

**BRITAIN IN EUROPE:
A NEW BRITISH GOVERNMENT – A NEW BRITISH ROLE IN EUROPE?**

20th May 2011

CONFERENCE REPORT

This conference was the final event in a series of conferences entitled ‘A New British Government - A New British Role in Europe?’, which was jointly organised by the Federal Trust and the Global Policy Institute and co-funded by the European Commission Representation in the UK. The event marked the launch of the concluding publication of the eight month project: *“The Coalition and Europe: After the Honeymoon”*.

The conference started with a video message by **Peter Sutherland KCMG**, former EU Commissioner and President of the Federal Trust, who commented that the European debate had been a non-issue since the formation of the Coalition government. The EU was facing a crisis of existential nature in the context of the Eurozone and the non-participation of the UK left it semi-detached from a crucial debate. Mr Sutherland praised the report as “an admirable document which cogently and clearly articulates the balance of arguments in this debate.”

The first speaker was **Sir Stephen Wall**, former European adviser to Prime Minister Tony Blair and Chairman of the Federal Trust. He commented that this project was exactly the sort of initiative the Federal Trust should be undertaking and then elaborated on the following points:

- I spent a large part of my career with Britain in an 8:1; 11:1; 14:1 situation. Are we now 26:1?? What has changed in the EU world around us that perhaps now makes us less prominent an exception? Are those EU changes for the better or worse?
- There is in Britain a degree of scepticism about the EU which runs wider and probably deeper than in almost all other EU countries. We are unique in setting our face against ever joining the single currency. We are in the process of establishing a referendum barrier to future treaty change which, while not a unique constitutional feature of itself, is designed deliberately to make future integration via treaty change difficult to achieve. It is a deliberately contrived negative tool of influence.



This conference was co-funded by the European Commission Representation in the UK.

- We have an opt-out on JHA which, again while not unique, is firmly rooted in the national psyche. Its rationale is as much political and psychological as practical.
- Our partners might characterise the policy of this government as constructive disengagement: we will not obstruct so long as we do not have to participate. Contrast that with Mrs Thatcher who, when she was obstructive, was so on the basis that there was no question of Britain not fully participating. So she would only accept what she would agree to implement.
- Shake the kaleidoscope and take a different look. In which of the member states today is there pro-European public sentiment to match that of thirty years ago? Opinion elsewhere in Europe may not be Eurosceptic in the classic sense of fundamentally opposed to the EU. But there is a deep sense of frustration and alienation which comes about for a number of reasons, none of them remotely addressed by the treaty changes of recent years.
- In which countries of the EU is there realistic support for the notion of a united states of Europe? Which countries actively stand up for the institutions? Which countries have actively contrived and connived to make the Commission the relatively weak institution it is today? Which countries enhance the legal authority of the Union and the ECJ by respecting its laws as a matter of national priority? Which countries would today agree with Delors, as most did in 1990, when he suggested that the Commission should be the administration of the Union answerable to the European Parliament? Maybe they were just paying lip service then to such ideas. Today, the German finance minister can say, as Schaeuble did earlier this year, that of course further progress on the reform of the Eurozone's governance must be largely inter-governmental, while everyone nods sagely as if this is obvious. But is it? In any inter-governmental system it is not Portugal, Ireland or Greece who will be empowered, but rather the large, rich countries.
- The bicycle theory was believed in for forty years: the notion that, however, difficult, ever closer union had to mean monetary, economic and political union: a federal system with, at its peak, something that would be a recognisable European government.
- The terms of this debate are still defined by a mythology of the Six, even though the Six have long since ceased to live by their own legend. You could argue, as de Gaulle did, that the essence of the original Monnet concept was that it depended for its success on a relatively few countries following an internally liberal and externally protectionist model. That was what Community preference meant. The biggest change that happened with the

first enlargement was not the Atlanticisation of the EEC (for on that issue de Gaulle was out of line with the other Five) but the importation of an argument about a protectionist model versus an outward looking one in terms of trade, especially in agriculture, open markets and liberal economic policies. These arguments, and the changes which resulted from them, would almost certainly have happened anyway. But British accession accelerated them.

- My question is: is there still an integrationist tendency from which Britain is absent? Or is there a dis-integrationist tendency to which Britain contributes?
- It is not an easy question to answer because the picture is a mixed one. If you define “integrationist” as a desire to extend the sharing of sovereignty through treaty changes, then there is little appetite for it. Anywhere. And none of the three treaties since Maastricht has achieved a significant leap forward, except perhaps in the field of enhanced cooperation. But perhaps, like opt-outs, enhanced cooperation can also be regarded as a factor for European disintegration rather than integration.
- If, on the other hand, you see integration as the slow process which takes place through legislative measures to approximate laws and establish common policies, then the process of integration continues. And on financial services, energy policy and climate change Britain has made as big and as positive a contribution as any other member state.
- The same is true of foreign policy and defence. It seems pointless to ask whether Anglo-French cooperation is a substitute for a European defence policy. “*L’Europe est en panne*”. Maybe it is, maybe it isn’t. But European foreign and defence policy will, on its present construction, always be about a relative few carrying the burden of money, men and women and risk on behalf of the whole. That is a contribution to European security even more than it is to the national security of the individual countries involved.
- Britain, alone of the large member states, opened its borders immediately to the new member states in 2004. This government has decided, in a move directly opposite to that elsewhere, to *exclude* enlargement from the provisions of the referendum bill. This is a courageous move of a directly meaningful, integrationist kind. For who can doubt that if integration is defined as creating the best conditions for peace, stability and prosperity in our continent and beyond then enlargement is the single most important contribution to it we can make?
- But underlying that issue is another one rooted in the euro. The single currency is the most advanced expression so far of the Monnet model. If you believe, as I do, that it depends

for success on real economic, and therefore, political, union, you have to hope that that is what will happen, albeit fitfully, as a result of the present crisis. It may happen through fear of the alternatives, rather than through positive motivation. But if it does happen, will it happen on a basis which provides for a genuinely two tier Union, with some inside the currency, and bound into a close economic and political union, and some outside? It is not implausible. It may even be simply realistic with a Union which, if it is true to the obligations of the Treaty of Rome, is bound to enlarge still further.

- If this is what is set to happen then the British government's policies are perfectly adapted to it. Indeed, such a Europe exists already. In foreign policy and defence Britain is in the first tier. In economic governance it is not. What it would not accept in theory (relegation) it lives happily with in practice.

The next speaker was **Jonathan Scheele**, Head of Representation of the European Commission in London. He started off with the remark that the Federal Trust took the view that the UK risks semi-detachment from the EU primarily through its refusal long term to countenance euro membership and because of the EU Bill. The Commission defends the single currency but does not comment on whether the UK should join. Nor should the Commission make any judgement on the merits or otherwise of the EU Bill. He then continued:

- The collective memory of the stand-offs between Brussels and the Thatcher and Major administrations led to a degree of trepidation in certain departments of the Commission before the new government came to power, but a more pragmatic and less atavistically adversarial stance has characterized the approach so far. Before the election:
 - Ken Clarke and a large team of aides visited President Barroso on a charm offensive (March 2010)
 - William Hague told Chatham House (March 2010) that despite his misgivings over further integration, he hoped the new Lisbon architecture would enable the Union to use its collective weight better in places like Bosnia-Herzegovina, and cited the single market, climate change and Iran as other areas where the EU had shown or could prove its worth.
- Post-election, the EU Bill is now in the Lords, but we should remind ourselves that William Hague himself has said it will have no substantive effects on day-to-day business with the EU. The referendum lock is no more than Ireland already has, and few accuse it of being anti-European for it.
- The coalition government has been clearer, more strategic and perhaps more open than the previous administration, which saw a stream of Europe Ministers in quick succession. David Lidington appreciates which areas the EU has genuine power in (even if he doesn't always like it), whereas the Blair and Brown governments sometimes appeared to treat

Europe as something of a sideshow (cf Brown's refusal to attend ECOFIN, etc.). It is worth recalling William Hague's comments about being "active and activist".

- The UK's refusal to be drawn into the Eurozone bailouts (above and beyond its share in the IMF kitty) has caused some irritation (Jouyet said the country should expect no help if the markets turned their sights on sterling) but Lagarde seems to accept the logic that the country cannot be asked to pay for a situation it had no part in creating. In any event, the £7 billion loan to Ireland has shown pragmatism to trump ideology. The UK also supports the establishment of the permanent stability mechanism from 2013..
- Europe 2020 has met with a mixed reaction. In October, David Lidington said the EU should stop wasting time on top-down strategies and concentrate on revitalizing the Single Market, opening up international trade and improving regulation. He emphasised Europe's importance to the UK economy but was candid about its declining competitiveness and the need for structural reforms. However, even here, the Commission was explicitly praised for its endeavours to cut red tape and for remaining a bulwark against resurfacing protectionism. The supposed opposition between Europe 2020 and the UK vision is a false one since the 2020 paper sets out to address many of the issues such as competitiveness, regulation and climate change which are at the core of the coalition government's programme.
- The proposed budget increase for next year and renegotiation of the MFF are now attracting more government attention. Justine Greening and others have been clear that savings in the EU budget must be made and what budget flexibility there is should be directed away from the market-distorting CAP towards growth-inducing sectors. Commissioner Lewandowski's cautious line before the Lords has some good points, notably:
 - The government wants the EU to punch its weight on the world stage (so says William Hague) and the possible economies of scale from collective action at a time of national austerity should not be forgotten.
 - There is some tension between national demands on the EU and reluctance to pay for them: "In our daily work we see the problem of the tension between new prerogatives and new politics to be financed and very limited scope to manoeuvre." The backloading of payments is also an important factor: "The logic of the European budget is about accelerating the pace of payments over the lifetime of a financial framework. In 2007-08 there was relatively little expenditure but when coming to 2011-12 and 2012-13, there are real bills to pay and very limited margins, not allowing for much flexibility."
 - There has been a smaller percentage increase over time in EU budget than national ones: "In the [last] decade we have calculated that the European budget has grown since 2000 by 37%; the national budget of 27 countries on average 62%; the UK budget—if we measure not in euros but in pounds—by 111% within a decade. So

there is a measure of self-restraint despite enlargement."

In his concluding remarks the chairman, **Brendan Donnelly**, Director of the Federal Trust, made two comments. The first was to answer Sir Stephen's challenging question about the continuance of European integration by pointing to the continuing and effective role of the European institutions in promoting this integration. Those who regard themselves as "federalists" rightly stress the role of the European institutions in maintaining and extending the scope of European integration. The current situation of the euro is very much a case in point. The institutions of the European Union are working hard to reform the governance of the Eurozone, in a way which will inevitably enhance not merely monetary stability but political integration as well.

The second point was to stress the overwhelming likelihood that the United Kingdom will remain for the foreseeable future a semi-detached member of the European Union. The political programme of the current coalition government in this country will substantially reinforce this tendency. The relatively restrained tone of the government over the past twelve months in its approach to such questions as European banking regulation should not distract attention away from the two most significant propositions of its European policy, namely the exclusion of any possibility of joining the Eurozone and the obligatory holding of referendums on future changes to the European treaties. Both of these are, and are meant to be constraints upon future British participation in the developing process of European integration. Complacency is a recurrent fault of those who claim to be "pro-Europeans" in the United Kingdom. It is all too tempting to believe that events and the day to day pressures of governmental decision-making will eventually force the United Kingdom to reintegrate itself within the mainstream of the European Union. The European policy of the current British governmental coalition gives, in the long term, no grounds for such complacent self-deception.

Brendan Donnelly then thanked the staff of the Federal Trust for their efforts in organizing this project over the past eight months and to the European Commission's Representation in London for its co-funding of the project.

