# CLUB OF THREE

Record of Inaugural Meeting
Spencer House, London
8/9 March 1996

## Meeting agenda

Friday 8 March

17.30 – 19.00
Opening session: What Club of Three?
Session chair: **Lord Alexander of Weedon**, Chairman, National Westminster Bank

Presentation by **Dr. Josef Joffe**, Political Editor, Süddeutsche Zeitung, and responses from **Sir Christopher Mallaby**, British Ambassador to France and **Mr. Daniel Vernet**, Foreign Editor, Le Monde

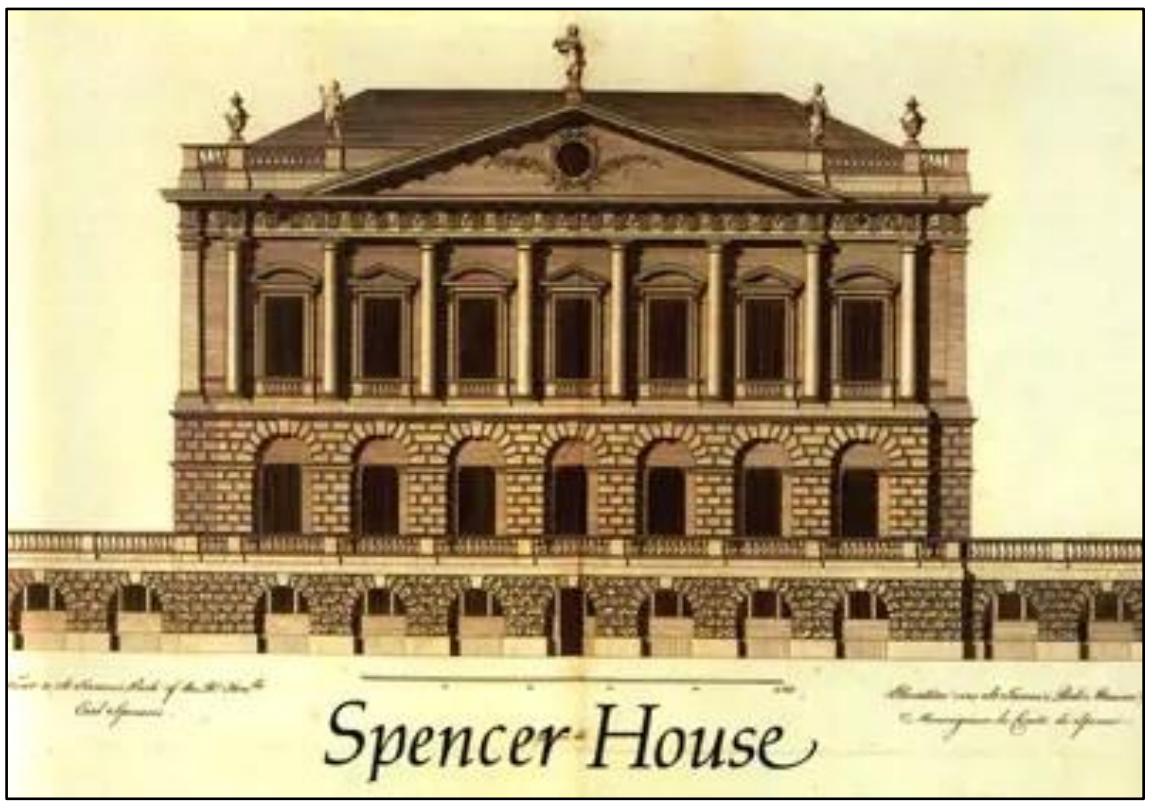
Exploratory questions:

- Are we Three or are we Two-and-a-half?
- Did trilateralism ever exist?
- Can it exist, given the varying dynamics of EU, NATO, and Franco-German alliance?
- Is trilateralism more desirable or feasible now than in the past?

19.00 – 20.00 Break

20.00 – 21.20 Dinner

Keynote presentation by **Lord Jenkins of Hillhead**, and responses from **Professor Karl Kaiser** and **Dr. Dominique Moïsi**




Inaugural meeting hosted by Lord Rothschild, Chairman of the National Heritage Memorial Fund and RIT

The State Rooms, Spencer House

Opening session

# What Club of Three?

Lord Weidenfeld opened the conference, saying it was a timely and important moment for representatives of Europe's three leading nations to come together. The European orchestra was playing out of tune, to sloppy tempi, and differing versions of the score. There was an urgent need for more rehearsal to achieve a real concert of Europe. It was suggested that the approach in this Club of Three forum would be sceptical, agnostic, enquiring, but not neutral. There were moments they were momentous events in prospect within and beyond the EU. **Britain was not part of the central axis of European power, dominated by the impressive alliance of France and Germany. Should it seek to join them?** Would Europe be more powerful if trilateralism were more effective? These were the tantalising questions for the group to explore.

One of the participants from Germany pointed out that, as shown in Truffaut's film "Jules et Jim", two was company and three was a crowd. Triangles were inherently unstable, its members doomed to separate or gang up on each other. On the other hand, others like Bismarck were strong believers that politics on the European chessboard was a business best handled *à trois* - though Europe at the time had five major powers. **France, Germany, and the UK were a postmodern trio, roughly equal in size power and influence.** None would defer to the other.

This was part of the explanation for Europe's dismal performance in Bosnia. Richard Holbrooke, the U.S special envoy, stood on the shoulders of a real superpower, and **it had been easier for the three to submit to a superpower than to each other.** They were best at working together when their interests coincided - as for instance France and Germany on Economic and Monetary Union, or Britain and France when eventually they saw their common interest in Bosnia. As Germany's weight and confidence increased through the end of the Cold War and the changing political geography of Europe, it would need France less. This would presage greater flexibility and ad-hoc-ery. **To the extent that interests coincided, there would be good co-operation within the triangle.** But shared interest would bring them together, not the rules of a club. As for Britain, it did not wish to be a part of any club just now. The mood was dominated by a feeling of separateness, hostility, even fear, perhaps not in business and the quality press, but certainly in other parts of the elite. **As of now, there was indeed a Club of maybe Two-and-a-half...**

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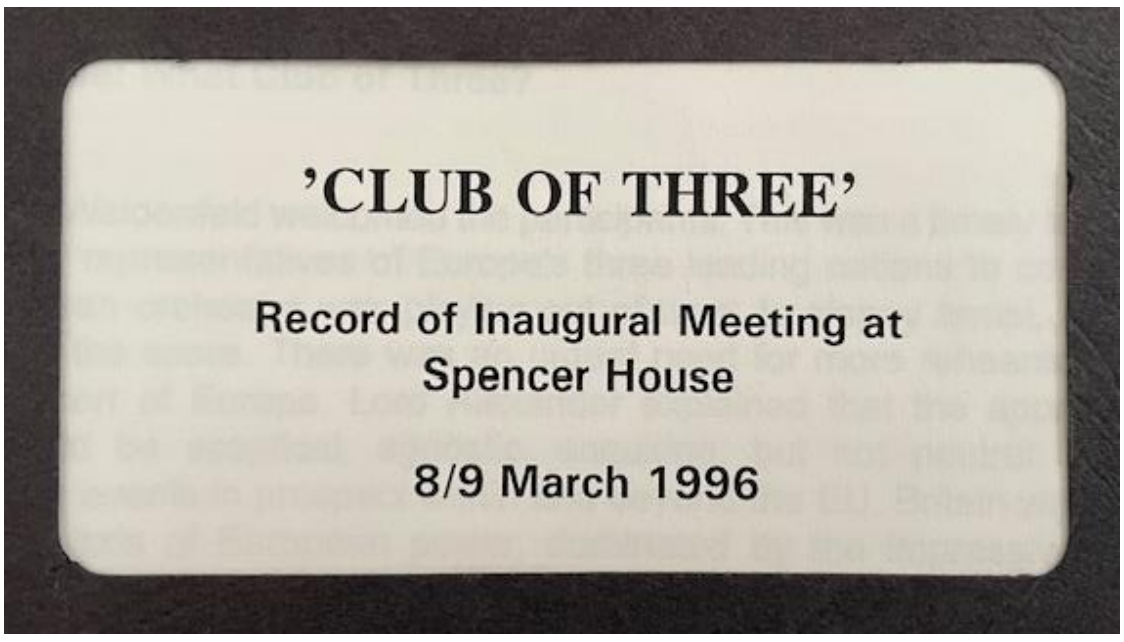
A British diplomat said it was clear that individual European nations did not have the clout required in the modern world. It was entirely logical that the leadership of Europe should derive from three powers representing 56% of the population, 64% of the wealth, and 48% of the armed forces. **There was an apparent option for the UK to go off to pursue a vision of being a mid-Atlantic European "tiger" on the basis of open markets and financial services. Equally, France might turn in on itself to be more statist and protectionist; Germany could outdistance its partners, dominate the EU and look to Central and Eastern Europe.** But this was all unlikely.

**France and Germany shared an overriding political commitment to work together**, and would make concessions to each other to preserve their joint role as the motor of Europe. They were committed to the CAP and at elite level to the EMU. **France and the UK agreed on the importance of the nation state, their global roles, and the need to resist supra-nationalism from Brussels. The UK and Germany were united against protectionism, and in favour of competition and subsidiarity.** All agreed on the Single Market, EU budget discipline, the need to work together on peacekeeping operations and the need to create an effective EU post-enlargement.

**With France moving towards NATO, Germany accepting out-of-area military activity, and the UK accepting a joint policy in Bosnia, there were hopeful signs that they could all move closer together.** The three had to make common cause at the Intergovernmental Conference (IGC) on matters like greater weighting of votes for largest states, the size of the Commission, and an effective Common Foreign and Security Policy (CFSP).

**For the Club to realise its potential, each member still had some way to go. The UK had to understand better the game of give and take** and recognise that the U.S would cherish Britain more if it was fully engaged in the EU. **France should not be so obsessed with fear of Germany and should recognise that including Britain in the leadership of Europe would be more likely to turn them into good Europeans than rejecting it. The Germans should play down their supra-nationalism and accept the nation state more explicitly, be less be less nervous of military power.** They should recognise that the world was much bigger than Europe. **Greater flexibility between the three was the only way to a more powerful Europe which could hold together.** Promoting their interests through trilateral co-operation, which had never been properly tried, would make the whole greater than the sums of the parts.

A French journalist pointed to the failure of the 1961 Fouchet Plan which had set the pattern for France and Germany persisting with the European adventure when Britain dropped out - which had happened in 1972, 1981, 1986 and 1993. Britain still had a fundamentally different conception of Europe's shared future. Even where the UK and France agreed on the detail, as on weightings for qualified majority voting (QMV), or the role of the European Commission or of the Parliament, their approach to Europe's role in the world was different.




Record of inaugural meeting (Original copy)

This did not exclude close co-operation on subjects like Bosnia or nuclear weapons. But the underlying approach was not the same. **There was a need for fundamental agreement on the legitimacy of the European Union.** France's relationship with Germany had been far closer, both before and after unification. It was not a Club of Three if there were two sets of bilateral relations, say France and Germany on monetary union, and the UK and France on defence co-operation. Each of these dialogues had to be opened up to the third partner. The Club would not itself create the common interests, but it might yet be possible to create the Club on the basis of a common view of Europe and the world.

A German minister present brought two practical arguments: **there could not be a Club of 15 on foreign policy questions, and leadership had to come from "the Three".** But by the same token, not everyone in the Union seemed to be ready to share the responsibility linked with such policy. A French industry representative said that Europe had yet to absorb the significance of recent events: **the fall of the Soviet Union meant that the U.S would not always be there when we needed them, as we had seen in ex-Yugoslavia. Our social and economic systems were in crisis and there had to be a unified European response, including the UK if possible.** We would have to work hard to avoid the unravelling of what already existed: **on Single Market questions, the EU was far more liberal together than the member states individually.** There had to be QMV on CFSP questions. The Franco German document from Freiburg was disappointing for its lack of ambition.

A German academic was disturbed by a shift in the presentations into old-fashioned balance of power thinking. They had been descriptive of the realities of recent years, but insufficiently attentive to the key question: what could the Club of Three do to address the real problems of "internationalised facts" which Europe faced. Common interests were not always obvious. France and Germany had worked so well together on the basis of their common political will. The question was whether the UK was able and willing to work with this European framework.

A British diplomat said this hit the nail on the head. Britain was the handicap, an undesirable partner under the Conservative government of John Major. Germany thought that further QMV was essential and the French were going along with this. The only hope lay with a new British government.

A New Labour representative agreed with this, unsurprisingly. **Closer co-operation would also be helped by a change of generations** and a change in approach within Germany. The alternatives to co-operation were either being overrun by the Franco-German juggernaut, tryng to

undermine the juggernaut, or seeking alliances with other Europeans - all unattractive options.

A British diplomat noted that the language of these exchanges: interests, co-operation - but not power. Influence in the world would flow from power, and QMV was not the route. It would simply diffuse power. UK and French co-operation in Bosnia had showed how efficient machinery could be set up. This had to be done more widely through more sustained policy consultation, and *à trois*, if the three countries' collective muscle were to be exerted.

A German government official added that the CFSP would not become a classical EC pillar but could perhaps be better compared with the UN Security Council in the way leadership could be exercised. The terms of political trade were not working so much in favour of Germany, as against the UK. It was in many areas, though not all (e.g. Bosnia), a reluctant partner. He agreed that the key question of the CFSP was not about QMV but about how 'the Three' could project their influence and power in exercising their common interests.

A senior international policy expert from France thought that the exchanges so far were confusing two tasks: to prevent UK self-isolation on the one hand, and to break the deadlock reached in Europe on the other. There was indeed too much 'balance of power thinking' in the room. **The 19th century type of balance within the triangle was irrelevant to the major task of balancing Asia commercially in the world. More global influence would require less sovereignty at home.**

A British business representative remarked that **the language spoken by participants from France and Germany - the European framework, the European train, forming Europe etc - had no resonance for UK elites, business, political or journalistic.** In the UK, people were pro-European for pragmatic reasons, for instance, better environmental standards. When Edith Cresson had said at the Confederation of British Industry that the issue was either more Europe or more Germany, this message had been unintelligible to the British. **The visionary, abstract concept of Europe was not for the UK.** People were more likely to ask if integration could be put on hold for 15 years - and this attitude would be shared by any Labour government.

A British MP and former Minister said that there was no chance of the UK accepting the EMU without a referendum, which should in any case be about the totality of Britain's relations with Europe. More important was to rescue what was worth saving in the existing EU, much of which was bad. The UK was not the only country with problems: France, Germany, Italy, and Spain had their own structural weaknesses and instabilities. Much more attention needed to be paid to inward investment. These countries needed to trim their ambitions and consolidate what they had.

A French business leader pointed out that competitiveness and the world beyond Europe were the holes in the discussion so far. Businesses were looking ahead while politicians looked at their feet. **The European Round Table of industrialists had agreed that the construction of Europe on the basis of the EMU was essential. Without it, Europe would lose the battle of competitive advantage to others.** A senior British banker agreed.

A former British government official reminded New Labour that a Labour Prime Minister, Harold Wilson, had run a mile when offered a place in the Directoire during the Soames affair of 1969, when the French President had suggested a partnership with Britain in a larger and looser European Union run by a Directoire of major powers. **Britain should not press its nose up against the windows at the Franco-German party, nor should the U.S be excluded given their vital role in European defence, especially at a time when European defence budgets were in sharp decline.** He added that the Europeans should not go on about Maastricht and QMV when competitiveness was at the heart of the issues facing Europe.

A German business representative said that **continental business people understood why Britain did not want to integrate into a social framework they did not like. There was concern in Europe about government policies which did not promote competitiveness. But the UK inside the Club would reinforce the overdue winds of change.**

A British financier and industrialist agreed that **the ability to project military power was vital. Were European countries ever going to commit the necessary resources as the U.S was willing to do?**

For a German university professor, the question was not whether the UK should be invited to partake of the pleasures of Franco-German bilateralism. It was a question of rethinking the structure and developing a mechanism for 'the Three' to lead an enlarged union. A German banker agreed that the process of enlargement gave the Three natural roles, with France speaking for the Mediterranean, the UK for the Nordics, and Germany for the Central Europeans. **This was not a delphic tripod but a new framework for communication. Britain had shown over the Single Market that it could come at a problem in its own way and push the others into activity – this could be done again.**

A British industrialist observed that Europe had organised itself politically in a way that was at odds with its economic organisation. The Club of Three was the dominant industrial powers and should have a fundamental role in the political community. It should work to protect market freedoms and extend Europe's competitiveness. **If the Three failed to create wealth by opening up markets, they would lose their common culture. Power was often, as many speakers had noted, a military question. But it more often had to do with money and economic strength.**

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## Dinner at Spencer House

Lord Rothschild presided over a working dinner. Discussion was rich, anecdotal and informal. A former President of the European Commission made a number of points that were valuable in stimulating further debate:

- The Franco-German duo had called the shots in Europe for some time and still set the tone. It had tended to work best with a rightist French President and a leftist Chancellor, or vice-versa, but not when the Heads of Government were of the same political stripe.
- While Königswinter continued to thrive, **UK/French links were as thin as one could remember. This had to be remedied. The Eurostar may thunder to and from London and Paris six times a day, but it carried no books. There was no intellectual cargo.**
- British policy in recent years reflected in equal measure the views of Lord Salisbury ("Most things don't matter very much and everything else doesn't matter at all") and of U.S Secretary of State Dean Acheson ("Anglo-Saxon law's deleterious effect on political aspiration..."). Britain should not stand on the sidelines of Europe as this made it very difficult for the British to decide if they wished to take part or not.

In response, a German academic stressed the contradictions in the global environment: interdependence growing

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## Meeting agenda

Saturday 9 March

10.45 Coffee

11.15 Main session: The Intergovernmental Conference (IGC)
Session chair: **Professor Werner Weidenfeld**, Member of the Board, Bertelsmann Foundation

Presentation by **Mr. Bruno Racine**, Diplomatic Adviser to French Prime Minister Alain Juppé, and responses from **Herr Joachim Bitterlich**, Ministerialdirektor, Federal Chancellery, and **Dame Pauline Neville-Jones**, Senior Adviser to Carl Bildt and former Political Director, UK Foreign Office

Suggested themes:

- Maastricht 2: How can we prevent another crisis of confidence in the EU?
- If it was not required by Maastricht, would we want an IGC now?
- Does enlargement necessitate an IGC?
- Are we in danger of institutional and policy gridlock, with all the claims on the EU in the late 1990s?
- Can the EU be multi-track and multi-speed?

General discussion, asking whether lowest common denominator of what can be agreed is enough to preserve EU momentum.

13.00 Formal close to meeting

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alongside fragmentation; co-operation co-existing with anarchy. Our vulnerability to crisis was greater than during the Cold War. According to the World Bank, **seven of the fifteen major economic powers in the world would by the year 2020 be Asian. Our prosperity would be crucially dependent on them, especially China.** But with its many unresolved conflicts, Asia was now far more heterogeneous than Europe. **Europeans' past would be Asia's future if they did not learn from us the rules of institutional behaviour that we had adopted in recent years.** Here was a task for Europe far more important than QMV, and it required leadership from Europe's three major democracies.

On the weakness of Franco-British relations, a French participant commented that the elites from the two countries had too much in common. They were probably the most arrogant elites in the world. In comparison, the Germans had been humbled by their history. **At Franco-British meetings there was usually intellectual agreement but a lack of emotional rapport verging on indifference.** Franco-German relations were filled out by more geography, more history and more passion.

**Europe for the past fifty years had been defined by the absence of the British. Their pragmatism and their feeling for democracy had been sorely missed. France and Germany needed a third partner if the dangers of competitive bilateralism were to be avoided.** The British political class remained victim of its own success two generations before.

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## Final session: The Intergovernmental Conference

*Note: The IGC of 1996 took place in Turin on 29 March. Its aim was to revise the Maastricht Treaty. This important summit ultimately led to the signing of the Amsterdam Treaty of 1997.*

During the Friday discussions, a French diplomat spoke up for a relatively short conference to end in early 1997. It may be lacking in excitement but should not be lacking in ambition. Its goal was to deepen and adapt the institutions of the EU in preparation for enlargement. The EMU should not be re-opened. The process had to be seen to reflect the views and interests of ordinary people. This meant stressing subsidiarity, involving national parliaments, developing coordination on Home Affairs and Justice, and perhaps creating a Human Pillar to pull together issues of direct concern to people: citizens' rights and European citizenship.

There would be close consultation between France and Germany, especially in working for a more visible and determined CFSP. Priorities included strengthening the institutional framework, re-weighting the votes in the Council to reflect the importance of largest states, extension of the fields covered by QMV, and promoting democratic accountability. Specific proposals might include a High Parliamentary Council, and an EU High Representative on Foreign Policy who could serve for a number of years. The capacity to act could not be hindered by the need to proceed at the pace of the slowest. There had to be cooperation among the most willing. **The IGC had to reunite the European family, without constraining its ability to move ahead.**

A German government official said that the possibilities for Europe were greater than ever and Euroscepticism was quite out of place. Less attention needed to be paid to phantom debates about a European superstate or a United States of Europe, and far more to the attractiveness of the EU to outsiders. One had to look, for example, at Central and Eastern European countries or the U.S reaction to the EU/ASIA Summit in Bangkok of March 1996 - impressed and a little disquieted by its success. Further integration, in tandem with enlargement, was the way of living up to our European identity and realising the vision opened up by Churchill in 1946. Coming generations had to be given a reason to believe in this vision. **The Europeans had to show Europe could count in the world, that it could speak with one voice, and that it could pool its resources to promote their common interest.**

Amongst priorities at and beyond the IGC, CFSP ranked high, especially in light of what had happened in ex-Yugoslavia. There was a need for better instruments and structures, not necessarily a High Representative, but some machinery to enable the Europeans to mobilise fast in defence of their own interest. The U.S, for instance, had within 48 hours of the latest wave of terrorism in Israel proposed a programme of action. We had no capacity to react that fast - but we should not rely on the U.S to police our continent. Another priority was the area of Home Affairs and Justice: the Single Market could not be favouring disproportionally the criminals and the drug-pushers. Decision-making procedures had be streamlined and made more transparent, the competences of the European Parliament further improved, and national parliaments better involved. The co-decision process was complicated and impenetrable. Subsidiarity could be used to ensure that decisions were taken

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at the right level. A degree of flexibility was fine but it should not result either in a *à la carte Europe* or a Europe where the convoy moved at the pace of the slowest ship. This broad approach, a realistic and pragmatic one, was reflected in the Commission's IGC paper, and pointed a way forward to accommodate the new members that enlargement would bring. Whatever came of the IGC would be a compromise and would be criticised. But this was no reason to be pessimistic. The IGC could and would represent a positive step.

**A British diplomat questioned the underlying approach of those who believed Europe must stay in perpetual motion or it would grind to a halt.** The ideological assumption that the EMU had to go ahead in 1999 at all costs was wrong. It was also wrong to suggest that there was nothing more to discuss apart from the sales pitch. **Would the EMU lead to greater flexibility in labour markets? Possibly, but quite possibly not.** Everyone seemed to agree that big fiscal transfers would have to occur - but were those willing to see big rises in the EC budget prepared for the macro-economic consequences this implied? Huge transfers of sovereignty were not necessarily a bad thing. But we should not pretend that they were not huge.

The danger was that what should be a unifying project would divide and break up the Union. Putting up tariff barriers between the EMU inner core and the rest would be destructive. The Europeans needed to attend to the big CFSP issues Russia and ex-Yugoslavia, and the questions raised by the next two waves of enlargement. In these areas, close cooperation between the main players was vital. The small countries might object, but there was no theoretical reason why a directoire of Britain, France and Germany should be a less acceptable way of running Europe than a Franco-German "motor" or an EMU "hard core". In practice, the small states had created difficulties in solving problems, notably over Bosnia when their attitude to Contact Group efforts to break the deadlock had constantly been "not without us**". Serious policy-making had to be based on who made the real inputs.** The coming debate, particularly on NATO and its enlargement, would be about resources.

**Within the EU, too many of the hard choices were being ducked.** There needed to be an overhaul of the Common Agricultural Policy and of the structural funds. **It was assumed that ratification of the IGC outcome would be unproblematic. It would not. A multi-speed, multi-track EU was in the making whether we liked it or not.** The IGC was just one part of a broader picture where a great deal of fundamental policy work remained to be done.

Another British diplomat agreed that too much should not be expected of the IGC. There were other ways of achieving progress, especially on the CFSP. Similarly, expectations of enlargement should not be raised too high, since we did not know who or when. On some things, the UK would agree more with France, on others more with Germany; sometimes it would agree with neither (e.g. QMV). **The truth was that Europe needed a framework for a cohesive and effective Union. Ideas which enhanced division or implanted rigidity would be wrong.** The Europeans needed to embrace their diversity with imagination and tolerance, with a view to making the Union stronger over time. Part of this was greater transparency. **Selling Europe was not just a question of marketing but of convincing people.** Communicating complex ideas and sound-bites was difficult. But **the "peoples of Europe" mentioned in the Treaty of Rome should be kept constantly in mind.**

**A French foreign affairs expert said that the unpopularity of the EU was not just to do with bad public relations. There were objective problems with its performance, whether on unemployment or Bosnia.** Among decision-makers, there was a difference between business people who thought globally and politicians who thought nationally. In time of crisis, the instinct to act nationally was all the stronger. We were all most happy to share with others what we did not really possess: Germany its foreign policy, France its monetary policy, Britain its non-existent social policy. **Policy on Russia was a good example of what we could do together if we tried: engage where we could, contain if we had to.**

**As a good example of the difficulties, a German business representative pointed up to the contradiction between France's public sector mission, and Europe's struggle for competitiveness.** A German journalist agreed that some of the best European ideas were extremely difficult to communicate, notably subsidiarity. **The European Parliament certainly had no popular base and should be abolished to make way for a parliamentary forum** along the lines proposed by a French diplomat. **The main problem for the Germans was that their contemporary political correctness made it impossible to invoke the national state too enthusiastically,** nationalism having been discredited by history. Germans were at peace with themselves. Maybe German public opinion could join this debate about Europe if Euroscepticism did not come across as so portentous and offensive. But **the effect of this all was that no serious German could own up to Euroscepticism.**

## Participants:

**Joachim Bitterlich**, *Federal Chancellery*
**Dr. Hubert Burda**, CEO, *Burda GmbH*
**Dr. Gerhard Cromme**, *Krupp AG*
**Johannes Gross**, *Kapital-Magazin*
**Dr. Peter Hartmann**, *State Secretary, Ministry of Foreign Affairs*
**Dr. Walter Hohlefelder**, *VEBA AG*
**Dr. Josef Joffe**, *Suddeutsche Zeitung*
**Professor Karl Kaiser**, *Bonn University*
**Dr. Eberhard von Koerber**, *ABB*
**Hilmar Kopper**, Chairman, *Deutsche Bank*
**Dr. Klaus Mangold**, *Daimler-Benz*
**Michael Mertes**, *Federal Chancellery*
**Frau Liz Mohn**, *Bertelsmann AG*
**Dr. Günther Nonnenmacher**, *Frankfurter Allgemeine Zeitung*
**Stephan Sattler**, *Focus Magazine*
**Professor Werner Weidenfeld**, *Munich University*

**Charles de Croisset**, *Crédit Commercial de France*
**Jean Gueginou**
*French Ambassador to the UK*
**Franz-Olivier Giesbert**, *Le Figaro*
**François Heisbourg**, *MATRA Défense/Espace*
**Maurice Lévy**, *Chairman, Groupe Publicis*
**Dr. Dominique Moïsi**, *Institut Français des Relations Internationales*
**Jérôme Monod**, *Lyonnaise des Eaux*
**Bruno Racine**, *Diplomatic Adviser to the French Prime Minister*
**Louis Schweitzer**, *Chairman, Renault*
**Daniel Vernet**, *Le Monde*

**Lord Alexander of Weedon**, *National Westminster Bank*
**Gilbert de Botton**, *Global Asset Management*
**Sir Ronald Grierson**, Financier
**John Guinness**, *British Nuclear Fuels*
**David Howell MP**, *Foreign Affairs Committee, House of Commons*
**Michael Jay**, *Foreign Office*
**Lord Jenkins of Hillhead**, *Leader of the Liberal Democrats, House of Lords*
**Michael Maclay**, *Writer, commentator, and former British diplomat*
**Sir Christopher Mallaby**, *British diplomat*
**Dame Pauline Neville-Jones**, *Senior Adviser to Carl Bildt*
**Sir Charles Powell**, *Jardine Matheson*
**Jonathan Powell**, *Adviser to the Leader of the opposition*
**Viscount Rothermere**, *Daily Mail*
**Lord Rothschild, Chairman**, *RIT*
**Sir David Simon**, *Chairman, BP*
**Dame Susan Tinson**, *Independent Television News*
**J. Adair Turner**, *Director-General, CBI*
**Lord Weidenfeld**, *Weidenfeld & Nicolson*