

## **HAS THE GENERAL ELECTION CHANGED THE UK'S RELATIONSHIP WITH THE EUROPEAN UNION?**

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### **CONFERENCE REPORT**

The Federal Trust launched its new series of conferences, 'A New British Government - A New British Role in Europe?' with a debate: Has the General Election Changed the UK's Relationship with the European Union? Organised jointly with the Global Policy Institute and co-funded by the European Commission, the series aims to examine the changing role of Britain in Europe. At this first conference, speakers from the European Parliament, the LSE, and the international centre-left think tank Policy Network provided an initial overview of the potential changes wrought by the UK's new Coalition Government.

First speaker, **Andrew Duff** Liberal Democrat MEP for the East of England, while wondering how Britain's most anti-European party can cohabit with Britain's most pro-European party, nevertheless welcomed the fact that the coalition has obliged the Conservatives to drop the manifesto pledge in effect to renegotiate the terms of UK membership. The coalition will also act as a check on rebellious Tory eurosceptics and force the Liberal Democrats to drop their own manifesto pledge to hold a referendum on whether to stay in or leave the EU. Tory ministers are being well received at meetings of the Council of Ministers, although the election of Bill Cash as Chairman of the Commons' EU scrutiny committee does not bode well. The foreign secretary's contribution to European policy over the coming months is also difficult to predict. Important forthcoming issues, such as the reform of the budget, the multiannual financial framework from 2013 and enlargement will require the cultivation by London good relations with Paris and Berlin. In this context, the stated British determination to avoid treaty change and refusal to make any preparation for joining the euro look highly ideological and provocative.

The next immediate step in the Coalition's European policy is the EU Referendum Bill which aims to amend the 1972 EC Accession Act. According to Andrew Duff, it is telling and deeply unfortunate that the Coalition uses the deliberately prejudicial eurosceptic terminology of 'ratchet' to refer to the use of the "passerelle." Passerelle clauses are inserted into the Lisbon treaty precisely to allow the constitutional order of the Union to develop pragmatically and they might well prove useful to the UK when its own national interest is being blocked or distorted by another EU state.

Treaty change, commented the MEP, has always been an important dynamic of European



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

integration and will surely be needed in future to give greater added value to EU policy making. An IGC next year cannot be excluded if temporary bail-outs have to become permanent. Such a treaty reform might trigger a UK referendum, a likely No vote on a low turnout, an adverse market reaction, a loss of confidence in the Coalition and the further marginalisation of Britain. By binding itself and its successors into referendums, the Coalition is heading for trouble. If the EU Referendum Bill is passed unamended, all future British governments will be put through contortions by any EU treaty change and any government's criteria for deciding what is a major shift of competence and powers will remain subjective. No other state would today dream of adding a referendum on top of the already mandatory approval of national parliaments to the use of a passerelle clause. The proposed changes in British law are clearly intended, and will be interpreted by the UK courts as having been intended, to stop further European integration. The Referendum Bill serves to accentuate British exceptionalism on constitutional matters and will therefore force Britain's EU partners to go ahead further and faster without the UK.

It would be a pity, concluded Andrew Duff, if the impression were to be given that the Coalition is happy to leave the UK as a second-class European player, and even to contemplate with equanimity its permanent relegation to the third division, the likely consequence of some aspects of current Coalition policy. The quest for a bipartisan pro-European approach to the making of British European policy remains elusive. For the rest of the Union, the British Question remains problematic.

Responding as a Conservative, **Maurice Fraser**, Senior Fellow in European Politics at the LSE, did see a serious attempt on the part of the government at building goodwill and negotiating capital with our partners, because looking isolated in Europe is not an advantageous stance, the basic precept of making friends and influencing people being well understood in the Conservative Party. The government's constructive stance has been warmly welcomed in Brussels - at least government ministers are reassuring our EU partners that Britain wants the EU to succeed rather than fail. This is partly due to the influence of the Liberal Democrats but also to parliamentary arithmetic. For the average Tory member the issue of Europe is dwarfed by issues such as the economic challenge and welfare reform.

More imminent is the EU Referendum Bill, intended to place a potential lock on any future treaty amendment which would transfer power from the UK to Brussels. The lock would not cover the accession of new member states such as Croatia but would cover the passerelle clauses, for example a move to QMV by a decision of the Council without Treaty change; the Referendum Bill is likely to include a clause clarifying the relationship between the concept of British sovereignty and the obligations of membership of the Union. Germany, France and other countries give effect to EU law through a sovereign act - their constitutions. The British government has done the same through



common law but, in order to avoid any confusion, the concept of British national sovereignty will now be explicitly enshrined in a Parliamentary Act. Whether this measure will in fact clarify or confuse remains to be seen and it will surely be tested in the courts at an early stage, once enacted. As for the referendum requirement, in practice there will probably be no such referendum in this Parliament because the government would anyway oppose any transfer of competence or power as a matter of principle. The referendum would only be used in the unlikely event that the government were to support such a change.

On EMU the government has made clear that there will be no UK participation in this parliament, and no participation in the establishment of a European public prosecutor. A referendum on both these issues would be required, as also on giving up border controls or the adoption of an EU defence policy.

Policy (and money) as well as constitutional items loom large on the government's agenda, and it is keen to handle both holistically. Two agenda items to which it attaches great importance are the Working Time Directive (in Maurice Fraser's view perhaps the most ill-conceived and unnecessary piece of legislation the EU has produced) and the new framework for financial regulation as it affects the City of London. Up to now financial regulation proposals have been handled pragmatically both by George Osborne and Michel Barnier. On the Working Time Directive, the Coalition says it will work to limit its application in the UK. On the reform of the EU budget, difficulties loom. The agricultural interest is too strong to overcome and President Sarkozy faces an election in 2012. The British abatement is unlikely to disappear. A shift in agricultural spending towards rural development and away from income support for farmers would be a step in the right direction, but it will probably be more important for pro-CAP governments to show that they have protected the agri-budget than show they have eliminated the UK abatement.

Finally there are the 'hardy perennials' of UK EU policy: the case for continuing enlargement, a more efficient single market, improved competitiveness and supply-side reform, and a 'global agenda' narrative centred on tackling protectionism and challenges of climate change, energy security, humanitarian relief - all of which adds up to a 'plausibly positive' EU agenda for the UK, whilst advancing its own national interest. 'National interest' rather than 'national sovereignty' is the narrative the Conservative Party feels most comfortable with. By returning to it after its eurosceptic excursion in opposition, the government is giving itself a decent set of cards to play.

Viewing the Coalition from an opposition standpoint, **Lord Roger Liddle**, Chair of Policy Network, said he is delighted by the Coalition's softened policy on Europe and that David Cameron appears to have abandoned the previously held most toxic plans for repatriation of powers. He too is impressed by the pragmatic attitude displayed by the Government, but, he asked, will it last?



Lord Liddle judged that the Coalition's stance is not quite 'thus far and no further' but he believes that it could well become so. He found it hard to believe that the Government will be able to hold the current line. Though this is of course, he pointed out, the purpose of the proposed EU Referendum Bill, promised for this autumn. Whatever the ultimate result of this piece of legislation in the UK, he believes it will not stop the dynamism of the European Union. The dynamics of the real world mean that the future development of the EU and of the euro will continue to forge ahead without the UK, which will once again be left behind.

Turning to the global financial crisis and its consequent effect on Europe, Lord Liddle pointed out that recovery in the euro area is very much in Great Britain's interest. Further, that prime minister and leader of the Conservative party David Cameron recognises that the euro must work - apart from all other considerations the Eurozone is a major market for British goods and services. Most European nations currently outside the euro area would like to join the eurozone one day. The euro-crisis will not be easily resolved. The problems which caused the global financial crisis have not gone away; they will come back accompanied by crisis resolution, bail-outs and so on. These ad hoc arrangements will not last and there will have to be treaty change in this area. For the British to announce 'Thus far and no further' will be a denial of our national interest, which is advanced in truth by pooling of sovereignty in the European Union, not by becoming more isolated.

Europeans on the centre left, such as Lord Liddle, are searching for a dynamic single market. For this there is a need for a set of rules that will provide us with the ability to negotiate with the rest of the world. They are also seeking for a European external policy that will support, inter alia, world free trade. For that foreign policy to be truly effective, we, the Europeans will have to be prepared to pool our sovereignty.

Before the General Election, Lord Liddle concluded, the prospect of a new government aroused great apprehension on the part of many pro Europeans. The creation of the Coalition had to some extent allayed these fears. But the Government's commitment to legislate for a referendum on any "transfer of powers" to the EU is both questionable and objectionable - and will put considerable obstacles in the way of a successful British engagement in Europe, given the possible dynamics of European integration.

Finally, providing the view of the Coalition from the point of view of the European Parliament, **Antony Teasdale**, Deputy Chief of Staff to the President of the European Parliament, noted that after the deep pessimism pre the General Election, there has been relief in the European institutions at the new Coalition government and its dropping of some of the pre-election commitments.



In what was effectively a honeymoon period, ministerial visits to Brussels demonstrated a positive, engaged attitude. The businesslike agenda the new government is putting on the table include a range of topics from financial regulations to climate change. Now relations between Britain and Brussels are in what might be termed a third phase: where some doubts not entrenched might be expressed more openly. The plans for the Referendum Bill and its Sovereignty clause will be a shock to many elsewhere in Europe, while the Government in Britain might be surprised by European attitudes to British obsessions. And there is of course a big battle coming over the Budget.

After Lisbon, Parliament and European ministers are co-equal. There will be broader battles on financial perspectives over the coming years. For instance to the Government it is unacceptable that European institutions should not make savings. The reaction of Commission and Parliament is not the real problem: the real debate to come will be on the value of spending not just the amounts spent. For instance the Commission is conducting a major study into the possibilities of great savings if member states were to pool major research programmes.

Since the very early days of the Iron and Steel Community we have had, at the top, French figures. Right up to 1990s, through a number of leading individuals, the French dominated the community. Now however there is a vacuum at the top of European affairs which, Anthony Teasdale suggested, Britain should try to fill. There is a characteristic attitude in Britain towards Europe of 'Thus far and no further' to which the Blair years were an exception. A sort of 'iron triangle', composed of class, press and public opinion, share a sort "British exceptionalism" in their attitudes to Europe. There is an attitude which holds that if we the British make it more difficult for Europe to progress then it can be prevented from progressing. Actually the opposite is true - if we are too obstructive we will not hold up progress in Europe at all, we will simply end up as the odd man. This is a deepening worry.

Summing up Chairman **Brendan Donnelly**, Director of the Federal Trust said that the purpose of the series of conferences was not to answer definitively all questions about the new Coalition's European policy. It was rather to provide a forum in which different analyses could be put forward and possible cross-currents in evolving British policy registered. Those speakers who had recalled that the Coalition is still in its early days were quite right, and this applied particularly to European policy. By the end of the series of conferences, it might be easier to come to an overall assessment of the Coalition's European policy than was currently possible. Signs and choices emanating from the Coalition were contradictory in this first phase and any predictions for the long term could only reflect the pre-existing optimism or pessimism of the speaker making the predictions. The Chairman inclined to a more pessimistic analysis than the majority of speakers at the conference. Events would show who was more nearly correct in attempts to read the future.

