

April 28<sup>th</sup> 2005

Dear Adriaan

The last paragraph of my letter to you of November 10<sup>th</sup> 2004 talked briefly of the uncertainty likely to be caused by a spring election in this country – and so that is what we are now in the midst of in this country, with May 5<sup>th</sup> being polling day. Ursula and I will cast our votes in the morning and that same evening we shall be at the Royal Opera House for a performance of Frederick Ashton's ballet, *Ondine*, which will be a far more agreeable way of spending the time than hearing constant updates on the outcome of the polls. One has to suppose that another Blair government will be elected, though there could be some surprises. A much smaller majority would be a welcome outcome if they do win and then on the next time round we would hopefully have a change from New Labour, though at times one has to wonder whether or not any other party – the Conservatives in particular – would have the political will to risk making the huge structural changes that every sensible person knows are required in this country (a) to reduce the enormous and ever increasing sums of taxpayers money that are “lost” in the National Health Scheme by scrapping the NHS and replacing it by a completely new health scheme, (b) to cut back heavily on overstuffed and unwieldy state organisations and government bodies and (c) as a consequence of resultant savings from these draconian measures, ease the tax burden on both individuals and businesses to more reasonable levels which, amongst other things, would allow individuals and companies to strengthen pension funding arrangements which are now hardly able to cope for younger generations. Only such enlightened measures will permit Britain's economy to survive in an ever increasingly competitive world. It is easy, of course, to see how these changes would help in the short to medium term but in long-term, the steady migration of manufacturing and production from the industrialised countries of Western Europe and the US – and the consequent negative impact on employment in these regions – one can only wonder how “western” economies will survive.

So at this point, I turn to the EU and the “new” constitution which is causing such political agonising in France and, I suppose, The Netherlands at the moment (the enclosed editorial article from today's London Times has a clear view on the subject – how do you react, I wonder). You will remember that I am at best disinterested in the EU and even more so now that it is so much larger in membership. The organisation becomes ever more regulated and the new constitution would only make this worse. The economic burden of development funds which are and have been used to enable the lesser developed countries to build their infrastructures is simply not sustainable – the so-called developed member countries have weakening economies so how, please, are they expected to continue providing the bulk of the funds into the future at the same time as creating sustainable opportunities in their own economies. So long as labour costs are lower in the new member countries, in particular the ones to the east, then manufacturing and production could move there rather than to Asia, but that is not likely to last that long as a realistic scenario. What a conundrum.... for all EU politicians and the Euro-bureaucrats in Brussels. Maybe they have a clear view of the



future and, for that matter, perhaps you do too. I do not, so it makes no sense for me to debate the matter any more! In fact, at my stage in life, the only selfish thing that concerns me is the financial one of ensuring that all investment funds that I deploy in UK equities are restricted to companies that have clear strategies of optimising manufacturing costs wherever deemed best in the world in such a way as to ensure that their products, whether sold domestically in the country of production or overseas, are both very competitive and profitable in their chosen markets. It was interesting to read in the FT a few days ago that General Motors is currently in discussion with a Chinese potential joint venture partner to establish a company in mainland China to produce GM model cars for the US market. Needless to say the auto unions were highly incensed at the possibility – not surprising since their members are about the best protected in the US, even the world I would guess, in terms of pensions and healthcare. Whatever the case, GM are right to be doing this as cars being built in Asia are steadily taking market share from the big three US auto makers – in spite of recent lobbying by the US government, the Japanese have refused to increase the prices of their cars sold in the US in order to make them less competitive than US autos.

On to other things. You say in your “December again” letter (which I remember came along with a fancy see-through wrapper card) – for which many thanks – that you are looking for multiple greetings from your friends throughout the year. Consider this letter to be a part of that scheme though I hesitate to commit to such frequency of contact. I see from your note that you are destined for Rome next month – that should be pleasant. You might catch a glimpse Pope Benedict XVI on his balcony if you are lucky. That certainly was a very swift election process on April 19<sup>th</sup> when he was chosen by the Cardinals – it was interesting and revealing to me that he admitted after all the celebrations that he had prayed to God not to be selected. At 78 one can well understand that he would have preferred to live out the rest of his life in gentle retirement and meditation, the more so when one considers the extent to which he was involved with Pope John Paul for all his years in office. I wonder, as generally predicted, if he will in fact maintain the same doctrinaire line of his predecessor. Perhaps not in light of the very divided thinking within the Roman Catholic church on various of the more contentious issues. In most respects, the Vatican – as indeed may be said for all the Christian churches – has a huge job ahead if it is to encourage a resurgence in Christian faith. Otherwise, how on earth can a balance be maintained against the probably increasing influence of the Muslim population worldwide.

There is little to report on the affairs of the Cook family. After our very active summer and autumn of 2004, we have spent the last few months not doing very much! Alastair (31 in January) finally moved to a new job on April 4<sup>th</sup> – a much better position and much better salary with the IT department of Allianz Cornhill Insurance at their UK head office in Guildford. He will remain in the flat he bought in nearby Godalming two years’ ago, only fifteen minutes drive from his new office. Julian finished the first part of his MBA course at the end of March and is now embarked on the work relating to his dissertation. This has to be presented by the end of 2005 with the MBA awarded, all being well, by the end of January 2006, by which time Julian will be approaching his 28<sup>th</sup> birthday. Hopefully, he will find himself a new job during the second half of this year based on the anticipated award of the MBA. Ursula and I are a little apprehensive.....particularly as Julian has yet to determine



just what he wants to do and in what sector. There will be much discussion on this topic after the end of June when he finishes at the business school at Cirencester. Whatever he eventually decides to do, he is confident that the combination of his four years at Accenture in IT consulting, followed by the three months on the Raleigh International Expedition in Costa Rica and Nicaragua, as a project manager and interpreter, and the MBA should make him an attractive candidate for employment. We have to think likewise! Meantime, we are scheduled to spend what has now become a routine five weeks in Spain in August/September and once again Alastair and Julian will join us for the middle week. We are very lucky that they like to come as it really makes for a very enjoyable family holiday.

Enjoy the rest of 2005 - let's  
hope that there are no  
unexpected dramas. Thanks, by  
the way, for sending us the  
nice announcement of the  
arrival of Tessa Albertine  
Leonie. What lovely names for  
your first grandchild.

Love to Vera + you from  
us both

Stuart



The future of the Union ■ By Olli Rehn

# Enlargement is a success story

**BRUSSELS**  
Europe's mood is gloomy, if not grim, after French and Dutch voters rejected the European Union's constitutional treaty. Now the EU and its member states must reflect on how to address the concerns of their citizens.

But a pause for reflection does not mean that the EU suddenly stops working. The EU has major responsibilities in ensuring security and stability, on its own continent and further afield. We cannot take a sabbatical from these without causing serious damage.

Some politicians have been quick to call for a slow-down or even a halt to the EU enlargement process. Certainly we need to pace ourselves after last year, when 10 new members joined the Union. But it would be irresponsible to disrupt a valuable process that is helping to build stable and effective partners in the most unstable parts of Europe.

If the EU goes wobbly about the long-term prospect of membership for Western Balkan countries, its beneficial influence will be seriously eroded just when the region is entering a very difficult period of talks on Kosovo's future status. The European perspective for the whole region is the key to finding a sustainable solution for Kosovo.

It is now up to every responsible politician to calm the overheated debate. The perception of enlargement and its consequences was there in the French debate, but it would be a misinterpretation to depict this issue as the decisive cause of the "no" vote. The sense of insecurity and social discontent stemming from high unemployment played a much bigger role. These problems long predated the arrival of a small number of Polish plumbers in the French labor market.

In the Dutch debate, there were likewise a number of socioeconomic factors at play. We must focus on

growth and jobs, most notably through investment in innovation and economic reform, and not draw false conclusions, making EU enlargement the scapegoat for the "no" votes.

Myths and perceptions aside, enlargement is a great success story. It has proved to be one of the most important instruments for European security. It reflects the essence of the EU as a civilian power; by extending the area of peace, stability, democracy and the rule of law, the EU has achieved far more through its gravitational pull than it could ever have done with a stick or a sword.

The membership perspective works as an extremely powerful incentive for reform. Look at Spain and Portugal in the last 20 years. Look at Poland and Estonia in the last 10 years. Look at Croatia and Turkey in the last couple of years — and follow them in the coming years to see what the prospect of accession can do to enhance human rights and push economic reforms.

Ali Babacan, Turkey's chief EU negotiator, said recently, "We shall review all our systems from A to Z to embed the rule of law in our country." The stability of Europe and the security of its citizens will be best ensured if countries strive to improve their governance and transform their economies because they want to enter the Union.

We have to take into account the concerns of those who consider that enlargement is moving too fast. Since the enlargement agenda is already stretched to its limits, we must be very cautious about taking on new commitments. But the EU was founded on the principle of sticking to one's word.

This means that Bulgaria and Romania will join the Union in 2007, if they fulfil the conditions. It also means that accession negotiations will start with Croatia and Turkey once the two countries meet the strict criteria.

We can best reassure the public by sticking to the membership conditions, and showing that future members will not disrupt the Union but reinforce it.

This has been my line as the EU commissioner for enlargement. While I hope Bulgaria and Romania will make it in time, I am prepared to postpone their membership if they do not implement essential reforms.

I would like to start negotiations with Croatia, but that will only be possible once the country is co-operating fully with the United Na-

tions' War Crimes Tribunal in The Hague. Turkey is required to bring into force six pieces of legislation that greatly enhance human rights, and to sign a protocol extending its existing association agreement with the EU to Cyprus, before starting accession negotiations.

The European Commission has been criticized by some for being too committed to enlargement, and by others for being too strict in the conditions it imposes. But in this job, one has to balance the legitimate concerns of our own citizens with the historical mission of European integration. Clear conditionality is the best way to ensure that enlargement is not made a scapegoat but remains a success story.

Olli Rehn is the European commissioner for enlargement.

**The EU has achieved much by extending the area of peace, stability and the rule of law.**