 29th and the Netherlands on June 1st has been a cruel collision with reality. And yet ratifying the constitution was never going to be easy. Although legally just another treaty, the lengthy text consolidates all previous treaties and adds new powers for Brussels, a combination that invited opposition. With 11 countries putting the result to a popular vote, it was always likely that at least one would say no. And, because it required approval from all 25 EU members, that made it unlikely that the constitution would ever enter into force.

Yet neither this analysis, nor a string of negative opinion polls, has made the unequivocal noes from France and the Netherlands seem any less shocking. For the first time, voters in two founders of the European project have decisively rejected a European treaty. Euro-enthusiasts may insist that the French and Dutch were expressing displeasure with their governments, gloom over their sickly economies or fears of foreign competition. Yet nobody who observed the French and Dutch debates could claim that the EU was peripheral to voters' concerns. That such big majorities have rejected the constitution points to a profound grassroots dissatisfaction over how Europe's political elites have steered the EU.

The French president, Jacques Chirac, has responded in time-honoured fashion by picking a new prime minister, Dominique de Villepin, as classic a specimen of the elite as it is possible to find (see [article](#)). That augurs ill for the conclusions that Europe's leaders will take from the voters' anti-elite message. Too many are still insisting on proceeding with ratification of the constitution elsewhere. Yet the decisive French and Dutch noes have killed the constitution stone dead: there is surely no prospect of these two countries being asked to vote again, as Denmark and Ireland did on previous occasions (see [article](#)). To insist that the Danes, Irish, Poles, British and others must still vote is like asking doctors to operate on a corpse in the vain hope of resurrecting it.

It would be equally wrong for EU leaders to rush to salvage the bits of the constitution of which they are especially fond. The EU may well need a more coherent foreign-policy set-up, a new voting system for national governments in the Council of Ministers, a smaller European Commission and more democratic and transparent law-making. Some of these could be introduced without treaty amendment (and hence with no need for tricky national ratification). Yet to adopt any such changes now would be seen as so contemptuous of the voters' wishes as to invite a still more explosive anti-elitist backlash.

Rather than indulging in more backroom bargaining, Europe's leaders should draw two broader lessons from the French and Dutch noes. The first is that rejection of the constitution signals that the dream of deeper political integration and, in the 1957 Treaty of Rome's famous phrase, “ever closer union”, is over. Instead the EU should move in the direction of being a looser, less federalist and more decentralised club. The French and Dutch votes also surely rule out the creation of a more integrated core of a few countries, including these two, that moves faster than the rest towards a political union.

The second lesson is that the club must pass more powers back to its members, to make the EU's supposed "subsidiarity" principle (decision-making at the lowest sensible level of government) a reality. It is true that opponents of the constitution have displayed contradictory views—some wanting more economic liberalism and freer markets, others a social Europe with more fettered markets. But the only way to accommodate such diversity of views is to give countries a choice. If Britain, say, wants to keep its labour markets free of unnecessarily burdensome rules on working time or job security, it should be allowed to do so; if France prefers to do more to protect those who are in work, it should be free to do that too. Neither side should be able to impose its policies on the other.

An exercise in damage limitation

This is not to say that there can be a free-for-all without a referee. Even opponents of the constitution mostly accept the EU's single market, which embodies the Rome treaty's principles of a free flow of goods, services, labour and capital. Such a market requires policing, for instance of state aid to companies, curbs on migration or the application of competition rules. The government of Mr de Villepin, who is no economic liberal, may now be tempted to test the boundaries of what obstructions it can place in the way of EU rules. The risk of damage to the single market is significant: it behoves Europe's leaders, and the European Commission, to avert it at all costs.

Such damage limitation is most pertinent when it comes to the new countries of central Europe that joined the EU in May last year. The wisdom and consequences of the club's past and future enlargements featured large in the no campaigns in France and the Netherlands, with much talk of competition from Polish plumbers and the loss of jobs to the east, and much hostility to the prospect of Turkish entry. There is a big chance, after the French and Dutch votes, that Europe's leaders will turn against further enlargement of the EU—and even that they may renege on the admission of Romania and Bulgaria in two years' time. They may also scrap the planned start of entry talks with Turkey in early October.

Enlargement has been easily the most successful EU policy of all. Taking in ten members last May has helped to create a zone of peace and growing prosperity on the EU's borders, and also imported much-needed economic dynamism into the old continent. Similar points can be made in respect of the Balkan countries—and for Turkey. Turkish entry would also bring large strategic benefits, helping to defuse tensions between the West and the Islamic world. It is true that Europe's voters remain to be persuaded of any of these points, but that is at least partly because their leaders have barely begun to explain the case for enlargement. Given that France and others may well put any further expansion to referendums, politicians need to learn some better salesmanship fast.

However, the biggest single lesson from the French and Dutch referendums is the pressing need to get Europe's economies to grow and European unemployment to fall. It is economic and employment failure, especially in the core countries of the euro zone, that lies at the root of voters' dissatisfaction both with their leaders and with the EU—a point confirmed by the deep unpopularity of the Schröder government in Germany and the Berlusconi government in Italy.

The cure for this failure is easy to prescribe: economic reforms and further liberalisation, which have worked in Britain, Ireland and the Scandinavian countries. Such reforms are being promoted by the commission under its Lisbon agenda, including its much-abused directive to liberalise trade in services. Yet the leaders of France, Germany and Italy now have a fundamental objection: that their voters turned against them precisely because they tried, somewhat timidly, to bring in reforms (the EU services directive was demonised in the French referendum campaign). Many European leaders are now even less likely than they were to pursue the Lisbon agenda or to implement economic reforms at home.

That is highly regrettable. It is also unlikely to bring success, because it will perpetuate the low growth and high unemployment that are surely more to blame for governments' unpopularity than any reform. But a final lesson from this week's votes is that it is no longer any good seeking to impose reform from outside, whether via the commission, the European Central Bank in Frankfurt or preaching by Britain's Tony Blair. It is only when countries' own leaders grasp how essential reform is to their economies—and to their own chances of electoral survival—that it will happen. Subsidiarity, after all, must enable countries to pursue wrong as well as right policies.