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United States Department of State

Washington, D.C. 20520

Case No.: 200701753

MAR 25 2010

I refer to your letter dated March 11, 2007 regarding the release of certain Department of State material under the Freedom of Information Act (Title 5 USC Section 552).

We searched for and reviewed the self study guides that you requested and have determined that all except one of them may be released. They are on the enclosed disc. One of the guides is being released with excisions.

An enclosure provides information on Freedom of Information Act exemptions and other grounds for withholding material. Where we have made excisions, the applicable exemptions are marked on each document. With respect to material withheld by the Department of State, you have the right to appeal our determination within 60 days. A copy of the appeals procedures is enclosed.

We have now completed the processing of your case. If you have any questions, you may write to the Office of Information Programs and Services, SA-2, Department of State, Washington, DC 20522-8100, or telephone us at (202) 261-8484. Please be sure to refer to the case number shown above in all correspondence about this case.

We hope that the Department has been of service to you in this matter.

Sincerely,

for Margaret P. Grafeld, Director
Office of Information Programs and Services

Enclosures:
As stated.

63934 Federal Register/Vol. 69, No. 212
Rules and Regulations

Subpart F – Appeal Procedures

§171.52 Appeal of denial of access to, declassification of, amendment of, accounting of disclosures of, or challenge to classification of records.

(a) *Right of administrative appeal.* Except for records that have been reviewed and withheld within the past two years or are the subject of litigation, any requester whose request for access to records, declassification of records, amendment of records, accounting of disclosure of records, or any authorized holder of classified information whose classification challenge has been denied, has a right to appeal the denial to the Department's Appeals Review Panel. This appeal right includes the right to appeal the determination by the Department that no records responsive to an access request exist in Department files. Privacy Act appeals may be made only by the individual to whom the records pertain.

(b) *Form of appeal.* There is no required form for an appeal. However, it is essential that the appeal contain a clear statement of the decision or determination by the Department being appealed. When possible, the appeal should include argumentation and documentation to support the appeal and to contest the bases for denial cited by the Department. The appeal should be sent to: Chairman, Appeals Review Panel, c/o Appeals Officer, A/GIS/IPS/PP/LC, U.S. Department of State, SA-2, Room 8100, Washington, DC 20522-8100.

(c) *Time limits.* The appeal should be received within 60 days of the date of receipt by the requester of the Department's denial. The time limit for response to an appeal begins to run on the day that the appeal is received. The time limit (excluding Saturdays, Sundays, and legal public holidays) for agency decision on an administrative appeal is 20 days under the FOIA (which may be extended for up to an additional 10 days in unusual circumstances) and 30 days under the Privacy Act (which the Panel may extend an additional 30 days for good cause shown). The Panel shall decide mandatory declassification review appeals as promptly as possible.

(d) *Notification to appellant.* The Chairman of the Appeals Review Panel shall notify the appellant in writing of the Panel's decision on the appeal. When the decision is to uphold the denial, the Chairman shall include in his notification the reasons therefore. The appellant shall be advised that the decision of the Panel represents the final decision of the Department and of the right to seek judicial review of the Panel's decision, when applicable. In mandatory declassification review appeals, the Panel shall advise the requester of the right to appeal the decision to the Interagency Security Classification Appeals Panel under §3.5(d) of E.O. 12958.

The Freedom of Information Act (5 USC 552)

FOIA Exemptions

(b)(1) Withholding specifically authorized under an Executive Order in the interest of national defense or foreign policy, and properly classified. E.O. 12958, as amended, includes the following classification categories:

- 1.4(a) Military plans, systems, or operations
- 1.4(b) Foreign government information
- 1.4(c) Intelligence activities, sources or methods, or cryptology
- 1.4(d) Foreign relations or foreign activities of the US, including confidential sources
- 1.4(e) Scientific, technological, or economic matters relating to national security, including defense against transnational terrorism
- 1.4(f) U.S. Government programs for safeguarding nuclear materials or facilities
- 1.4(g) Vulnerabilities or capabilities of systems, installations, infrastructures, projects, plans, or protection services relating to US national security, including defense against transnational terrorism
- 1.4(h) Information on weapons of mass destruction

(b)(2) Related solely to the internal personnel rules and practices of an agency

(b)(3) Specifically exempted from disclosure by statute (other than 5 USC 552), for example:

ARMEX	Arms Export Control Act, 22 USC 2778(e)
CIA	Central Intelligence Agency Act of 1949, 50 USC 403(g)
EXPORT	Export Administration Act of 1979, 50 App. USC 2411(c)(1)
FSA	Foreign Service Act of 1980, 22 USC 4003 & 4004
INA	Immigration and Nationality Act, 8 USC 1202(f)
IRAN	Iran Claims Settlement Act, Sec 505, 50 USC 1701, note

(b)(4) Privileged/confidential trade secrets, commercial or financial information from a person

(b)(5) Interagency or intra-agency communications forming part of the deliberative process, attorney-client privilege, or attorney work product

(b)(6) Information that would constitute a clearly unwarranted invasion of personal privacy

(b)(7) Information compiled for law enforcement purposes that would:

- (A) interfere with enforcement proceedings
- (B) deprive a person of a fair trial
- (C) constitute an unwarranted invasion of personal privacy
- (D) disclose confidential sources
- (E) disclose investigation techniques
- (F) endanger life or physical safety of an individual

(b)(8) Prepared by or for a government agency regulating or supervising financial institutions

(b)(9) Geological and geophysical information and data, including maps, concerning wells

Other Grounds for Withholding

NR Material not responsive to a FOIA request, excised with the agreement of the requester

THE UNITED KINGDOM
A Self-Study Guide

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Winston Churchill's oft-repeated laconic statement about us and the "Brits"—that we are two great peoples separated by a common language—serves as a warning about how different we are and how little we know about each other. This Self-Study Guide is intended to provide U.S. Government personnel in the foreign affairs community with an overview of The United Kingdom, mainly historically and politically, as a partly Romanized island country, a constitutional monarchy, a union of peoples on whose empire as recently as a century ago the sun never set, a multi-ethnic society. It is a digest describing the Isles' specific characteristics, but it is also much more than that. The author presents the past and present insistently leading the British to an overwhelming question about their own identity. It is among other things an essay on a nation seeking to define itself anew in a post-imperial, post-cold war, perhaps even post-modern and post-national setting. As such, this guide is designed as an introduction, as an orientation, and as a mild provocation. It intends to provoke the reader's interest, which can be sated to some extent by consulting the readings to which reference is made along the way.

The first edition of the Self-Study Guide to The United Kingdom was prepared by Dr. Robin Niblett, Executive Vice-President of the Center for Strategic and International Studies and Senior Fellow in that group's European Program. The views expressed in this Guide are those of the author or of attributed sources and do not necessarily reflect official policy or the position of the Department of State or the National Foreign Affairs Training Center. This publication is for official educational and non-profit use only.

First edition
July 2002

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THE UNITED KINGDOM

Introduction

1997 – 2001 has been a period of intense change for the United Kingdom at the social, economic, and political levels. The ruling Conservative party has suffered an electoral collapse and ideological splintering and appears unelectable for the foreseeable future. A "new" Labour party has embarked upon fundamental constitutional reform to a polity and society hidebound by tradition. A surprisingly quick transition to a stable monetary economy has not slowed the continuing demise of the country's once proud welfare state. By any measure, the last four years have been stressful for a country with such deep historical roots. The people of the United Kingdom have not yet decided whether to support the Labour party's campaign to "re-brand" and reinvent the country, or whether to resist and choose a future as a "Little," but more predictable England.

This guide provides a template for thinking about the challenges that the United Kingdom currently faces. It examines Britain's physical and historical roots; its political and constitutional structure; its domestic economic structure and

performance; and its relations with its strategic partners – the United States and the member states of the European Union. The paper also pays special attention to one of the most fundamental decisions currently facing the country – whether to pool sovereign control over its currency and monetary policy alongside the other members of the European single currency, the euro.

I. Environment and Its People

Location / Geography

Located off the north western edge of the European continent, the United Kingdom is known as an island nation, although its domestic sovereign territory also comprises the northern portion of Ireland (see figure 1). It is separated from its nearest continental neighbor, France, by what the British call the English Channel and the French call "La Manche" (now linked, however, by the undersea Channel Tunnel between Dover and Calais). The United Kingdom also includes a collection of small nearby islands, with the Shetlands furthest to the north and the Channel Islands (Jersey, Guernsey) to the south off the French coast.

The United Kingdom contains large swathes of arable land across the South, the Midlands, the North, into the southern part of Scotland, and across Northern Ireland.

Fishing has long provided a source of food and income for the people, although over-fishing, especially in the North Sea between the United Kingdom and Norway, has depleted stocks and reduced catches considerably in the past decade.

After heavy clearing of forests for farming and, in the 16th, 17th, and 18th centuries, for house and shipbuilding, Britain's forests have declined to 7% of land cover. England's only significant range of mountains, the Pennines, runs down the center of the island. The tallest mountain in the British isles, Ben Nevis, is found in Scotland at 1,343 meters.

The United Kingdom has a modest climate, rarely declining below 30 F in the winter, even in the colder north, and rarely reaching above 85 F in the summer. Rainfall can be persistent, even in the summer months.

Population: 58 million

Area: 244,820 sq. km. (94,525 sq. mi.); slightly smaller than Oregon.
Cities: *Capital*--London (metropolitan pop. about 7.1 million).

Other major cities: Birmingham, Glasgow, Leeds, Sheffield, Liverpool, Bradford, Manchester, Edinburgh, Bristol, Belfast.
Terrain: 30% arable, 50% meadow and pasture, 12% waste or urban, 7% forested,

1% inland water.
Land use: 25% arable, 46% meadows and pastures, 10% forests and woodland, 19% other

Figure 1 from CIA World Factbook www.cia.gov

Resources

The United Kingdom possessed historically extensive mineral resources, such as tin, iron ore, copper, and coal. While tin and copper reserves were exhausted in the early nineteenth century, domestic coal production continued to serve as a backbone of the British economy – fuelling the industrial revolution in the 19th century and then providing the bulk of the power to drive the country's electrical grid into the 1980s. Starting in the 1980s, however, domestic coal production was gradually priced out of the domestic market by cheaper imports and the increasing cost of mining ever-deeper seams. In

the 1990s, gas has made significant inroads into Britain's generating capacity; to the extent where the new Labour government chose to limit future gas-powered plant construction to ensure a diversified power grid for the near future. Since the late 1970s, Britain has benefited greatly from oil and gas resources in the North Sea, which have not only supplemented domestic consumption, but provided a useful boost to Britain's current account.

Religion

Most British are baptized into the Anglican Church (sometimes known as the Church of England). However, regular church attendance by Anglicans has declined steadily to a 6% minority of the population today. Nevertheless, the Archbishop of Canterbury, the Anglican Church's highest ordained priest, still acts as a focal point for the country's "moral conscience," and the Church's institutional role in British society is underpinned by the titular role of the monarch as the head of the Church and "defender of the faith."

Anglicans today comprise 45% of the population, Roman Catholics 15%, Muslims 3.5%, Hindus 0.6%.

Immigration

Britain possesses a self-perception as a relatively integrated racial society, drawn from the early and nationwide abolition of slavery in 1833 (the trade in slaves was abolished in 1807) and subsequent lack of a racial protest movement and body of law built around the fight against racial discrimination. The most significant waves of immigration in recent times have come from the West Indies in the waning days of British colonial control and then from the formed colonies of the Indian Empire – India, Pakistan, and Bangladesh. Today, West Indians and South Asians comprise about 3% out of a total British population in 2000 of approximately 59,500,000. The self-perception of an integrated society, however, bears closer examination. Minority groups are poorly represented in the judicial profession, in the police, the military, and among politicians. In 2000-2001, violent riots erupted in cities across the North of England involving the second generation of Asian immigrants, many of whom live in economically depressed urban areas and are believed to have suffered academically and economically from a rigid adherence to multiculturalism among immigrant groups.

Muslims in Britain

The sense of a growing cultural divide, especially between Britain's Muslim population and the rest of Britain's citizens, has been thrown into sharp relief by the terrorist attacks of September 11, 2001 and the discovery of British Muslim citizens among Al Qaeda's forces in Afghanistan; by the infamous case of Richard Reid, the "shoe bomber;" and by the British origins of the ring-leader in the kidnap and execution in Pakistan of Daniel Pearle, the Wall Street Journal reporter. The fact is, however, that Britain's Muslim population is highly diverse, reflecting successive waves of Muslim immigration. This started in the 1950s, following the Hindu-Muslim violence and political turmoil in the Indian subcontinent that led to the creation of Pakistan and Bangladesh. In the 1960s, Africanization policies in countries such as Kenya and Uganda led to an influx of East African Asians, many of who were Muslims. The late 1970s and early 1980s saw the arrival of Iranians fleeing from the Iranian revolution. In the 1980s, members of political dissident groups from Arab countries, such as Shi'as from Iraq, and other dissidents from the Gulf states also made their home in the UK.

As a result of this "staggered" pattern of immigration, British Muslims are a diverse grouping, differing in their level of education, their social and economic conditions, their degree of integration into British society, their links to their home countries, and their commitment to political activism. Pakistanis and Bangladeshis appear to be the most disadvantaged economically; suffer the highest levels of unemployment (as high as 40% among Pakistani men in 1994); and have the lowest levels of academic achievement. Nearly half of Britain's Muslims and the majority of Arabs and Iranians live in and around London. Other major concentrations include Birmingham, where Muslim's constitute 8% of the city's total population, and Bradford.

The vast majority (around 85%) of Britain's Muslims are Sunnis. Within the Sunni and Shi'a communities (the latter originating primarily from Iraq, Iran, and other Arab states) there is also great religious and political diversity, with different religious schools competing for influence and with dividing lines drawn primarily between traditionalists and activists and between traditionalists and modernists. Nevertheless, there has existed in the UK since the mid-1990s an extremist fringe, among which five groups stand out in particular: (1) the Supporters of Sharia (SOS), based in north London and bringing together members who had worked or fought in Afghanistan and Bosnia, (2) the Al-Muhajirun, which supports Islamic movements in current secular Arab states, (3)Jihad, which had ostensibly maintained relations with Osama bin Laden, (4) Gamaa Islamiyya, an offshoot of the Muslim Brothers based in Egypt (accused of the 1997 Luxor attack), and (5) the Armed Islamic Group (GIA), an umbrella group for the most militant of Algeria's Islamic movement.

Crucially, there is very little in the way of assimilation of the Muslim community within British society. Most Muslims see their mosque-based communities as the central focus of their social lives. Muslims in Bradford, Birmingham, and the East End of London live largely in closed communities. Despite a growing involvement in local politics and a turnout at parliamentary elections that parallels other British communities (voting primarily for Labour), Muslim representation in Parliament is very low.

A central issue of concern since September 2001 has been the extent to which Middle Eastern and other countries provide support to Muslim groups in the UK in order to exercise some form of political influence. Saudi Arabia provides large quantities of assistance for the building and maintenance of mosques, while countries such as Iraq, Syria, Egypt, and Libya provide lesser amounts for the same purposes. Nevertheless, a number of Britain's Muslim groups are active opponents of the current regimes in the Arab world, an issue that has caused tension between the British government and its Arab allies.

Looking ahead, the greater cause for concern lies in the rising militancy of many young Muslims in Britain. 51% of Pakistanis were born in Britain and yet they and their counterparts from Bangladesh and Kashmir increasingly identify themselves as Muslims first and by their ethnic group second. This does not reflect so much an adherence to the religious principles of Islam as much as an emphasis on Muslimness in order to develop their political identity. Riots in Muslim-dominated neighborhoods first in 1996 and most recently and violently in the summer of 2001, reflect a frustration among young Muslims that neither their parents' passivity nor the British establishment can protect their interests from economic deprivation or growing racial attacks.

The British Class Divide

At the same time, some of the most distinctive sources of societal division in the British system derive not from issues of religious persuasion or ethnic background, but from a "class divide" that continues to be sustained by a two-tiered education system. Wealthy children are sent to private, often boarding, schools (confusingly termed "public schools for those schools that cater for children from 13-18), while the majority of children go to state, "comprehensive" schools, where expected standards of educational achievement are, in general, noticeably lower. Education is mandatory in the U.K from ages 5-16. While the number is declining, a substantial percentage of children still leave school at 16. At the same time, only about 18% of British students go on to college education, although this number is on the increase. The government is trying to move to a more American system, promoting higher education while lessening costs to government through a new focus on student loan schemes.

While access to promising careers in banking, industry, and many service sectors is now based to a far greater extent on meritocracy, top-level positions in finance and among barristers and the judiciary continue to be the preserve of the privately-educated class. One of the most noticeable features of the United Kingdom is the extent to which, the moment a person utters their first sentence in a conversation, it is possible to tell from their accent whether they have benefited from

a private or comprehensive education, with the former sharing a common "upper class" accent and the latter revealing their regional origins and, thus, their "lower" / "working" class roots.

People
Population (July 1999 est.): 59.1 million.
Annual population growth rate (1999 est.): 0.24%.
Major ethnic groups: British, Irish, West Indian, South Asian.
Major religions: Church of England (Anglican), Roman Catholic, Church of Scotland (Presbyterian), Muslim.
Major languages: English, Welsh, Irish Gaelic, Scottish Gaelic.

Education: *Years compulsory*--12. *Attendance*--nearly 100%. *Literacy*--99%.
Health (1999 est.): *Infant mortality rate*--5.78/1,000. *Life expectancy*--males 75 yrs.; females 80 yrs.
Work force (1999, 28 million): *Services*--75.2%; *manufacturing*-- 15.6%; *construction*--6.5%; *agriculture and fishing*--1.9%; *energy and water*--0.8%.

Questions:

-What efforts are local and central governments making to better integrate Britain's immigrant communities into British society?

-Is Britain finally transitioning into a classless society, where position is determined by merit more than heritage?

Further Reading:

Islam, Europe's Second Religion: New Social, Cultural, and Political Landscapes. Shireen Hunter, ed. Praeger, 2002.

Britain TM: Renewing Our Identity. Mark Leonard. Demos, January, 1997

II. History and its Legacy

The Birth of England and the British People: A Tale of Invasions

At the outset, Britain was inhabited by Iberian tribes between 600 and 400 B.C. However, Britain became primarily a Celtic nation as Celtic tribes moved into the British isles from Gaul (France), the Danube Basin and areas North of the Alps. The word "Breton," derived from the name *Pretanikai nesoi,* given to the people of the British isles by the Greek explorer Pytheas in 325 B.C., signified "the land of the tattooed men," a practice much favored by the Celts.

Julius Caesar undertook the first Roman invasion of Britain in 54 B.C., but, for a century after Caesar's departure, Britain was forgotten by Rome, being a source of only the most meager tribute. It was not until 43 A.D., under the emperor Claudius, that Rome undertook a full occupation that extended to the mountain regions of Wales and Scotland (Hadrian's wall still stands as a testament to the Roman Empire's northernmost reach). The Romans bequeathed to Britain excellent roads and a number of carefully constructed towns in Roman style (Bath contains some of the most elaborate Roman ruins from this period; "Londinium" owes its roots as Britain's capital both to its port and its location as the cross-section between Roman roads cutting from North to South).

Rome's rule of this far-flung colony decayed during the third century, as Rome's legionnaires became separated from their capital and its generals sought to maximise their power at the expense of a decaying core. By the time of Rome's collapse in 410, most of the legions had departed, leaving behind a people unprepared to protect themselves from war-like neighbors on the British isles and off their coast. Angles, Jutes, and Saxons crossed the sea, warlords and marauders who filled the vacuum, pillaging the country and destroying its infrastructure. Within a hundred years, few traces of Rome's

occupation remained. Even the language lost most traces of its Roman influence, unlike Mediterranean countries closer to Rome's center, and acquired instead the Anglo-Saxon linguistic base that lasts to this day. Direct traces of Britain's Celtic heritage, especially in terms of language, are most prevalent in Wales, where Welsh remains the primary local dialect, and in parts of Scotland.

Angles and Saxons, rather than establishing a new race in Britain, added their Germanic influence to the pre-existing mixture of Iberian, Celt, and Roman genes which had preceded them. Their kings also put up little resistance to the arrival of Christianity from Wales and from Rome in the sixth and seventh centuries. Starting from the eight century, all of England formed part of the Roman Church.

That same century, however, saw the arrival of marauding attacks by Norsemen from what now constitutes Denmark, Sweden, and Norway – the next wave of outsiders to embark upon an invasion of England. By 851, one hundred Danish ships sailed up the Thames estuary and took London by storm. Full Danish control of England and its disunited Anglo-Saxon kings was prevented only by the legendary King Alfred. Having drawn a line between Danish and Anglo-Saxon control of England, the scene was set for King Canute's uniting of the two groups in 1016. Despite this bold act, competition for the crown of England between diverse ruling families eventually drew England's last major foreign invasion over from the North of France, where William the Duke of Normandy linked to one of the families and backed by the Pope in Rome, laid his claim to the throne. After defeating his rival Harold, at the Battle of Hastings, William the Conqueror was proclaimed King of England in 1066, paving the way through his reign for the emergence of what we now recognize as the British nation and its particular institutions.

Before reviewing the history of Britain's institutions of government, it is worth noting that Britain, unlike most of its European neighbors, was sheltered for the next millennium from further invasion.

Britain's Two Distinctive Institutions

The monarchy

Several features define the United Kingdom. One of the most central is the monarchy, which, from William the Conqueror onward, has provided England, and then the United Kingdom its head of state in an unbroken line, except for a brief period from 1649 – 1660 (described below) through to the present day.

The dynastic lines of the British monarchy started with William the Conqueror (1066 – 1087) and his Norman and Angevin successors, William II (1087 – 1100), Henry I (1100 – 1135), Stephen (1135 – 1154, Henry II (1154 – 1189), Richard (1189 – 1199), and John (1199 – 1216).

Next came the Plantagenets, with their inter-linkages with the French royal family, Henry III (1216 – 1272), Edward I (1272 – 1307), Edward II (1307 – 1327), Edward III (1327 – 1377), Richard II (1377 – 1399), Henry IV (1399 – 1413), Henry V (1413 – 1422), Henry VI (1422 – 1461), Edward IV (1461 – 1483), and Richard III (1483 –1485).

Then the Tudors, Henry VII (1485 – 1509), Henry VIII (1509 – 1547), Edward VI (1557 –1553), Mary (1553 – 1558), and, most famously, Elizabeth I (1558 – 1603).

Since Elizabeth left no direct heir, then came the Stuarts, with their Scottish ties, James I (1603 – 1625), Charles I (1625 - 1649), Charles II (1660 – 1685), James II (1685 – 1688), William and Mary (1689 – 1702), and Anne (1702 – 1714).

Finally, there are the Hanoverians, with their German family ties, George I (1714 – 1727), George II (1727 – 1760), George III (1760 – 1820), George IV (1820 – 1830), William IV (1830 – 1837), Victoria (1837 – 1901), Edward VII

(1901 – 1910), George V (1910 – 1936), Edward VIII (1936 – abdicated), George VI (1936 – 1952), and Elizabeth II (1952 – present day).

While the monarchy has demonstrated a remarkable persistence through nearly one thousand years, its control on the levers of power has declined dramatically, first, following the execution of Charles I in 1629 at the command of Parliament; then after George I and the arrival of Hanoverians, when ministerial power become the prerogative of the government and not of the monarchy. Finally, in the last one hundred years, since the death of Queen Victoria, the indirect power of the monarchy has also been on the wane, as we shall discuss below.

Britain now possesses a "constitutional monarchy," meaning that the monarch still acts as the titular head of state, but apart from having the right to dismiss Parliament and call a new election, he or she exercises no authority over the government in the exercise of its duties.

Questions:

-The British monarchy has retained an unbroken line as the country's head of state for nearly 1,000 years. Will the monarchy retain this position for the next 100 years? What chances are there of a republican movement appearing in the UK?

Further Reading:

History of the British Monarchy. David Starkey. September, 1999.

The Monarchy and the Constitution. Vernon Bogdanor. November, 1997.

A History of Britain: At the Edge of the World 3500 BC-1603 AD. Talk Miramax, October 2001.

A History of Britain: Wars of the British, 1603-1776. Talk Miramax, 2001.

A History of Britain Vol. 1: At the Edge of the World? 3000 B.C.-A.D. 1603. Simon Schama BBC Consumer Publishing. October, 2000

A History of Britain Vol. 2: 1603-1776. Simon Schama. BBC Consumer Publishing. October, 2001

The History of Parliament

A second defining British institutional feature is the Parliament. First called into being under Edward I (the Confessor) around 1305, it possessed from its earliest days a distinguishing characteristic of today: two houses – an upper chamber (now known as the House of Lords), composed initially of bishops and the higher nobility (barons), whose seats were passed forward by birthright, and a lower chamber (now known as the House of Commons), composed initially of appointments from the petty nobility (knights) and burgesses (well-to-do merchants). In Edward's day, the purpose of the Parliament was to enable the King to consult and legitimize the imposition of taxes on these different classes of the state. It did not control spending, voting on taxation, or the right to make laws, all of which remained the prerogative of the King. By instituting this two-chamber system from the outset; however, England avoided the emergence of the deep-seated hostility between the classes that came to haunt most continental countries, including France in the 18th century.

Despite its limited powers, especially in the face of such strong Tudor rulers as Henry VIII and Elizabeth I, the institutionalization of Parliament led gradually to its emergence in the early 16th century as a political presence if not a political force within the United Kingdom. Parliament's gradual acquisition of political power emerged from its clash with James I, the first of the Stuarts, who took the throne after the death of Elizabeth in 1603. James I sought to impose on Parliament the doctrine of the divine and hereditary right of kings, whereby the king became a sacred personage and Parliament merely recorded his divine ordinances. This absolutist doctrine which was also espoused by Charles I, his successor, deeply offended the Commons. The desire of both kings to improve relations with catholic Spain and France also went deeply against the grain of the mass of the people and the Commons. A deep rift opened between James' and Charles' favoring of a "High Church," more tolerant of catholicism, and the growing calvinism and puritanism of the English people. In 1629, the clash between parliament and Charles I came to a head, with Parliament introducing the "three resolutions," passing final authority over spending from the monarchy to parliament and, in response, Charles I disbanding Parliament. There ensued civil war in England from 1642-46 and, with the defeat of the royalist forces, Parliament's decision to execute Charles I in 1649, with the encouragement of Oliver Cromwell, head of the Puritan army.

England's ensuing flirtation with republicanism proved short-lived as the people quickly grew wary not only of the rigid policies of the puritans, but also of the seeming tyranny of a parliament controlled by the Cromwellian army, and then a country with no Parliament controlled by Cromwell. With Cromwell's death, Charles II, Charles I's son, was recalled from France to take the throne. Despite this restoration, the balance between monarchy and Parliament had been changed for good. Although Parliament did not impose a cabinet between itself and the King, it did control the revenues at the King's disposal and prevented him from having a standing army.

The further transformation of the monarchy into its current constitutional role took place after the death of Queen Anne, when, childless, Parliament refused to turn for succession to her Catholic brother. Instead, in 1714, they reached out to George I, great grandson of James I, who had been brought up in Germany (Hanover) and spoke no English. With his arrival, ministerial responsibility shifted to Parliament, with the monarchy in an elevated form of constitutional supremacy only.

Parliament Today

This relationship between the British monarchy and Parliament has now evolved to the point where the monarch is head of state in name only. Elections to the House of Commons, whose members are divided today primarily between members of the Labour and Conservative parties, are designed to produce a majority party that is then invited by the monarch to form a government. Britain's "first-past-the-post" electoral system, whereby members of parliament (MPs) are elected in winner-takes-all constituencies around the country, leaves little room for the sort of small parties fostered by countries that practice variants of proportional representation (whereby seats in parliament are apportioned as a percentage of the overall vote). The leader of the winning party becomes Prime Minister and has considerable discretion within party rules to choose his or her cabinet. With a clear majority in Parliament, the only real check on the power of the government is exercised by the House of Lords.

However, the House of Lords (whose membership and terms of office are currently under review by Tony Blair's "New Labour" government--see below), is entitled only to review legislation passed by the House of Commons, and may reject it only a maximum of three times, before the amended legislation can be forced through by the government. The Lords' main influence, therefore, derives from its ability to embarrass and expose excesses in government legislation. This can have impact, especially since the House of Lords has tended to demonstrate an independent streak, even when its majority has matched the political hue of the party in control of the Commons, as Margaret Thatcher discovered on a number of occasions and Tony Blair is now discovering over the issue of the curtailment of civil rights in the wake of September 11.

Questions:

-What sort of check does the House of Lords actually apply upon the House of Commons?

-The British Parliament has been called the "mother of all Parliaments." Can Parliament retain its vibrant position as the forum for genuine public debate and the airing of popular grievances in an era of increasingly Presidential governance?

Further Reading:

Parliament. Nathaniel Harris. Hodder Wayland. November, 2001.

The British Empire: A Lasting Legacy

Britain's recent history as an imperial power that, at its zenith, stretched across four continents, has had a defining impact not only on Britain's position in the world, but also on the psyche of the British people. The rise and demise of the British Empire can be traced back initially to the reign of Elizabeth I. During her reign, the British established their first precarious fishing communities on the coast of Newfoundland and also attempted to establish a colony on what they called Virginia. Elizabeth's reign, also marked the beginning of Britain's mastery of the seas, with Francis Drake and other British mariners developing ships and naval techniques that held the upper hand over those of the 16th century's principal empire: Spain. British colonization of North America did not really get into full swing until the mid-17th century, especially with the wake of the persecution of the Puritans after the restoration of the monarchy. At the same time, England acquired its first colony in India, when Bombay was ceded to British control as part of the dowry offered to Charles II.

Gradually, over the next three centuries, the British Empire took shape. After the loss of the American colonies in the late 18th century, it still extended at its height in the 19th century under Queen Victoria from Canada and the West Indies on the American continent, across key ports in the Mediterranean (Gibraltar, Malta, and Cyprus) to North Africa (Egypt and Palestine) and down East Africa (Kenya, Uganda, Zimbabwe, South Africa) across what are now the Gulf States to the "jewel in the crown" – India – and thenover, again to Burma, Malaysia, and Singapore, through portions of the Indonesian archipelago (Borneo, New Guinea), down to Australia and New Zealand. In addition, the British Empire also controlled key ports around the world, such as Hong Kong and Diego Garcia in the Indian Ocean.

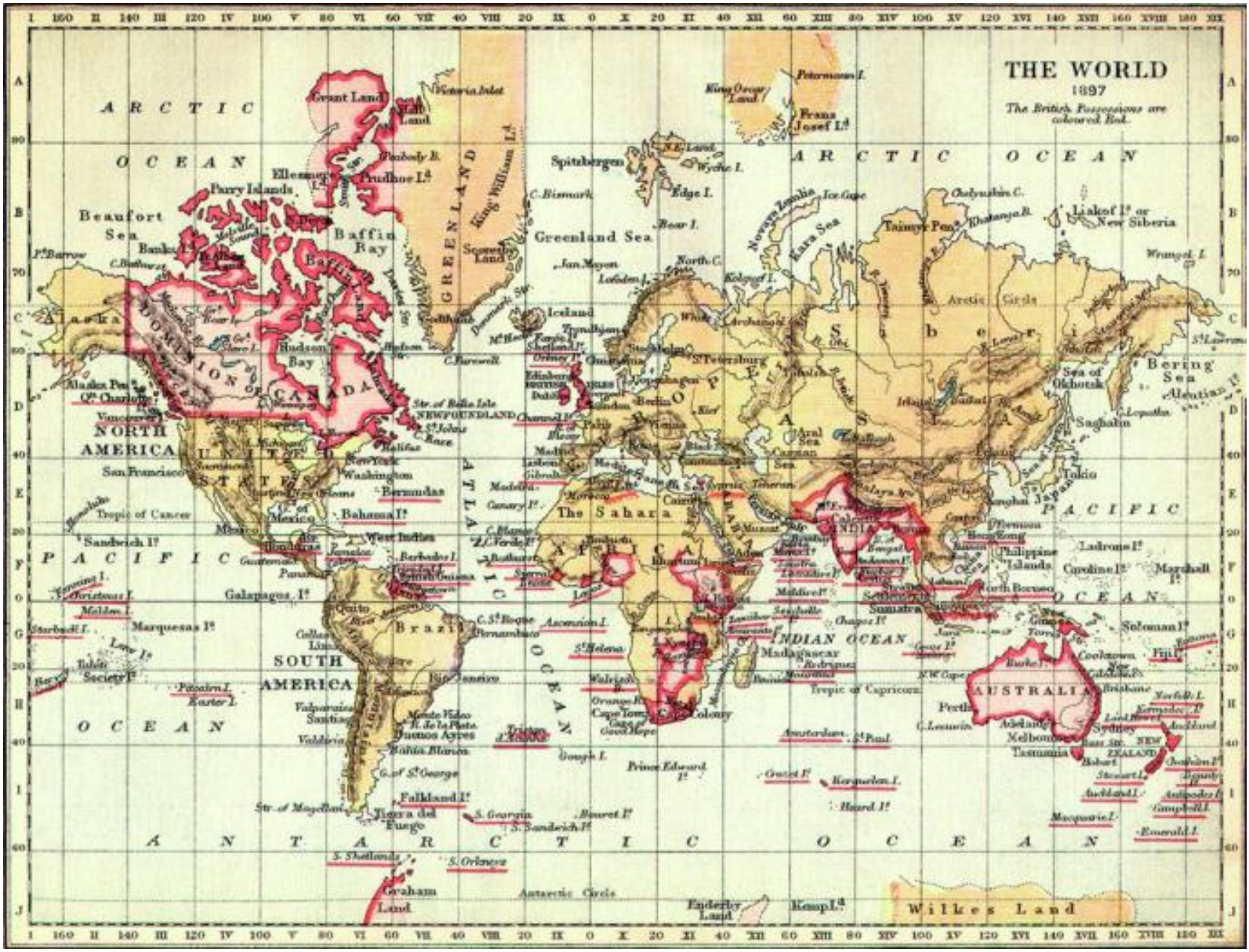
At the heart of the success and longevity of such a far-flung empire was not just the British Navy, but also, the effort of successive governments to grant an element of autonomy to those parts of the empire where large communities of the caucasian race had taken root. The key to this British approach was the establishment in the mid 19th century of the Commonwealth of Nations, which was composed of Dominions, encompassing major English-speaking colonies such as Canada, South Africa, and Australia. In the Dominions, government was by self-representation, but with a Governor General consulted on the selection of ministers and serving as the link between the government and the country's head-of-state – the British monarch.

Most remarkable, however, was the way in which the British controlled colonies that were not granted self-representation, not only in Africa, but, most notably, in India. There, 5,000 British administrators, backed by 75,000 troops and 150,000 native troops, held 350 million Indians in peace (with the occasional riots) and instituted significant improvements in land cultivation, irrigation, education, and health across the sub-continent.

In the wake of the first World War, Britain succeeded in holding together the bulk of its empire. In the case of the Dominions, these received separate representation in the League of Nations. Through the Imperial Conference of 1926 and the second Statute of Westminster in 1931, the British Parliament gave up the power to legislate for the Dominions on

either internal or external matters; transferred the right to make peace or war and to negotiate treaties to them also; and agreed that Dominion Prime Ministers would derive their power directly from the Crown. In 1921, Ireland was given a separate status as the Irish Free State, although the northern part of the island, largely protestant, retained its link to the United Kingdom. In 1936, Britain relinquished control of Egypt, but retained control over the Suez Canal.

Map of the British Empire, 1897



from http://www.btinternet.com/~britishempire/empire/maproom/pinkbits1897.htm

The Second World War, however, had more devastating consequences for the British Empire. Britain finished the war deeply in debt and unable to sustain the costs of maintaining its far-flung possessions around the world. In Asia, Britain never recovered from the material or psychological impact of its ouster by the Japanese, abandoning Burma and Ceylon in 1947 and Malaysia, after coping with a Communist insurgency, in 1957. In 1945, the Labour government in London followed through on its electoral pledge and, in the face of growing popular agitation and religious discord, offered India full independence in June 1948. Britain left Palestine the same year. Its withdrawal from its African colonies and its island possessions in the Caribbean continued through the 1960s and 1970s, as the British relinquished, in most cases voluntarily, the remnants of their empire. The bulk of these former colonies became members of the Commonwealth, in

many cases keeping the British monarch as their titular head of state and preferential access for their modest exports to the British market, but with full political control over all aspects of government.

By the 1990s, the British Empire had shrunk to a few outposts some of accidental relevance (for example, Gibraltar, Belize, and a number of Caribbean islands), some of strategic or economic importance (for example, Hong Kong and the Falklands). However, the self-perception of being a former imperial power, underscored in the continued use of the term "Great Britain," still animates the British public and its day-to-day politics.

Questions:

-How was Britain able to conduct such a relatively painless withdrawal from Empire after World War II? What has been the legacy of its rapid withdrawal (Kashmir, Palestine)?

-How does Britain square its circle of an insular public-suspicious of 'foreigners'-with its legacy of colonial ties and continuing global diplomatic influence?

-How important a role can the Commonwealth play in the future?

Further Reading:

The British Empire. Jane Samson, ed. Oxford University Press. June, 2001.

The British Empire, 1558-1995. T.O. Lloyd. Oxford University Press. November, 1996.

III. The United Kingdom today

Constitutional and Political Structure

Britain's political institutions -- the Parliament and Monarchy, in particular – continue to play a central role both in the British people's perception of their national identity and in outsiders' perception of Britain's national uniqueness, more so than do the political institutions of other West European countries such as France and Germany. This is due partly to their long history, but partly also to the fact that the British political establishment has consciously built the concept of the "United Kingdom" around these institutions. It is important to note, therefore, that, since the mid-1980s, the British people's confidence in their institutions has declined significantly and that these institutions are trying to find a new sense of purpose.

The Monarchy:

Confidence in the monarchy, already low in the early 1980s at a little over

Government

Type: Constitutional monarchy.
Constitution: Unwritten; partly statutes, partly common law and practice.
Branches: *Executive*--Monarch (head of state), Prime Minister (head of government), cabinet. *Legislative*--bicameral parliament: House of Commons, House of Lords; Scottish Parliament, Welsh Assembly, and Northern Ireland Assembly. *Judicial*--magistrates' courts, county courts, high courts, appellate courts, House of Lords.
Subdivisions: Municipalities, counties, parliamentary constituencies, province of Northern Ireland, and Scottish regions.
Political parties: In Great Britain--Conservative, Labour, Liberal Democrats; also, in Scotland--Scottish National Party; in Wales--Plaid Cymru (Party of Wales). In Northern Ireland--Ulster Unionist Party, Social Democratic and Labour Party, Democratic Unionist Party, Sinn Fein, Alliance Party, and other smaller parties.
Suffrage: British subjects and citizens of other Commonwealth countries and the Irish Republic resident in the UK, at 18.

25%, dropped in the late 1990s to 18% (at the same time, confidence in the Church of England, associated for many with Britain's regal establishment, fell from 52% to 25%). An important reason for this decline, in contrast to the rising popularity of the Spanish royal family, for example, is that the British monarchy has appeared hide-bound throughout the 1980s and 1990s in a Victorian and imperial time-warp that has increasingly weakened the bonds of respect between the Royal Family and its "subjects." Members of the royal family constitute the pinnacle of Britain's hierarchical social structure and enjoy the requisite life-style involving fox hunting, polo, and horse racing. Public appearances are encrusted in imperial pomp and ceremony. All aspects of their daily life reinforce the appearance of separateness.

The arrival of two "outsiders" -- Princess Diana and Sarah Ferguson, Duchess of York – as spouses to Queen Elizabeth's two eldest sons in the early 1990s, far from popularizing the Royal Family, threw into sharp relief the foreignness of the Royal Family's attitudes and behavior. Princess Diana's public critique of Prince Charles and the Royal Family, "the firm," following the collapse of their marriage resonated strongly with the majority of the British population. Perhaps as a result, her death in 1997 has served as a watershed for the Windsors. Members of the Royal Family and their advisors now understand the importance of providing a more open and informal access to the public, one that encourages an impression of inclusion rather than the social separation of the 19th and early 20th centuries. Judging by the huge popular demonstration of goodwill toward the monarchy during the Queen's jubilee celebrations in 2002, the monarchy may be able to recapture some of its past affection and respect in the hearts and minds of the British people.

Prince Charles, represented by his son Prince William, may now serve as the bridge to a more modern British Royal Family, which has a strong chance of holding on to its position as the sovereign head of the British state.

Parliament:

Public confidence in the Parliament also declined in the 1990s, from 54% to 10% by one estimate in 1997. Sixteen years of uninterrupted conservative government had, by 1997, jaded the opinion of the British electorate toward the public service ethos of members of Parliament, and newspapers feasted on a series of trivial but persistent "sleaze" (corruption) attacks on conservative MP's. At the same time, the conservative party's increasingly dismal electoral showings in Scotland and Wales over this period, combined with its refusal to countenance any form of devolution of power to regional assemblies, fed a growing popular resentment at the over-centralization of political power in London. The arrival of the "New Labour" government in May 1997 coincided with a new desire among the electorate to experiment with changes in the their modes of governance, especially decentralization. As we shall see below, Tony Blair has embarked upon a program of constitutional reform that will affect both Parliament's modes of operation and its standing in the future.

Domestic Politics

Domestic politics in Britain have undergone a seismic shift since the 1997 defeat of the Conservative Party. The scale of the Labour Party's victory in 1997 was remarkable. Labour gained 146 seats for a total of 418 (no losses) out of the total 631. The Conservatives lost 178 to finish with 165 (no gains). Equally extraordinary was the fact that the Labour Party held on to this lead four years later in its June 2001 election with a loss of only 6 seats, the first time in its history that the Labour Party has won a second consecutive electoral term. At the heart of this shift in British politics has been the rapid and radical program of reform that Prime Minister Tony Blair has pushed through the Labour Party.

Labour Party

The policy agenda for "New Labour" was hatched principally by two individuals: Tony Blair, party leader since 1994, and Gordon Brown, now his Chancellor of the Exchequer (finance minister) with the effective strategic guidance of Labour party consultant and later MP, Peter Mandelson. Blair and Brown advocated from the outset a pragmatic and market-oriented approach to managing the British economy, an approach entirely free of old Labour dogma. In a bold move prior to the 1997 electoral campaign, Blair convinced the Party to abolish Clause 4 of its constitution, which supported the nationalisation of important industries and public services. During the 1997 campaign, Brown promised to abide by the Conservative Party's spending plans for the first two years of the new government and to maintain income tax (including the top rate of 40%) at existing levels for the life of the parliament. By sticking to these pledges through to 2001, New Labour was able to dispel fears among the British middle classes about the party's old "tax and spend" habits.

"New Labour" is to all intents and purposes a social democratic party shorn of most of the welfarist / corporatist baggage of its continental European social democratic counterparts. It represents a radical departure in recent British politics in that a "Labour" government has unavowedly adopted a largely "conservative" approach to its fiscal policy and its microeconomic management of the country. Brown, in particular, and a small group of his U.S.-educated advisers believed that Britain can lead the way in defining and implementing a new paradigm for economic growth, social solidarity, and the role of government -- what Blair has called a "third way." Blair's argument was that, having veered between the extremes of capitalism and socialism for the past fifty years, Britain is now in a position to carve out a middle course between the two extremes.

Tony Blair's ability to pursue this objective has been buttressed by the imposition of an iron discipline within the Labour party. The party is now far more tightly organized than the conservatives ever were, with centralized cabinet control extending from Parliamentary candidate lists to the press releases of government ministers. The deeper question is whether the party as a whole really has undergone a radical conversion to a Christian Democrat philosophy, combining belief in the market system with strong social policies. A number of Labour MPs, supported by the traditionally more radical local Labour party activists, still see the conversion as tactically expedient, but flawed in principle. Their influence, however, has remained limited due to the realisation of the majority of Labour supporters that Labour was only able to escape from the political wilderness by taking the middle ground away from the conservatives. Internal opposition has also reflected the political inexperience of the new intake of Labour MPs in 1997 and the presence of benign domestic economic conditions.

As New Labour approaches the first-year anniversary of its 2nd electoral victory, Tony Blair's position has been weakened by a number of factors. The most important are:

- A failure to translate macroeconomic stability into tangible social gains for the public;
- Rising levels of crime;

- An over-emphasis on “spin” (presentation) over policy (substance)

Current state of the parties in the House of Commons

Labour	411
Conservative	164
Liberal Democrats	52
Scottish National Party/Plaid Cymru (SNP 5/ PC 4)	9
Ulster Unionists	6
Ulster Democratic Unionist Party	5
Sinn Fein (Have not taken their seats)	4
Social Democratic & Labour Party	3
Independent	1
The Speaker and 3 Deputies (Do not normally vote)	4
TOTAL	**659**

Government majority - **167**

- Blair’s perceived preference for foreign policy over domestic issues;

- The “sleaze” factor (political scandals), which voters had previously associated with the conservatives and most of which appeared to involved seeking political favors in return for party donation;

- An underlying tension with Gordon Brown over the latter’s desire to take over leadership.

Questions:

-What has been Tony Blair’s political philosophy? What is or was the Third Way?

Further Reading:

Blair’s speech at the last Labour Party Conference in Brighton, Oct., 2001.

The Rise of New Labour. Robin Ramsay. Pocket Essentials. January, 2002.

Conservative Party

Along with losing over half its seats in 1997, the Conservative Party lost its claim to being the party of the Union, stripped of its last remaining MPs in Scotland and in Wales. Even after making some modest gains in the 2001 election, the party

of Winston Churchill and Margaret Thatcher has been reduced to a southern, rural, English party. The retirement and defeat of many of its most talented members in 1997 has left it demoralized and deeply split along two axes: between Thatcherite, tax- and welfare-cutting conservatives and more moderate patricians who want to do battle with Blair in the middle ground, and also between cosmopolitan, business-friendly pro-Europeans and an anti-European conservative heartland.

William Hague, appointed to be the Conservative Party's dynamic young new leader in Blair's mold in July of 1997, was unable to lift the party out of its state of demoralization and internecine warfare. Following its second severe electoral defeat in June 2001, Hague resigned as leader of the opposition. A bitter leadership contest ensued involving Michael Portillo, former Defence Minister and seeming heir to the Thatcher mantle, Kenneth Clarke, the pro-European Chancellor in John Major's government, and Iain Duncan-Smith, standard-bearer for the traditionalist and anti-European wing of the party. To many people's surprise, Duncan-Smith captured the majority of party members' votes in the September 2001 run-off against Clarke and will now lead the conservatives to the next election. Commentators warn uniformally of the uphill task that he will face, given his lack of past government experience and the ideological rigidity of the wing of the party that he represents. In the last 12 months, however, Duncan-Smith has surprised many commentators by demonstrating a steady hand in trying to steer his party toward the compassionate conservatism that proved so successful for George Bush Jr.

At best, however, Duncan-Smith has succeeded so far in stabilizing the party and preventing its further collapse. There is still little sense of an alternative social and economic vision upon which the conservative party could campaign toward an electoral victory.

Questions:

-From what segments of the electorate is the Constitutional Party now drawing its support? Has this party lost its popular base?

Further Reading:

Duncan-Smith speech at the last Conservative Party Conference in Blackpool , Oct., 2001.

Key members of cabinet

Tony Blair, Prime Minister

John Prescott, Deputy Prime Minister and First Secretary of State

The Lord Macdonald of Tradeston, Cabinet Office Minister and Chancellor of the Duchy of Lancaster

Robin Cook, President of the Council and Leader of the House of Commons

Andrew Smith, Secretary of State for Work and Pensions

Barbara Roche, Minister of State and Deputy Minister for Women

Christopher Leslie, Parliamentary Secretary

The Lord Williams of Mostyn, Leader of the House of Lords

Patricia Hewitt, Secretary of State for Trade and Industry

Lord Falconer, Home Office Minister

Gordon Brown, Chancellor of the Exchequer

Estelle Morris, Secretary of State for Education and Skills

Jack Straw, Foreign Minister

Geoff Hoon, Minister of Defense

Clare Short, Minister for Overseas Development

Alistair Darling, Minister of Transportation

Charles Clarke, Minister without Portfolio and Party Chair

Alan Milburn, Health Minister

Margaret Beckett, Secretary of State for Environment, Food, and Rural Affairs

Dr. John Reid, Secretary of State for Northern Ireland

Paul Boateng, Chief Secretary to the Treasury

Liberal Democrats

Despite building on their strong 1997 showing and gaining a record number of seats (52) in the 2001 election, Liberal Democrats, members of Britain's traditionally under-represented third party, face two fundamental problems. First, the scale of the Labour parliamentary majority means the government has no need for Liberal Democrat support in order to pass legislation. Second, the traditional Liberal Democrat claim to represent the center ground between the old politics of the left and right has lost its meaning. New Labour has taken possession of the political center, leaving the Liberal Democrats searching for a distinctive agenda that does not draw them toward the unelectable side of left-wing politics.

UK and Northern Ireland: An Evolving Political Relationship

The Northern Ireland Assembly was established under the 1998 Good Friday Agreement, The Assembly is the prime source of authority for all devolved responsibilities. It has full legislative and executive authority - that is, the power to make laws and take decisions on all the functions of the Northern Ireland Departments. Power was devolved to the Northern Ireland Assembly at Stormont Castle and its Executive Committee of Ministers on December 2, 1999. The devolved government is responsible for transferred matters, such as Enterprise, Education, Health, Agriculture, Environment and Culture.

The biggest source of contention between Protestant Assembly members and Sinn Fein (the IRA's political wing) has been the IRA's refusal to decommission its weapons stockpiles. While political harmony was never a likely or achievable pre-requisite of a long-lasting peace in Northern Ireland, arms decommissioning by the paramilitaries has always been considered essential. The Irish Republican Army (IRA) has sustained its official cease-fire despite sporadic acts of violence by the splinter group, "Real IRA." However, security sources believe the IRA alone has enough weaponry to equip a small country's army and sustain a campaign for at least a decade. The IRA's arsenal was amassed over several years, some of it smuggled in from America and continental Europe, but most of it in several shiploads from Libya in the mid-1980s.

In May 2000, the IRA, which had given its support to the Good Friday Agreement, said it would not give up any of its weapons but would allow an independent inspection. At Stormont, the atmosphere soured over the IRA's refusal, leading ultimately to the resignation of David Trimble, first minister and leader of the Ulster Unionist Party on July 1, 2001. The IRA agreed a plan to put arms beyond use but withdrew it after the assembly was temporarily suspended. As the assembly crisis deepened, the IRA began decommissioning and placing arms beyond use, a moved that led to Ulster Unionists returning to the power-sharing government as Trimble returned to be first minister on October 27, 2001. In response, the British government began scaling back its military presence. The loyalist UDA/UFF ceasefire was declared over and its associated political wing, the Ulster Democratic Party, was dissolved.

Actual decommissioning began in October 2001 with an announcement by the IRA that it had "implemented the scheme agreed with the Independent International Commission on Decommissioning (IICD)... in order to save the peace process."

In April 2002, the IICD announced that the IRA had decommissioned a second "substantial" amount of weapons. The IRA said in a statement that it had taken the step in an attempt to stabilize the peace process. Although continuing sectarian violence and hatred may undercut formal political efforts, the decommissioning process and the continued functioning and influence of the Northern Ireland Assembly will remain important forces in implementing a workable peace in this volatile area.

New Labour's Policy Agenda

Blair and his ministers have sought to put their commanding domestic political position to active use in four areas: (1) constitutional reform, (2) the economy, (3) welfare reform, and (4) Britain's international relations, especially with Europe.

1. Constitutional Reform

One of the main themes of Tony Blair's first parliament was to initiate a sweeping series of constitutional reforms that are transforming the political face of Britain. These reforms included:

- the devolution of the bulk of governmental affairs in Scotland to a national parliament in Edinburgh, and the transfer of more limited powers to national assemblies in Wales and Northern Ireland (the latter determined by the progress being made in the Good Friday peace accords);

- the removal of the rights of hereditary peers to vote and, for the majority, to sit in the House of Lords, Britain's upper chamber of parliament;

- the establishment of a Commission to examine the feasibility of a new voting system for the House of Commons. The impetus is to find a way to shift away from the current complete reliance on the "first-past-the-post" system to a new system involving a modest amount of proportional representation and incorporation of the European Convention of Human Rights into UK law;

- A deliberate effort to shore up public support for the monarchy by advising it on ways to present a more popular public image. The execution and debate over these reforms are not without risk.

- Scottish devolution could lead to demands for a referendum on independence and, thus, the break-up of the United Kingdom. The surprising surge in the popularity of the Scottish Nationalist Party (SNP) after the establishment of the Scottish Assembly took government ministers, many of whom are Scots, aback. Blair saw devolution as strengthening the Union, but it may have the opposite effect. Pressure for Scottish independence may come about not only because of growing popular support for statehood, but also because of the existence of an EU that lowers the costs of independence for small countries by providing them with a large free trade area for their goods and services and a credible common currency.

- The creation of the Scottish parliament and Welsh Assembly has led to calls, including within the conservative party, for the creation of an English Parliament or, along the same vein, for the exclusion of Scottish ministers from playing a leading role in both the British and Scottish parliaments. One concern is that, as the running sore of Europe continues to alienate the Conservative Party's traditional business constituency and its pro-European, pragmatic wing, the party may turn away from its traditional "unionist" stance and boil down to a core membership that feels most comfortable promoting a new form of English nationalism.

- Although the Blair government rushed forward in its first term to abolish the voting rights of hereditary peers, it has not come yet to an agreement on a new system to elect members to the upper chamber. As a result, new members continue to be proposed to "life Peerages" by the three major political parties and approved by the government of the day, a system that, far from promoting a new form of political balance to the lower house, smacks of the very cronyism that reform was meant to purge.

- Removing the right of hereditary peers to sit and vote in the House of Lords has also raised further questions about the legitimacy of the monarchy, the archetypal hereditary institution. Nevertheless, there appears to be little popular appetite for its replacement with a Presidential system and few other viable alternatives.

Question:

-Is Britain genuinely becoming a de-centralized state? What new powers have regional or local governments actually acquired in the last five years?

-How will reform of the House of Lords affect policy-making in the UK?

Further Reading:

The State We're In. Will Hutton. January, 1996.

2. The Economy

The Blair government's record on the economy has been much clearer and, overall, the record is a good one. In particular, the decision to stick by a fiscally stringent approach has produced impressive results.

- The budget ran a 2% surplus as a percentage of GDP in 2001, its third year in surplus (in 1993-94, Britain posted a 7.8% deficit);

- Government debt dropped in 2001 to 32% of GDP (compared to 62% in 1998, 57% in 1999, and 47% in 2000);

- Inflation hovers around 2%, one of the lowest rates in the EU and way below the rate of 9.5% in 1990;

- Unemployment fell below 1 million in 2001 for the first time since 1975, representing a jobless rate of 3.4% and contrasting to a current EU average of 8.5% .

- The ratio of general government spending to GDP dropped below 39% in 2000, in contrast, for example, to Germany's level of 47%.

These impressive figures have been underpinned by important structural characteristics of the British economy. As competition for global capital investment increased in the 1980s, conservative British governments adapted the domestic regulatory environment, introducing flexible labor markets, lowering non-wage labor costs, reducing the role of organized labor, and taking the lead in public sector privatization, strategies with which many other industrialized countries are still grappling. Britain also provided low taxation levels, with a corporate tax level of 30% and employers' social security level of 12%.

As a result, Britain benefited in the early to mid-1990s from large levels of foreign direct investment (FDI), becoming the third largest recipient of FDI in the world in 1996.

The Labor government has not rolled back any of these sources of attraction for foreign investment. In 1999, the United Kingdom attracted $82 billion in FDI out of the EU's total $302 billion (France, by comparison, attracted $40 billion). One in five people employed in the British manufacturing sector now works for a foreign company. Foreign firms have brought not only financial investment, but also new work and management practices.

GDP (2001, dollars in million): $307,116
Annual growth rate (2000): 3.0%.
Per capita GDP (1999): $24,300.
Natural resources: Coal, oil, natural gas, tin, limestone, iron ore, salt, clay, chalk, gypsum, lead, silica.
Agriculture (1.8% of GDP): *Products*--cereals, oilseed, potatoes, vegetables, cattle, sheep, poultry, fish.
Industry (31.5% of GDP): *Types*--steel, heavy engineering and metal manufacturing, textiles, motor vehicles and aircraft, construction, electronics, chemicals.
Trade (1999): *Exports*--$267.6 billion: manufactured goods, fuels, chemicals; food, beverages, tobacco. *Major markets*--U.S., Germany, France, the Netherlands, Ireland. *Imports*--$311 billion: manufactured goods, machinery, fuels, foodstuffs. *Major suppliers*--Germany, U.S., France, the Netherlands, Japan.

Equally important to the British economy's recent success was the decision by Gordon Brown early in "New Labour's" first term to give the Bank of England nominal independence and, thus, introduce a greater level of macroeconomic stability to the British economy.

Foreign and British companies alike have benefited from this benign economic environment. Not only is Britain a location for globally competitive FDI, it also boasts a number of the world's leading multinational and global companies, including GlaxoWellcome, ICI, Shell, BP, BAE SYSTEMS, Diageo, Reuters, and BT. These companies have taken a lead in entering into cross-border alliances and mergers in an effort to reap the benefits of corporate consolidation and an expanded market base so as to compete at a truly global level. Despite its exclusion from the Eurozone since 1999, The City of London remains one of the world's two leading financial centers, with a workforce of over 800,000 (more than the entire population of Frankfurt) and a currency market turnover that is greater than that of New York and Tokyo combined. British firms also hold leading global positions in creative service industries such as advertising, the music industry, film and animation, retailing, and computer games. Overall, the British economy, rather than being a source of embarrassment, has started to serve as a source of national pride in recent years.

Underlying these positive statistics, however, are some important concerns. UK interest rates, although low by historical standards, remain higher than those of its continental partners in EMU. In part, this reflects the markets' suspicion of Britain's past economic volatility and its boom and bust cycles of the 1970s and 1980s. It also reflects a concern that UK unemployment has hit its structural floor. Public sector unions, resentful after several years of Conservative and Labour pay-restraints, may soon demand real pay increases, especially now that Labour's second term has been secured. UK interest rates also reflect reservations about Britain's ability to keep inflationary pressures in check indefinitely while staying outside EMU.

Relatively high interest rates have also helped keep the exchange rate of the pound sterling versus the Euro at punitive levels: the Euro is currently equivalent to approximately 0.65 pounds, representing a 60% appreciation since 1996. Companies that invested in plant capacity in the United Kingdom as a base to access the EU and world markets have been especially hard hit (60% of UK manufactured exports go to the Eurozone).

There is also a persistent negative side to Britain's economy. Try as it might, Britain has been plagued since the 1950s by economic decline relative to other European countries and globally. Part of this decline is subjective. Despite its strong roster of multinational companies, cutting-edge service providers, and technology start-ups, Britain is still perceived to excel in areas that are rooted in the past such as classic craftsmanship (clothes and sports cars) and traditional foods. More significantly, however, a thirty-year history of low economic productivity and low quality, and not just the recent high level of the pound, has undermined the competitiveness of the British manufacturing sector, excluding it not only from predictable areas such as the electronic appliances sector, but even the mass car industry.

Part of the reason for this decline is the legacy of having been the world's first industrialized country, a fact that has complicated Britain's transition to the just-in-time and knowledge era economies. However, Britain's 90 Nobel Prizes for science (second only to the United States) and its long list of significant technological inventions since the second World War (from the radio to the fiber optic cable), although a great testament to the creativity of British scientists and inventors, also expose the difficulty British companies face in translating their genius into marketable products and successful business ventures.

There are some who argue that the City of London's fixation on shareholder returns has trapped Britain in a state of economic short-termism that starves businesses of the stable investment capital necessary for long-term economic modernization and growth. Gordon Brown, however, has announced that one of his priorities for New Labour's second term is to improve the microeconomic environment for business innovation and competitiveness. Within two months of taking power, he announced sweeping changes to Britain's anti-monopoly system, with tough penalties outlined for price-fixing and other uncompetitive practices. More recently, he has proposed introducing bankruptcy laws that will mirror more closely the U.S. approach.

Britain will need several years of sustained, inflation-free growth before the economy will be able to recapture the ground lost in relation to its West European and other trading partners since the early 1980s. A priority for British policy-makers and business leaders alike over the next decade will be to ensure that Britain sustains its current comparative economic advantages while raising the competitiveness of British manufacturing and service industries in those areas that have suffered the greatest recent decline. This will be a tall order. Over this period, other European governments may undertake some of the structural domestic reforms that underpin Britain's recent economic competitiveness. And, as is discussed below, the government's decision on whether to join the Eurozone and pool its monetary policy with its EU partners will influence significantly Britain's future economic competitiveness.

Further Reading:

The UK Economy. Malcolm Sawyer, ed. Oxford University Press, August 2001.

3. Welfare Reform: Britain's Fraying Public Services

A further defining characteristic of Britain the last three decades has been the deteriorating state of its public services, particularly in the key areas of health, education, and transportation. Having focused in its first term on securing its macroeconomic credentials, New Labour has made improving Britain's public services its highest domestic priority for the next four to five years.

Education

New Labour appears to be acutely aware of the challenges that economic globalization poses to Britain over the coming decade. Tony Blair's stated in the lead-up to his first term that the priorities of his new government would be "education, education, education," partly reflecting his assessment that this area will be central to the country's competitiveness in a "knowledge" economy. And yet, New Labour enters its second term presiding over one of the worst-performing school systems in the developed world. 7% of pupils in England and Wales still leave school with no academic qualifications. In mathematics, Britain ranks 17th in international assessments for 13-year-olds. Sadly, the British debate over education has been trapped on the field of social engineering (the need to provide, non-selective "comprehensive" schools to counter the existence of privately-funded "public schools").

Realising the seriousness of the situation, the new government has not been afraid to take on the teachers' unions in an effort to drive up education standards through a new regime of testing and school league tables, approaches they inherited

from the conservative party. Progress has been made since 1997, with school classes falling below thirty per class across the board and improving test results for children from 16 through 18. The government has also sidestepped the battle over the fairness of "selective" schools by encouraging the emergence of "specialist" schools that reserve 10% of their intake for children with a special aptitude in, say, modern languages or technology. In higher education, the government has stuck by the introduction of tuition fees and the gradual switch to a loan system to replace the old state-funded maintenance grants. However, it continues to limit the ability of universities to charge "top-up" fees, as in the United States, despite the growing crisis in university funding.

National Health System (NHS)

Access to publicly-funded national health coverage from the cradle to the grave is seen as a fundamental right in the United Kingdom since its introduction after the second World War. The decaying state of the NHS, a thorn in the side of past conservative governments, has now become the Labour party's problem. Having promised to "save the NHS" as part of its 1997 election campaign, the Labour government has been embarrassed to preside over a series of scandals involving improper patient treatment, a vicious nationwide flu epidemic in 1999-2000 that brought the NHS to its knees, and the release of several reports highlighting poor survival rates in the UK for illnesses that are far better handled in other countries. There are still over 1 million people on hospital waiting lists and Britain has a low rate of doctors per head compared to its EU partners.

The government's solution is to spend a significant amount of additional funding over the next two to three years on hiring additional doctors and nurses, and building new hospitals. The government's aim is to take health spending from its current 5% of GDP closer to the EU average of 7%, leading to a growth in the NHS of a third in real terms. As a result, Gordon Brown's April 2002 budget contained the government's first increase in direct taxation since it came to power in 1997. The 1p. (one penny) increase in National Insurance contributions is designed to pay for the UK's biggest ever increase in health spending. Funding for the National Health Service will rise by an average 7.4% in real terms per year, increasing from £65 billion this year to £106 billion in 2007. The budget reflects the government's desire to be able to defend its health record in the next election campaign in 2005-06. Nevertheless, improvements in health care will take a number of years to enact and will depend not only on financial infusion, but also on painful changes to management of the national health service that have yet to be agreed.

Transportation

Transportation has been one of the government's weakest policy areas, according to opinion polls, with over half of the public dissatisfied with the government's performance to date. The problem is that rectifying what the Treasury Ministry in 1999 called, "an overcrowded, under-planned, and under-maintained transport system" will take decades, not the lifetime of a single government. Compared with Germany and France, Britain spends barely half as much on transportation as a percentage of GDP. The result is that rolling stock is outdated, tracks are ageing (at a terrible cost in injuries and lost lives in 2000-01), and car drivers face constant delays. The proportion of roads subject to serious traffic delays is three times higher than in France and five times higher than in Germany.

The government has set in train a major program to upgrade "strategic" portions of roads that constitute the major bottlenecks in automotive travel and to spend 29 billion pounds to expand rail passenger and freight traffic over the next ten years. It is also encouraging local authorities to invest heavily in light rail, trams, and other rapid-transit systems. The problem is that, as economic prosperity increases in the

UK, car ownership levels could still increase by 10% before they reach levels in France and Germany.

Despite the government's financial commitment to improve public services, there is a growing danger that results will come too late to prevent real damage to the reputation of the Labour Party and to Tony Blair directly. Another fatal rail crash in May 2002 caused by poor rail maintenance highlighted once again the bankruptcy of the current transportation system.

Questions:

-How does UK spending on public services compare with its EU partners?

-What structural reforms has the government launched to modernize higher education and increase university attendance?

Further Reading:

Class War. Chris Woodhead. Little, Brown. March, 2002

Dilemmas in UK Health Care. Carol Komaromy, ed. Open University Press. January, 2002.

The Future of Health: Health Care in the UK. Liz Kendall. Institute for Public Policy Research. June, 2000.

Foreign Policy

Britain's International Role

During the course of the twentieth century, Britain changed from being the world's leading imperial power to being a middle-ranking country with only fragments of its once global empire under its governance. Despite the decline in its relative diplomatic influence and economic prosperity that accompanied de-colonization, Britain has continued to play the role of a global power into the start of the twenty-first century as a result of its position as one of the world's recognized nuclear powers, its permanent membership on the UN Security Council, and its participation in the Group of Seven leading industrialized countries. Britain's role in these organizations reflects not simply a hangover from its Great Power past and status as a Second World War victor, but also its desire to protect its still sizeable global network of trading links and foreign investments.

The Labour government is determined to continue to preserve its position as a Permanent Member of the UN Security Council; of the G-8; and as a leading member of the Commonwealth. Although permanent membership of the UN and the G-7 may be expanded by 2007, Britain is unlikely to lose its individual seat in these fora. Two factors play to its advantage.

First, Britain is well-placed to continue playing a central role in international military operations and thus sustain its much-vaunted ability to "punch above its weight" in international diplomacy. New Labour's Strategic Defense Review of July 8, 1998 laid out a far-reaching plan to modernize the British armed forces and prepare them for involvement in international crisis management and response. The review highlights Britain's plans to build a new, more flexible and rapidly deployable "tri-service organisation," including a joint Royal Navy / Royal Air Force fixed wing force, a joint battlefield helicopter command, joint army / RAF ground-based air defense organization, and a deployable joint force headquarters. The British government's ability to project these forces around the world should be supplemented by the purchase of new strategic lift assets and also by the purchase of two new aircraft carriers in the latter half of the next decade.

British defense capabilities are underpinned by a strong domestic defense industry, led by BAE Systems which is already engaged in the process of European defense industrial consolidation and has moved aggressively to build a transatlantic presence accessing both the U.S. and global defense markets. This will give the government additional leverage to determine future European and NATO military requirements and to buttress its foreign policy goals through exports of military equipment.

Second, Britain's global influence has also been leveraged by its close political relationship with the United States. Since 1945, government officials and policy élites in both countries have shared a sense of responsibility for upholding not only European, but also global security. Since the end of the cold war, they have sought to strengthen the NATO Alliance to this end. The UK's conventional military prowess and its shared willingness to use military force, a rare tendency among industrialized democracies in recent years, have bolstered the bilateral U.S.-UK security relationship.

Britain and the United States after 2000

During the cold war, Britain served as America's leading security ally, an alliance cemented in intelligence sharing and sensitive military cooperation. At critical moments since the end of the cold war, Britain's utility to the United States has been significant -- in the bombing of Libya, in operation Desert Storm, in the anti-Saddam alliance since 1991, and now, most recently, in the coalition fighting international terrorism in Afghanistan and beyond. Notwithstanding these continuing examples of close bilateral cooperation, the context for the UK-U.S. relationship is far more complex now than during the cold war.

- Both the Bush Senior and Clinton administrations placed Germany, not Britain, at the center of their post-cold war European foreign policies, reflecting Germany's central position and influence in an undivided Europe.

- The Bosnian and then Kosovo conflicts demonstrated how British and American approaches toward and tactics within post-cold war crises could diverge in ways that would have been unthinkable during the cold war.

- Britain has been very concerned by the unilateralist stance taken in the first eighteen months of the new Bush administration on issues as varied as the Kyoto Protocol, the preservation of the Anti-Ballistic Missile treaty, the International Criminal Court, and the Chemical and Biological Convention.

- In contrast to its conservative predecessors, the Blair government has made improved relations with its EU partners and Britain's adoption of a leadership role within the EU one of its strategic foreign policy priorities. Having excluded itself from the first wave of monetary union, the logical focus for UK leadership has been in helping develop the EU's security and defense identity. This was apparent in Blair's launch with President Chirac at the Anglo-French summit on December 4, 1999 the intention for the EU to develop a common defense policy and capability. The emergence of a defense dimension to the EU will give Britain greater flexibility in the future to pursue EU foreign policy objectives which the United States may not wish to be involved in or to support. It may also cause new friction within the Anglo-U.S.-relationship.

The aftermath of the terrorist attacks on September 11 has had a paradoxical effect on U.S.-UK relations. On the one hand, British solidarity with the United States and the "specialness" of the US-UK relationship were underscored by Tony Blair's immediate commitment of UK special forces to the operations in Afghanistan as well as by the shared human losses in the attacks on the World Trade Center. Tony Blair's very personal commitment to the U.S. campaign against global terrorism raised hopes in London that this would give the British government the opportunity to draw the Bush administration into a more considered and multilateral approach to its foreign policy priorities. On the other, the realization that the United States would give its allies only a limited military role in the immediate battle against Al Qaeda and the Taliban and that it would seek no advice on how to prosecute the broader campaign against terrorism, quickly eroded support within the Labour Party for Tony Blair's aproach. The "axis of evil" speech and the U.S. emphasis on the need to confront directly the potential combination of states producing weapons of mass destruction and suicidal terrorist groups has raised serious concerns within the British political establishment that, in its effort to be a good ally, the United Kingdom may get dragged into an ever-expanding, U.S.-led global war against terror. The treatment of Al Qaeda prisoners (including a few British citizens) in Guantanamo Bay exacerbated UK concerns. Tony Blair's staunch defense of the principles behind the U.S.-UK alliance and of the need to tackle rogue regimes such as Saddam Hussein's (a position which is supported by a majority of the British public if not of the Labour party) have not prevented the rise of public taunts in the press and television media that he has become "America's poodle."

At heart, the aftermath of September 11 has exposed significant differences between U.S. and UK perspectives on the threats to their security, their experiences of how to deal with terror, and their foreign policy priorities. Like most Europeans, the British public does not perceive Al Qaeda as presenting a major or an existential threat to their safety, unlike many Americans who have been traumatized by the suddenness, brutality, and scale of the attacks on their soil. The British have lived with terrorism for nearly three decades in the form of the campaign by extreme Irish nationalists for unification with the Republic of Ireland. Most British believe that, while military action can bring a short-term sense of success or vengeance, it has little long-term impact on the motivation of the

terrorists or on their ability to pursue what is a relatively easily sustainable campaign, given the asymmetric character of terrorist military strategy. Military action must be accompanied by a political vision of how a solution can be achieved.

Few UK citizens perceive this sort of longer-term vision among the current U.S. administration. Instead, they share a European skepticism of the apparent uni-dimensional nature of the U.S. campaign against international terror. Epitomizing this divergence of views is the question of how to deal with the Arab-Israeli conflict. Even Tony Blair has chosen not to endorse George Bush's characterization of Ariel Sharon as a "man of peace." Instead, there is a near-universal perception in the United Kingdom that Israeli insistence on continuing with its settlements policy on the West Bank has provoked Palestinians into extreme acts and into the hands of extremists. The British desire to open a dialogue with the government of Iran is also emblematic of the underlying differences between the United States and the United Kingdom in their approaches to foreign policy challenges beyond the ones of fundamental national security.

Many in the British government and Foreign Office believe that Britain's aspirations to lead in Europe and maintain its special relationship with the Untied States need not be mutually exclusive. Tony Blair takes every opportunity to make explicit the full commitment of his government to the Atlantic Alliance. However, he recognizes, as do most senior officials, that Britain's value to the United States as a strategic bilateral partner will be enhanced through its position as a leading member of the European Union, particularly in the fields of foreign and security policy.

Nonetheless, from a British perspective, the search for a reinvigorated partnership with Washington may still lead to difficult choices. The U.S. administration will continue to look for British political support for policies that are often at odds with the views of leading EU member states such as France and Germany. Areas where the United States seeks to influence Europe include accelerating EU enlargement to central and eastern Europe, sustaining sanctions on Saddam Hussein, containing Iran, supporting Turkey's membership of the EU, and opening EU markets to U.S. farm products and other sensitive products and services. After September 11, the long-term campaign against terrorism could open new divergences between Washington and European capitals. U.S. expectations on these issues will bring home to British policy-makers the fact that Britain cannot easily seek to maximize its global influence through partnership with the United States and simultaneously exercise leadership in Europe. Hard choices will have to be made and, occasionally, we can expect the UK to line up in European solidarity rather than always in transatlantic partnership.

Questions:

-What concrete forms of bilateral cooperation now underpin the "special" UK-US relationship? Intelligence-sharing? Weapons acquisition? Military training and operations? Coordination of diplomatic initiatives (South Asia, Middle East, UN)

Further Reading:

Anglo-American Relations since 1939. John Baylis. Manchester University Press March, 1997.

A Special Relationship. John Dumbrell. Palgrave Macmillan November, 2000.

Britain and Europe

Blair's new focus on partnership with the European Union belies the fact that a defining feature of Britain has been its geographical and psychological detachment from the European continent. It is an axiom that Britain is part of Europe, but not of it. As Winston Churchill famously suggested, a "United States of Europe" might be in British interests, but, of course, would have to exclude the United Kingdom.

Reliance on the empire and then on the Commonwealth after 1945, however, proved to be no substitute for U. K. membership of the European Community. Despite this hard lesson, the lack of British historical or cultural affinity with the fears and ambitions of the founding countries of the European Community has not been mitigated by successive EU enlargements nor by the success of the EU in promoting the growth of a single European market that now accounts for 50% of British exports. The British continue to perceive European integration as a uniquely economic exercise and, since joining the European Community, UK governments have been an obstacle rather than a dynamic contributor to almost all broader European integration initiatives. Moreover, to the extent that the growth of the EU as a political entity has reflected a Franco-German entente, successive British governments have sought to weaken this alliance which appears to be achieving a political dominance over European affairs that Britain had long fought to avert.

British official Euroscepticism is nurtured by the feeling among many in Britain that the United States, not the European Union, is Britain's ideal global partner. This predisposition to look westwards across the Atlantic is reciprocated by U.S. politicians who see in Britain an important bastion for Anglo-Saxon, free-market economic principles that have traditionally been shunned by other EU governments. During the latter half of the 1990s, strong economic growth and falling unemployment in the United States and the United Kingdom has been contrasted to the high levels of joblessness in continental EU, confirming the impression that most EU governments remain trapped in a rigid social market system from which Britain would do well to remain detached.

The innate public British Euroscepticism is fed by an unremitting diet of Euro-bashing by the British press, from broadsheets such as "The Daily Telegraph" to family newspapers such as "The Daily Express," to tabloids such as "The Sun" and "The Star." Anti-European headlines, articles, and editorials frequently refer to Germans and other Europeans in terms drawn from the Battle of Britain and the blitzkrieg. Rubbishing the EU, of course, is good copy, a fact which politicians now complain about throughout Europe. In Britain's case, however, the high degree of North American newspaper ownership combines with the instinctive British antipathy towards Europe to produce a particularly

vitriolic form of anti-European coverage.

Just as in 1957, Europe is emerging from a transitional period following revolutionary systemic change. Just as Britain made choices to remain apart from the search for European institutional construction during the last European transition in 1945-57, so did the conservative government in 1989-97, rejecting monetary union and other key aspects of the new EU agenda such as the Social Chapter and the Schengen agreement. As in the early 1960's, however, Britain may now be psychologically prepared to make more formal commitments to Europe that will have a far-reaching impact on all aspects of Britain's development.

The Labour party under Tony Blair certainly offers Britain the chance to build a more constructive relationship with its EU partners in the near future. Notwithstanding important differences in national emphasis, New Labour's ascendancy to power coincided with the broad social democratic wave that swept over Western Europe in the latter half of the 1990s. Under New Labour, Britain has relaxed the previous conservative obsession with guarding Britain's national "sovereignty" and its constant harking back to the days of British national grandeur. In essence, Blair would like to offer a pragmatic "third way" not only for Britain, but for European integration also, promoting greater levels of EU competence and qualified majority voting where practicable, but preserving national control over key aspects of policy such as defense and taxation.

Aside from Europe's defense capability, Blair has applied his government's energies toward two other aspects of European integration, economic reform in the EU and the EU's political evolution.

Question:

-How has Britain's late entry into the European Community influenced the evolution of its relationship with Europe since then? **Further Reading:**

This Blessed Plot: Britain and Europe from Churchill to Blair. Hugo Young. October, 1999.

Success and Failure in British Foreign Policy. Peter Mangold. Palgrave Macmillan. October, 2001.

The Pro-European Reader. Dick Leonard, Mark Leonard. Palgrave Macmillan. November, 2001.

The Eurosceptical Reader 2. Martin Holmes. Palgrave Macmillan. November, 2001 "A Britain and Europe: Devolution and Foreign Policy," International Affairs Vol. 74, #1, 1998, p. 106. "Coalitions and the Future of UK Security Policy." Whitehall Paper 50. RUSI. London, 2000. "European integration and defence: the ultimate challenge?" Chaillot Paper 43. Institute fpr Security Studies of WEU. Paris, 2000.

UK and EU Economic Reform

The Lisbon summit of EU leaders in March 2000 was seen as an important breakthrough by the UK government in its efforts to convince its European partners of the complementarity between UK-style deregulation initiatives, including reform of labor and financial markets, and a social economic model applicable to left of center governments, all of whom wanted to find a way to match the productivity growth of America's "new economy."

In an effort to benchmark the EU against the United States, the United Kingdom has pushed aggressively at subsequent EU ministerial meetings and summits for a range of government-led initiatives that would help Europe become, "the most dynamic knowledge-based economy in the world by 2010." These initiatives include the creation or adoption of:

- Integrated financial markets by 2004;
- An EU E-commerce directive;
- An EU-wide Single European Patent;
- A pan-European diploma for IT skills;
- A strategy from promoting the biotechnology industry;
- Internet access for all schools;
- Full liberalization of gas, electricity, and transport markets by 2003;
- An Action Plan to reduce regulatory burdens on small and medium-sized firms;
- Targets for reducing unfair state aids.

Comparisons have been made between the initiatives of the Blair government and those of the Thatcher government in the mid-1980s favoring the creation of the Single European Market. The fact is, however, that implementation of much of the Lisbon agenda will depend not on legally binding directives (as with the Single European Act) or on formal treaty commitments (as was the case when EU governments sought to achieve EMU convergence), but simply on peer pressure and the sharing of best practices. Under these conditions, the pace of reform is proving frustratingly slow for the British government.

UK and EU Political Integration

Since his rise to power and benefiting from his strong domestic parliamentary base, Blair has moved methodically into an area – EU political integration -- that has been a minefield for British politicians in the past. In this context, the Nice summit of EU leaders in December 2000 proved a significant success from the UK point of view:

- The successful conclusion at Nice of the EU's most recent Intergovernmental Conference has enabled the EU to move ahead with negotiations to complete an eastern enlargement by 2004, an important British policy priority;

- The re-weighting of national votes in the EU Council of Ministers favored the UK, but was pushed by France, allowing the UK to protect its political capital;

- The process of qualified majority voting was kept away from key areas of British concern, such as taxation;

- The British allowed the concept of "reinforced cooperation" (deepening of integration among groups of EU member states in targeted areas) to move ahead, while keeping defense out of this new procedure.

Prior to the Nice summit, Tony Blair gave a major speech in Warsaw in the summer of 2000, responding to previous speeches by German Foreign Minister Fischer, French President Chirac, and Commission President Prodi, and laying out Blair's own bold vision of where the EU should be going. Key proposals included:

- A "Charter of competencies" for the EU, rather than a legally binding constitution, defining the relationship between Europe's local, regional, national, and EU levels;

- The right for the European Council of EU leaders to set an "annual agenda for Europe," in collaboration with the European Commission;

- Team EU presidencies; and a smaller Commission;

- The creation of a "second chamber of the European Parliament;" involving nationally elected MPs. The chamber would provide political rather than legal review of the levels at which EU decisions are taken and implemented in the future;

- The emergence of the EU as a "superpower, not a superstate" on the world stage;

- The notion that the foundation of the EU should remain the democratic nation state.

On February 21, 2002 at The Hague, a few days before the official launch of the European convention that will finalize plans for a new treaty in 2004, Foreign Secretary Jack Straw called for sweeping reforms in the EU and the way the intergovernmental Council of Ministers ought to work. Britain does not accept a written constitution, as favored by Germany and France, and would rather see an EU driven by its member states, although it had indicated its willingness to accept certain concessions on further EU integration (such as in the areas of asylum and immigration policies). The Labour government's blueprint has drawn criticism from the Conservative party, and has received mixed

reviews in other EU capitals.

Question:

-How does Britain's domestic structure of governance influence its vision for Europe's political evolution?

UK and EMU

Whatever Blair's success in drawing Britain into the inner circle of EU strategizing through an active role in European defense and the single market, the decision of his government to remain outside the project on monetary union continues to call into question Britain's position as a truly European power and also limits Blair's political influence in EU decision-making circles.

There was little expectation that the UK could join EMU at its launch on January 1, 1999. However, more concrete hopes that the UK would join by the beginning of 2002, when the transition phase ends and national currencies are abolished, have also proved to be premature. On October 27, 1997, Chancellor of the Exchequer Gordon Brown announced to Parliament that, although the government saw no constitutional objection to the UK entering EMU, economic factors made it highly unlikely that the UK will be in a position to join until after the next legislative election, that is, after 2002. He then laid out "five economic tests," widely seen as providing political room for manoeuvre rather than an economic roadmap, which Britain would apply before deciding whether to join.

Whatever the personal convictions of Tony Blair and Chancellor Brown toward British EMU membership (and both are believed to be in favour, although holding the key to the five economic tests is an important tool in Brown's personal political arsenal vis-à-vis Blair), the lack of any rational debate about the EU outside élite circles over the past ten years and the obsessive "Europhobia" of the Murdoch and tabloid British press (key backers of Blair in the election) make the outcome of any referendum highly unpredictable. As is often observed, Blair is partly to blame for the lack of a more rational debate, having muzzled the pro-EMU business community in the lead-up to the 2001 election for fear of allowing the issue to tarnish Labour's campaign. However, it is clear that the opponents of EMU have assembled a well-organized campaign that is able to play on a combination of British political and economic fears:

- Why repeat the experience of the UK's short-lived experience of the European Exchange Rate Mechanism (ERM) from which it was evicted in 1992?

- The Eurozone is not an optimal currency area (there is little labor mobility, no federal transfers, different levels of economic development) that may eventually collapse;

- UK economic performance is way ahead of its neighbors in terms of unemployment levels, FDI attractiveness; inflation rate. Why risk it?

- Internet readiness is more important and the UK is already ahead;

- The UK will be exposed to the pensions meltdown awaiting most continental European economies after 2010;

- Euro membership will spill over into EU-harmonized taxation, a U.K. bogeyman;

- Euro membership will spill-over into an EU economic government and, then, an EU, federal superstate, another bogeyman;

- The UK has more similarities and closer economic ties to the United States than to the EU.

It is important to understand that the United States remains an alternative political and economic pole in the minds of Eurosceptics and the media. British conservative politicians such as John Redwood have called for the UK to join NAFTA and abandon the EU, echoing the views of a number of U.S. politicians and commentators such as Newt Gingrich and Bill Safire. Even Condoleeza Rice, in an interview with the Daily Telegraph in July of 2000, said a Bush administration, while not wanting to drive a wedge between the UK and EU, would be open to how to expand NAFTA across the Atlantic.

Despite the large obstacles to Euro membership, the government's delay in joining EMU exposes Britain to two important risks in the near-term.

1. First, Britain may pay an economic price.

- British companies will have to continue to hedge against currency instability for the bulk of their export business.

- With the continuing over-valuation of the pound relative to the Euro, British exporters may see a further erosion in the price competitiveness of their exports.

- Exclusion from EMU may also provide foreign investors with an excuse not to continue to use Britain as a favored direct investment location in the near future.

- UK fiscal and monetary policy may end up being tied to targets which the British government will have played no role in establishing, but from which it might feel politically unable to disengage, at least so long as it is attempting to shadow the Euro so as to maintain the option to join.

2. Second, Britain will certainly pay a political price. At a time when France and Germany are looking to redefine their bilateral relationship under the post-cold war leadership of Chirac and Schroeder, there should be a real opportunity for Blair's government to take the leadership role in the EU that it has claimed. However, it will be difficult for Blair to craft a durable leadership position for the UK outside EMU on any of the issues central to the EU's political and economic integration, such as EU enlargement and structural economic reform.

Instead, the EU's most important new political initiatives are likely to emanate from within the Euro-club, with proposals, bargains, and coalitions coordinated at a bilateral Franco-German level or among the Euro-11 before the British government has a real opportunity to react. French and German proposals for certain forms of tax harmonization and majority voting on taxation may be an unpleasant foretaste of the future for the Blair government.

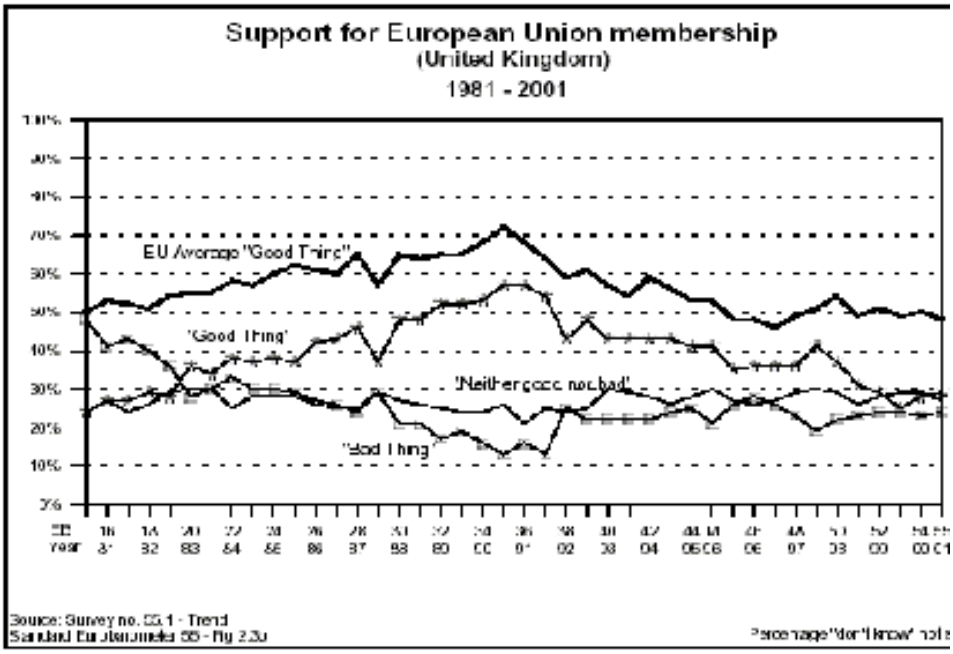
On the other hand, unlike joining the European Community, which was interpreted at the time as an economic decision, EMU confronts the British public with the "bogeyman" of far greater political centralization of power in Brussels. The most worrying trend from Blair's perspective was seeing how the entry of EMU was immediately followed by a rapid push by Socialist governments in Europe for a start to corporate and withholding tax harmonization, a source of great concern to a tax-averse British public and "new" Labour party.

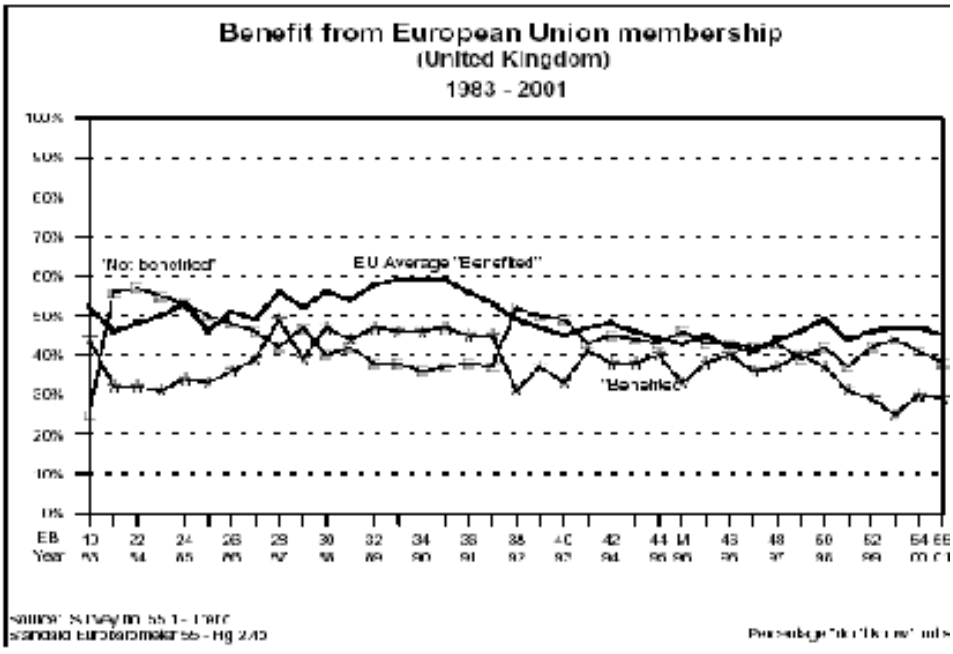
The choice of when to join does not lie entirely in Blair's or Brown's hands. Britain has always found it difficult to converge its economy with those of its EU partners due to its higher levels of non-EU trade, its tendency to make more home loans on variable interest rates than its partners, and the fact that it is the only oil exporter in the EU. Economic pragmatism as much as political ambivalence is at the heart of Britain's continuing hesitation about acceding to the single currency.

Current State of Play on the EMU debate

Poll figures have shown that the percentage of voters opposed to UK membership of the monetary union has held steady at around two thirds of the voting public. At first sight, therefore, the Blair strategy of holding back on a formal decision and date to join EMU makes sense. After 2002, any turbulence that is likely to have surrounded the early phase of EMU will have subsided, thereby making a referendum on whether to join less controversial. The British public will also become accustomed to seeing and using the Euro. Moreover, the reality of exclusion may also increase demands from UK business for Britain to join, as it did in the case of EC membership in 1960s. Conservative party "heavy-weights" such as former Prime Minister Edward Heath, Michael Heseltine, and Kenneth Clarke have all come out in favor of Britain preparing now "to join a successful single currency." Under these conditions, the underlying pragmatism of the British public -- a majority of which already supports an EU role in areas as diverse as trade, environment, and crime fighting -- may translate into majority support for British EMU membership in a referendum. It is worth noting that a 1971 Gallup poll found a majority of 59-23% against membership of the European Community. The British electorate still voted in favor of EC membership in the 1975 referendum four years later.

UNITED KINGDOM





from Eurobarometer, 2001

While public opposition remains high, so does the percentage of people, 68%, who believe they will be using the Euro by 2010.

Earlier in 2001, Blair indicated to Parliament that the government would make a decision on whether to hold a referendum on EMU entry within two years of the new parliament. The defeat of the conservative party in the 2001 summer elections with its strong anti-Euro message has called into question the solidity of the anti-EMU movement's appeal. Having been re-elected and riding high on the post-September 11 wave of personal popularity, Blair strengthened his rhetoric at the Labour Party conference in October in favour of joining the Euro.

To support Blair's rhetoric, the British economy appears to be converging steadily with its EMU partners. Interest rates, from being double in the UK to the Eurozone rate in 1999 (at 6% to 3%), are now only one percent apart. Inflation in the UK, at around 1%, offsets a less over-valued exchange rate. The IMF concluded recently that UK-EU economic divergence from 1987-98 was largely a result of interest rate decisions, not structural divergences. And leaders of Britain's manufacturing businesses have made it plain to the new government that they expect a decision soon. Nick Scheele, Ford's European chairman until September 2001, said his company's investment in the UK is based upon the assumption that the UK will join the Euro by 2006, reflecting the fact that 60% of the UK's manufactured exports go to the Eurozone.

However, the choice for Blair remains a very risky one. On the one hand, it is hard to tell whether the British economy's convergence is structural and sustainable or temporary. Within the Treasury and the Bank of England, there is the fear that inflation may once again slip out of control if the UK is forced into a "one-size-fits-all" Eurozone monetary policy. The UK economy also remains very sensitive to short-term interest rate shifts – with both companies and households still holding a large amount of floating interest rate loans (in 1999, this included 73% of all mortgages). Eddie George, Governor of the Bank of England, has expressed his concern that the UK and Eurozone economies may not converge but "pass like ships in the night."

Ultimately, Prime Minister Blair has to show to the British public that the EU is becoming more like the UK before he can confidently try to convince the public to support Euro entry. However, the more successful Gordon Brown's management of the domestic UK economy, the harder it is for Blair to make the case for the UK joining the Euro. While the British people are indeed pragmatic, they will need to hear a convincing case about why not joining would be a problem for the UK. That case cannot be made based on the performance of the British economy in 1999-2001. Can it be made in the next two years?

Further reading:

Strategic Defense Review (1998).

Tony Blair's speech in Warsaw (October 6, 2000)

CONCLUSION

There are those that argue that unless a majority of British people are able to unite around a new sense of national identity, Britain will face an uphill task not only in holding together the United Kingdom and in building a new basis for social cohesion, but also in meeting the external challenges of economic globalization. The Blair government certainly appears to have set out consciously to "re-brand" Britain not as the fusty, former imperial power and keeper of great traditions, but rather in the image of "Cool Britannia," a vibrant country that can draw on its ethnic and national diversity, its creativity and eccentricity, as well as on its heritage as an economic "hub" between the Western and Eastern hemispheres to try to engineer a gradual shift both in internal and external perceptions of Britain in the new millennium. The results will take time to show. However, judging by the declining legitimacy of Britain's institutions over the last decade and the longer-lasting decline in national self-confidence, an effort to re-brand Britain is probably worthwhile.

Just as important, the concept of Britishness depends upon an external context. Britishness was never inherited, but learned in the eighteenth century and was bound up with the creation of the British empire. It connoted a sense of imperial mission, of "Britannia ruling the waves," and of enemies (France and Spain) that sought to challenge British global interests. All Britons, whether they were English, Scots, or Welsh, were involved in promoting and protecting Britain's interests against external aggressors, most recently against Britain's newest enemy, Germany, a crucial episode in the conflict being the heroic "Battle of Britain." With the loss of the empire from 1950 onwards and the forging of ever-closer economic and cultural ties with Britain's traditional European enemies, the concept of Britishness has lost its external moorings. Margaret Thatcher's efforts to re-galvanize the British spirit by appealing to new enmities (limited to Argentina over the Falklands) and old (France and Germany after 1990) were backward looking; an effort to recreate the past. Ultimately, the international and domestic context in which Britain found itself in the last decade of the twentieth century could not support this campaign and her efforts failed.

Tony Blair is attempting to create a new sense of Britishness: one that mixes in some of the old (Britain as a world player; with a strong sense of history and belief in the strength of its institutions of governance) with some of the new (Britain as a partner to European integration and a nation not afraid to modernize its institutions and society). He has made a good start, but there is a long way to go.