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RENEGOTIATION, REFORM AND REFERENDUM:

DOES BRITAIN HAVE AN EU FUTURE?

Edited by Adam Hug



Renegotiation, Reform and Referendum: Does Britain have an EU future?

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What our authors say

Adam Hug (FPC) provides an overview of some of the key challenges facing the current government as it seeks to renegotiate the UK's relationship with the EU. He explores some of the areas where the UK wants change and how these objectives relate to debates taking place in other states. He looks at the proposed renegotiation and referendum timeframe and assesses the likelihood of success in different areas. He cautions that the tone of the UK's domestic debate may make it harder to secure support from other member states for its ideas.

Katja Hall (CBI) argues that Britain's EU membership helps to drive its openness to the world, with the Single Market attracting investment from all corners and giving the EU the economic clout to negotiate trade deals on the UK's behalf that it could not do on its own with equivalent terms. Building on the UK's influence in the EU should be a strategic aim of UK foreign policy and she believes the UK should be using its influence to build alliances to reform and renew Europe around a competitiveness agenda for the whole of Europe, making the EU more outward-looking and ensuring specific regulations support growth. In her view for British business, large and small, the response to suggestions of withdrawal from the EU is unequivocal: we should remain in a reformed EU.

Owen Tudor (TUC) argues that British trade unions are more concerned with the impact of the European Union on working people's lives than on its structures. Viewed through that lens, proposals for a referendum are largely irrelevant, although the continued debate could put vital investment decisions on hold, and the call for a repatriation of powers is a smokescreen for attempts to remove workers' rights. Instead, the TUC is backing calls from the ETUC for European governments and the Commission to abandon austerity, introduce policies like a youth guarantee, and invest to create decent jobs.

Sir Stuart Etherington (NCVO) makes clear that his organisation plays a key role as a representative body for English voluntary and community organisations in the EU. His paper sets out the advantages and challenges of EU membership from the point of view of the voluntary sector. It examines some key recommendations for reform in three main areas: the institutions; EU regulation; and the use of EU funds.

Malcolm Harbour MEP explores the crucial role that the UK has recently played in the on-going reform of the Single Market. He gives a brief overview of the progress made since the Single European Act in 1992 and highlights the increase in political activity resulting from the Single Market Act programmes started in 2010. He focuses on three key areas for further development: the Digital Economy, Public Procurement and the impact of the Transatlantic Trade and Investment Partnership. He argues that British interests remain inextricably linked to further evolution of the Single Market and urges Britain to continue to lead the discussions on reform of the Single Market.

Dr Charles Danreuther (University of Leeds) tracks the history of UK small business policy that began during the early 1970s just as the UK acceded to the EEC. But while the EU relationship has re-emerged as a contested relationship for UK politicians, he argues that the interests of small firms have become far more difficult to gauge as competing ends of the political spectrum attempt to claim them as a constituency.

Dr Richard Hayton (University of Leeds) argues that the dynamics of party competition on the right are serving to entrench euroscepticism as the prevailing standpoint towards the EU in British politics, dragging the country to the margin of Europe. While on balance it is more likely than not that the UK will remain a member of the EU, the risk of a British exit is higher than at any time since the 1975 referendum.

Andrea Leadsom MP addresses the need for reform of the EU, arguing that the EU is facing twin crises of competitiveness and democratic legitimacy. For her eurozone integration means the status quo is not an option and she sets out a series of proposed reforms to improve competitiveness, democratic accountability and flexibility.

Professor Tim Congdon (University of Buckingham and UKIP) argues that since 1945 most nations – even small nations outside regional power blocs – have flourished, as they enjoy the benefits of the multilateral, non-discriminatory institutions forged by America and Britain in the closing years of the Second World War. In the 21st century, he believes the UK also can prosper as an independent nation outside the European Union. It should restore national sovereignty, and retain its own successful and distinctive legal and constitutional arrangements. It does not need to lose its own identity inside a regional power bloc such as the EU.

Dr Richard Corbett (formerly European Council and European Parliament) notes that leaders of other member states have mostly been wary of taking public positions on what are, as yet, unformulated reform proposals that a possible future UK Conservative majority government might make. Nonetheless, they are aware of some of the ideas that have been floated and the author, based on personal discussions, outlines the prevalent views and likely reactions of our EU partners.

Jan Marinus Wiersma and Adriaan Schout (Clingendael) believe 2013 proved to be an important EU year, not least in terms of clarifying where the UK and the Netherlands stand on European integration, and the relationship between these two traditional allies. They argue that the UK started a self-interested European experiment on EU competences and a national EU referendum, while the Netherlands searched for an open and pragmatic approach towards further European integration. With these diverging approaches, the UK and the Netherlands still share many EU objectives but may be growing further apart, as the UK seemed to lack the finesse to manage its European bilateral relations. For them, the initial idea to hold Cameron's referendum speech in the Netherlands was possibly even bordering on abusing a friendly relationship.

Axelle Lemaire (French National Assembly) argues that France has been one of the most pro-European member states in recent times, with François Hollande as a consistent, though critical, europhile. Meanwhile, in stark contrast to France, the United Kingdom has become increasingly eurosceptic over the past few years. She sets out ideas around what the French government think of a European Union without Britain and the possibilities for France if Britain leaves.

Professor James Mitchell (University of Edinburgh) explores the theme of the two unions. He argues that the same issues lie at the heart of the two big constitutional debates – Scotland's relationship with the rest of the UK and the UK's relationship with the EU: where should governmental power reside on key public policy concerns? Both questions involve multiple and inter-linked issues: identity, everyday public policy, party politics and constitutional and institutional relations. There are key differences but these parallel debates give rise to questions about the future of the modern state as the key unit in international politics. For him, Albert Hirschman's classic formulation – exit, voice or loyalty – retains its power in understanding the options in the broadest sense with regard to the issues.

Britain's precarious EU future

Adam Hug¹

This essay collection is published at a time, when Britain is moving towards a hotly contested European election campaign. It is also a year on from the Prime Minister's watershed announcement at Bloomberg, which committed a future Conservative government to holding a referendum on Britain's membership of the EU by the end of 2017.² The publication looks at the debate from a number of different perspectives, both domestic and international. It explores the potential renegotiation of Britain's relationship with Europe, possible reforms to the EU's policies and processes and preparations for a proposed referendum on UK membership.

As YouGov figures show, the percentage of voters who believe Europe is one of the top three issues facing the country rose - from its traditional base in the high single figures - to regularly scoring well above 20 per cent from late 2011 to summer 2013.³ At times, the rate briefly peaked as the third most important issue facing the country. Recently it has fallen back to a relatively stable position behind issues including the economy, health, pensions, education and housing, the EU has been kept at the forefront of the political debate. This is in part due to linkages to the second and third highest voter concerns, around immigration and welfare. Both feeding and responding to voter concerns have been a steady stream of media stories setting out how either the government proposes to, or how it should be pressed to, change the UK's relationship with the EU.

Concerns about the developing nature of the EU have seen Conservative politics in the UK take an increasingly eurosceptic tone in recent decades; however a central part of the political backdrop to the current debate is the rise of United Kingdom Independence Party (UKIP). At the 2010 General Election, UKIP polled 3.1 per cent of the vote⁴ but over the last few years the party has regularly been polling ahead of the Liberal Democrats in an average range of 9 to 14 per cent. In May 2015, it looks set to improve its share of the vote from the 16.5 per cent it scored in the last European elections when it narrowly took second place ahead of Labour. Current opinion polls put UKIP ahead of the Conservatives (in second place), with a chance to challenge Labour for first place depending on voter turnout.⁵ While UKIP is not exclusively taking Tory votes, with significant support from disaffected non-voters - many Conservatives fear that were such levels of support to continue at the 2015 general election - it would spell disaster for their chances of obtaining a majority.

The rise of UKIP has come a time of dissatisfaction with the status quo across Europe, linked in part but not solely to economic conditions. Across Europe, general trust in the EU as an institution remains relatively low at 31 per cent (down from a peak of 57 per cent in 2007). This however still remains above trust in national parliaments and national governments (at 25 and 23 per cent respectively).⁶ The UK is one of relatively few states where trust in the EU (19 per cent) falls below that of national institutions (24 per cent for both government and parliament).⁷

¹ Adam Hug (editor) is Policy Director at the Foreign Policy Centre, a role he has held since June 2008. He oversees the FPC's work on the EU, the former Soviet Union and the Middle East.

² David Cameron, EU Speech given at Bloomberg, January 2013, <https://www.gov.uk/government/speeches/eu-speech-at-bloomberg>

³ You Gov, Issues (2), January 2014, [http://d25d2506sfb94s.cloudfront.net/cumulus_uploads/document/9r8qs9jh28/YG-Archives-Pol-Trackers-Issues\(2\)-230114.pdf](http://d25d2506sfb94s.cloudfront.net/cumulus_uploads/document/9r8qs9jh28/YG-Archives-Pol-Trackers-Issues(2)-230114.pdf) It should be noted that in terms of issues facing 'you and your family' both immigration and Europe rank far lower amongst voter concerns.

⁴ BBC News General Election 2010, <http://news.bbc.co.uk/1/shared/election2010/results/>

⁵ Peter Kellner, European elections: UKIP closes in on first place, January 2014, <http://yougov.co.uk/news/2014/01/16/european-elections-ukip-closes-first-place/>

⁶ Standard Eurobarometer 80, December 2013, http://ec.europa.eu/public_opinion/archives/eb/eb80/eb80_first_en.pdf

⁷ Standard Eurobarometer 80 Annex, December 2013 http://ec.europa.eu/public_opinion/archives/eb/eb80/eb80_anx_en.pdf The other member states who have lower trust in the EU than national institutions are Denmark (29%), Cyprus (17%), Luxembourg (42%), Austria (39%), Finland (47%) and Sweden (40%).

In the UK this anti-elite populism is being fed by a long-term crisis of trust in its public institutions, where the credibility of parliament, the media, business, the police and other establishment voices have been damaged by scandals including MPs' expenses, phone hacking, covering up institutional child abuse, excessive bonuses and tax avoidance. UKIP adopts a number of traditional Conservative or Thatcherite economic and social positions and in his contribution here Tim Congdon outlines its philosophical links to a conservative Atlanticist internationalism. However its central appeal is a populist message where the party is standing up for the 'little guy' against big vested interests. This, in part, is why a traditional mainstream conservative approach of simply making the EU more business-friendly will not fully respond to voter anxiety. It explains the political focus both on 'hot button' issues like welfare and migration, but also on conceptual issues that address voters' feelings of distance and alienation towards power being 'taken' by 'foreign' institutions.⁸

The UK debate does not take place in a vacuum. Other member states are both watching what is being said in Britain and having domestic discussions of their own about how they relate to the EU as it is now constituted. In an effort to repair some of the diplomatic damage caused by David Cameron's (domestically popular) decision in 2011 to 'veto' other EU nations from proceeding with the Euro rescuing Fiscal Compact inside EU structures, the government has worked more assiduously to win friends and attempt to find links between the UK debate and reform discussions taking place elsewhere. However, the tone of the UK's domestic debate has ramifications for how it is perceived by other member states and for the government's chances of winning the allies it needs to deliver the changes it wants to see.

Renegotiation

The idea of the UK renegotiating the terms of its membership is popular in principle, backed by recent opinion polls⁹ and a British Chambers of Commerce survey of its members in April 2013.¹⁰ Yet, amongst the general public, discussion of 'renegotiation' in abstract is open to individual interpretation and in many cases support is drawn from a general perception that 'something must change' rather than a specific set of policy priorities.

David Cameron has argued that his strong preference is for a 'new settlement' that would be for 'the entire EU, not just for Britain'. However, the emphasis on renegotiating the nature of the EU, rather than simply Britain's place in it, has not stopped those in the wider Conservative Party (and affiliated groups) pushing for repatriation of competences from the EU to member states that go further than the mainstream debate is calling for in other member states. While there has been less open talk of UK specific repatriation in recent times, this initial perception still influences attitudes towards British intentions in other member states.

As a result of Cameron's Bloomberg speech, the timeframe for such a renegotiation is bookended by the promise of a referendum within the first half of the next Parliament (by November 2017 at the latest).¹¹ This gives a fairly tight negotiating window, were the Conservative Party to achieve victory in May 2015. At present the party is hemmed in by the Liberal Democrats in the current coalition and awaiting the arrival of the new European Commission in late 2014. The Dutch EU Presidency in the first half of 2016 is seen as a key opportunity, particularly given the Netherlands' intention to use this period to push forward with issues raised in its own subsidiarity review. At present, the diplomatic strategy behind renegotiation remains focused on Northern Europe, with the Dutch and

⁸ Combining concerns about the EU with criticisms of other institutions such as the Council of Europe's European Court of Human Rights.

⁹ Peter Griffiths, 'Britain's Cameron could persuade sceptical voters to stay in EU – poll', November 2013, Reuters, <http://uk.reuters.com/article/2013/11/12/uk-britain-europe-poll-idUKBRE9AB0NM20131112>

¹⁰ British Chambers of Commerce, 'Businesses favour change in Britain's relationship with European Union, says BCC', April 2013, <http://www.britishchambers.org.uk/press-office/press-releases/businesses-favour-change-in-britain%E2%80%99s-relationship-with-european-union.-says-bcc.html>

¹¹ Though in all likelihood such a vote would need to take place earlier in the autumn given Britain's inclement weather.

some of the Scandinavians seen as having similar interests. However, ultimate success would rely on achieving German support for treaty change with the assumption that Berlin will want treaty change to underpin the Single Resolution Mechanism¹² that would lie at the heart of the developing Banking Union. The necessity of treaty change for the eurozone to deal with its problems, has almost become an article of faith for those in the UK supporting a renegotiation agenda; something that is required to come to pass ahead of the 2017 deadline. Nonetheless, it is far from clear that all eurozone states see treaty change as essential, particularly in the timeframe set by a non-eurozone member.

Treaty change would require ratification in all 28 member states, some with mandatory referendums such as Ireland, and others - such as France - where a public vote would be required for major changes. If the Prime Minister's renegotiation project is to have success it needs to win the support of other member states to the cause, rather than simply be a vehicle to deliver change for the UK's agenda. Given that the Irish have rejected both the Nice and Lisbon Treaties at the first time of asking, it would certainly be an open question whether they would give their wholehearted support to a new treaty created primarily to assuage London. As some of the proposed changes around freedom of movement (discussed below) would primarily impact citizens from Eastern European (and potentially Southern Europe) member states, there is not yet a clear answer as to why their governments would agree to such changes. As Axelle Lemaire points out in her essay, and has been confirmed by President Hollande at the recent Anglo-French summit, Paris has little interest in any treaty change in the near future, particularly if it could bring about a destabilising referendum in France.¹³ All member states profess a desire to keep the UK within the EU-some more strongly than others- but there remain limits to how far they will be willing to go both in principle and in terms of their domestic implications of treaty change in order to assuage London's concerns.

There is a degree of irony that Cameron's decision to 'veto' the Fiscal Compact forced other European leaders to use new forms of cooperation outside the EU treaties. While far from ideal, this has enabled them to press forward without the need for unanimity or treaty change. Other member states may decide that a 'make do and mend' approach is preferable in the short to medium term, rather than opening up the can of worms that treaty change might bring. Given the 2017 timeframe, this is a big political risk. Cameron's Bloomberg speech gave him some room for manoeuvre, stating that if there was no treaty he would seek change through negotiations. However, a number of the big-ticket items desired by the government, and even more those on the wish lists of the backbenchers, could not be achieved without it.

Reform (and repatriation?)

So what are the changes that the UK Government is seeking to make, both in terms of reform and the repatriation of powers from Brussels? At one level, the EU is in a constant process of reform through its ordinary legislative processes. Authors in this collection such as Sir Stuart Etherington have set out ways in which these processes can be reformed to become more inclusive and effective. Reform of the single market for example will for the most part be evolutionary rather than revolutionary. Nevertheless, the current UK debate is rooted in the political desire to create a more fundamental shift in the relationship between the EU and member states (and the UK in particular) than can be achieved through a new directive or the Commission's attempts to improve how it performs its everyday job. The current UK push is about addressing the perception, pervasive on the UK right, that the EU has already strayed too far into areas best left to member states. The renegotiation theme manages to unite those who support EU membership but want to see major changes with those who are in principle hostile to the EU but worry about life outside and others

¹² European Commission, State of Play of the Banking Union, December 2013, http://ec.europa.eu/internal_market/finances/banking-union/

¹³ BBC News, 'Cameron and Hollande differ over reforms to EU', January 2014, <http://www.bbc.co.uk/news/uk-politics-25972302>

who hark back to a pre-Lisbon, often pre-Maastricht, common market more narrowly focused on economic collaboration.

The Conservatives have made much of the reform movements taking place in other member states to try to move the renegotiation debate from being seen simply as British exceptionalism. Ultimately, building partnerships with allies who share similar objectives will be essential to British success. There has been significant focus on the Netherlands, where the traditionally pro-European nation (and eurozone member) has taken a more sceptical turn.¹⁴ The coalition government in the Netherlands has undertaken its own subsidiarity review that looks to see if the EU is operating within its agreed mandate. While the Dutch review provides an interesting analysis of 54 areas of perceived EU mission creep from political party law to organ donation, it is a process aimed at stopping the EU doing what it is not supposed to be doing rather than changing what it should do.¹⁵ As the Dutch review paper explicitly states, 'the Netherlands fully accepts the existing distribution of competences'. While the Dutch proposals have a number of areas where UK politicians - both eurosceptics and pro-Europeans - can find common ground, as Wiersma and Schout argue in their essay, it is a different debate with a different political emphasis.

Part of the detailed answer as to what a future UK renegotiation strategy might contain, may need to wait until the completion of the FCO's rigorous but technocratic Balance of Competences Review.¹⁶ This is likely to be adapted, primarily by the Conservatives, into more political specific commitments in an election manifesto or a separate reform proposal. Nevertheless, there are some clear trends about the UK debate's direction of travel. At a fundamental level, the government is trying to frame the debate in terms of addressing some of the challenges created by the split between the eurozone and non-Euro members to ensure that the UK is not constantly outmanoeuvred or outvoted. The Conservatives have three current priorities. Firstly, finding a way to enshrine (in treaty) the principal that ever-closer union is only for those member states that want it, adopting instead the Dutch subsidiarity mantra that action should be 'European where necessary, national where possible.' Secondly, developing the current 'yellow card' subsidiarity warning system into a 'red card' veto and thirdly, reforming EU freedom of movement rules to address UK immigration concerns.

The issue around 'ever-closer union' is primarily one of perception and emphasis. As Richard Corbett points out in his essay, the actual treaty text states 'an ever-closer union among the peoples [not the states] of Europe in which decisions are taken as closely as possible to the citizen in accordance with the principle of subsidiarity'. While the Prime Minister is right to argue that in practice this has been interpreted as a call for continual integration in some quarters, on its own a change of emphasis here would not be unlikely to be enough to justify treaty change. British eurosceptics were heartened by claims that the Foreign Minister of the Netherlands supported an end to ever-closer union, but in practice the statement was more nuanced. 'The Netherlands is convinced that the time of an 'ever-closer union' in **every possible policy area is behind us**' is a somewhat different message, albeit one where common ground can be found.¹⁷

The proposed 'red card' for national parliaments would be a further development of the current 'yellow card' system created under the Lisbon Treaty. This is where if a third of National Parliaments

¹⁴ In part in response to the rise of the Netherlands own eurosceptic and populist Freedom Party.

¹⁵ Government of the Netherlands, Testing European Legislation for subsidiarity and proportionality, June 2013, <http://www.government.nl/documents-and-publications/notes/2013/06/21/testing-european-legislation-for-subsidiarity-and-proportionality-dutch-list-of-points-for-action.html> See also <http://www.ft.com/cms/s/0/5a973412-da86-11e2-a237-00144feab7de.html#axzz2acGu0gu4>

¹⁶ FCO, Review of the balance of competences, July 2012, <https://www.gov.uk/review-of-the-balance-of-competences>

¹⁷ Government of the Netherlands, European where necessary, national where possible, June 2013, <http://www.government.nl/news/2013/06/21/european-where-necessary-national-where-possible.html> (emphasis added in bold by this author)

submit 'reasoned opinions' raising concerns over specific Commission proposals that are seen to infringe on subsidiarity, the Commission is required to pause and respond to this concern.¹⁸ If over half of the member state parliaments are still not satisfied by the Commission's response they can produce an 'orange card' which would trigger a vote by governments or in the European Parliament. In this case, a simple majority of either would halt the Commission proposal. At time of writing, the yellow card has been used twice, first blocking proposed changes on the right to strike (Monti II). However in the second case, despite the Parliaments of 11 member states triggering a yellow card, the Commission has decided to proceed with plans for an EU Public Prosecutor, fuelling demands for the development of a stronger red card.¹⁹

Developing a red card for new EU legislation would be challenging, though not beyond the realms of possibility. In effect, it would develop the upcoming 'double lock' of member state views exercised through qualified majority voting (QMV) procedures in the Council of the European Union (Council), into a 'triple lock' directly involving national parliaments.²⁰ While making the EU more accountable (and while welcomed in some areas by the UK), the trimming of some of the more activist tendencies of the Commission would limit its leadership role in deepening the single market that Britain has traditionally supported. However, a 'red card' on future legislation is not enough for a significant proportion of Conservative Eurosceptics.

The Mandate for Reform from the Fresh Start Group of UK MPs, led by Andrea Leadsom who writes in this collection, calls for the proposed red card to be extended to existing legislation that would trigger a one-year sunset clause.²¹ One third of the Conservative Parliamentary Party however has gone even further to support proposals outlined in a House of Commons European Scrutiny Committee report, led by Bill Cash MP. This called for the introduction of a national veto that would apply unilaterally to both new and current legislation.²² Attempts to apply a red card retrospectively would be chaotic for the single market with the potential to unpick every compromise and trade-off that led to the development of existing law. Indeed it would seem hard to square with Fresh Start's other proposal to have a treaty-based injunction against anything that impeded the development of the single market. A generalised national veto on all future EU legislation would render QMV null and void, requiring all EU decision-making to take place at the speed of the slowest member state (although this would be likely to be somewhat offset by a rapid expansion of enhanced cooperation). Allowing a national veto to be applied retrospectively to all existing EU law - thereby letting any parliament unilaterally disapply anything that they didn't like at a particular point in time - would collapse the entire legal basis for the functioning of the European Union. It should be noted that an emergency brake on new legislation already exists.²³ Where a member state believes the fundamental principles of its social security system or its criminal justice system are at risk, then decision-making may be passed to the European Council where unanimity applies. There may be some limited scope to broaden the application of this procedure but creating a unilateral veto for all areas would make the EU ungovernable.

Irrespective of whether treaty change takes place or not, there is clearly scope to improve coordination between member state parliaments and their governments. Greater pre-summit

¹⁸ Hugo Brady, The EU's 'yellow card' comes of age: Subsidiarity unbound?, November 2013, <http://www.cer.org.uk/insights/eus-yellow-card-comes-age-subsidiarity-unbound>

¹⁹ House of Lords Justice, Institutions and Consumer Protection EU Sub-Committee, Lords probe EU Public Prosecutor proposal following a 'yellow card' from national parliaments, January 2014, <http://www.parliament.uk/business/lords/media-centre/house-of-lords-media-notice/2014/january-2014/eu-public-prosecutor/>

²⁰ EU, Qualified Majority Voting, http://europa.eu/legislation_summaries/glossary/qualified_majority_en.htm adding a veto wielded by a third of all national parliaments would be a third voting weight formulation.

²¹ EU Fresh Start, Mandate for Reform, November 2013, <http://www.eufreshstart.org/downloads/mandateforreform.pdf>

²² Daily Telegraph <http://www.telegraph.co.uk/news/politics/conservative/10566124/EU-veto-The-Tory-MPs-letter-to-David-Cameron.html>

²³ EU, Passerelle clauses, brake clauses and accelerator clauses, http://europa.eu/legislation_summaries/institutional_affairs/treaties/lisbon_treaty/ai0019_en.htm

engagement with national parliaments, as suggested by Richard Corbett in this publication, would be helpful in improving parliamentary understanding and managing expectations. The UK Parliament could perhaps further explore the Danish parliamentary model. This is where the government's negotiating mandate is agreed with MPs ahead of key deliberations in the Council. In addition, a new parliamentary mandate is required if the eventual agreement differs radically from that originally discussed.²⁴

The third priority for Conservative negotiators involves attempting to address issues around EU migration. This is something that registers strongly with UK voters but involves challenging the application of one of the EU's four freedoms, the right of freedom of movement of labour.²⁵ David Cameron has argued that in future this right 'cannot be a completely unqualified one'.²⁶ To this end, the UK has revised its existing regulations to limit EU migrants' access to certain out-of-work benefits for the first three months of residency, along with a six-month cap on access to jobseekers' allowance (JSA) for those who have lost a job and a bar on housing benefit for those receiving JSA²⁷. The government has also been locked in dispute with the Commission over the UK's existing 'right to reside' eligibility test, which is now being examined by the European Court of Justice. David Cameron is right to suggest that the debate around freedom of movement is also being had in other Western European countries that are the primary recipients of EU labour migration. As such there may well be scope for alliances around access to benefits and the further extension of transitional controls ahead of any future enlargement.²⁸ However there is little support for more fundamental limitations on this longstanding fundamental right, such as those set out in a leaked Home Office proposals which suggested that a 75,000 annual cap on the number of EU migrants or preventing them from accessing benefits for five years.²⁹ Even for more minor changes, there remains a fundamental challenge for net recipient governments of how to gain support for reforms from member states who are net exporters of migrant labour. When David Cameron proposed that as part of any EU renegotiation, the UK would seek to prevent migrants accessing child benefit, particularly if children were not resident in the UK, Polish Foreign Minister Radek Sikorski responded by arguing that 'if Britain gets our taxpayers, shouldn't it also pay their benefits?' and that Polish taxpayers should not 'subsidise' UK taxpayers' children.³⁰ The volume and tone of the UK debate was heightened ahead of the end of transitional controls on the migration of Romanian and Bulgarian workers, with the government making high-profile public efforts, both in the UK and in the two countries, in an attempt to ward off potential benefit tourists, despite limited evidence that access to benefits is a major factor in labour migration to the UK.³¹ The somewhat febrile atmosphere in the House of Commons led to battles over the Immigration Bill that saw a significant Conservative backbench attempt to reintroduce transitional controls on Romanian and Bulgarian workers after they had expired, in direct contravention of EU law.³²

²⁴ Folketinget, The European Affairs Committee,

http://www.thedanishparliament.dk/Committees_and_delegations/Committees/EUU.aspx

²⁵ ESharp, Four Freedoms, <http://esharp.eu/jargon/four-freedoms/>

²⁶ David Cameron, Free Movement with Europe needs to be less free, FT, November 2013 <http://www.ft.com/cms/s/0/add36222-56be-11e3-ab12-00144feabdc0.html#axzz2roCWkVOr> and Rowena Mason, Cameron to push for cap on European migrants in UK negotiations with EU, Guardian, January 2014, <http://www.theguardian.com/uk-news/2014/jan/05/cameron-cap-european-migrants-uk-negotiations-eu>

²⁷ Patrick Wintour, Benefit restrictions on EU migrants: will they work?, November 2013, <http://www.theguardian.com/uk-news/2013/nov/27/benefit-restrictions-on-eu-migrants-will-they-work>

²⁸ DutchNews.nl, Holland, Britain, Germany, Austria join forces to fight 'welfare tourism', http://www.dutchnews.nl/news/archives/2013/03/holland_britain_germany_austri.php

²⁹ Edward Malnick, Government report proposes 75,000 EU immigration cap, December 2013,

<http://www.telegraph.co.uk/news/uknews/immigration/10518559/Government-report-proposes-75000-EU-immigration-cap.html>

³⁰ BBC News, Polish minister attacks David Cameron's child benefit plan, January 2014,

<http://www.bbc.co.uk/news/uk-politics-25628791>

³¹ Patrick Wintour, 'Benefit restrictions on EU migrants: will they work?' November 2013, <http://www.theguardian.com/uk-news/2013/nov/27/benefit-restrictions-on-eu-migrants-will-they-work> who points out that while 16.6% of working age UK nationals claim benefits only 6.6% of those born elsewhere do so. See also James Bloodworth, 'Are 1 in 10 immigrants really on the dole?', October 2013, Left Foot Forward, <http://www.leftfootforward.org/2013/10/immigrants-really-on-the-dole/>

³² BBC News, MPs reject Tory rebels' immigration amendment, January 2014, <http://www.bbc.co.uk/news/uk-politics-25953053>

The tone of the domestic immigration debate creates diplomatic challenges for the UK with Eastern European member states that had traditionally been closely allied with British since the end of the Cold War. It makes it harder for them to be brought onside as part of the broader renegotiation strategy that the government is proposing. However, it is not just in Eastern Europe that the tone of the UK political debate could have a negative impact on the UK's chances of 'winning friends and influencing people'. The January 2014 Anglo-French summit brought up uncomfortable examples of the Conservative Party's use of President Hollande's perceived policy failures as a way to attack the UK Labour Party. Irrespective of the validity of such comments and critiques, the domestic dialogue does not always assist diplomatic efforts to win support for the government's renegotiation goals.

The landscape of EU reform priorities have shifted over the years. Issues that were once central, such as Common Agricultural Policy and fisheries reform, have been put on the backburner after recent changes were perceived as broadly positive. Conservative hostility to the old social chapter powers in employment and social law has not abated, but in government circles, the perception of what might be politically achievable³³ has been somewhat scaled back to focus on EU-wide reform of the implementation of the working time directive' where there is believed to be German support.³⁴

This does not stop Conservative back-benchers - even those broadly supportive of the current government - pushing for a more radical set of ambitions for any renegotiation. The Fresh Start Group's Mandate for Reform calls for the repatriation of all employment and social law, a complete opt-out from policing and criminal justice commitments, radical reform of regional policy, and a host of other measures, some requiring treaty change and some not.³⁵ This position, far from being on the fringes, seems to be the centre ground position within today's Conservative Party, seen as more pragmatic than more traditional eurosceptics and the growing 'Better Off Out' movement. How these MPs and activists will respond if many of these goals were not achieved as part of a renegotiation attempt may prove critical to the future of both the Conservative Party and Britain's membership of the EU. The Economist and others have argued that advocates of a radical renegotiation agenda may know that their negotiating aims are unachievable and thus are looking for political cover for wanting to leave the EU.³⁶ Alternatively it may be the case that these demands are a maximalist negotiating position and to publically countenance future failure would undermine the bargaining hand. By pushing the government as far as it can possibly go, it could give the Prime Minister political cover with other EU member states. Of course, it may be that advocates for this position genuinely believe a pan-European consensus can be built behind these principles, in which case, put mildly there is much work to do ahead of 2017.

While the central thrust of the current UK reform debate is focused around limiting rather than enabling the actions of the EU, there are two central themes that are proactive in nature. The first is deepening the single market, and secondly pushing forward with far-reaching EU trade agreements with the United States, Japan and a range of emerging markets. Such measures have the benefit of support across the three main Westminster parties and from the mainstream business community. Yet, it is not an agenda without political implications or indeed risk in the current climate.

For example, the expansion of the single market online has the potential to bring significant economic benefits. The European Policy Centre estimates that digital completion could add 4 per

³³ President Hollande, for just one example, would be very unlikely to support a restoration of the old UK social chapter opt-out.

³⁴ On working time the government and UK businesses are looking for the ability for workers to opt-out of the requirements of the directive to be made permanent and to the reference period for calculation of working time from 17 weeks to 12 months to deal with peaks and troughs in workload. See also Adam Hug and Owen Tudor 'Single Market, Equal Rights? UK perspectives on EU employment and social law', February 2012, <http://fpc.org.uk/publications/singlemarketequalrights>.

³⁵ EU Fresh Start, Mandate for Reform, November 2013, <http://www.eufreshstart.org/downloads/mandateforreform.pdf>

³⁶The Economist, A Cunning Plan, January 2014, <http://www.economist.com/news/britain/21594327-eurosceptics-adopt-old-marxist-technique-cunning-plan>

cent to EU GDP by 2020.³⁷ Digital completion is about more than simply measures to extend broadband access and opportunities for firms to use the internet and a number of the issues apply to all forms of cross-border sales. As Malcolm Harbour notes in his contribution, many issues are related to factors 'like consumer confidence, lack of trust, worries about being able to have guarantees accepted, return of goods, parcel delivery costs'. There may be the need to move further with the harmonisation of consumer protection legislation, VAT rules, delivery guarantees and payment traditions.³⁸ Tackling these issues will require cultural change and modifications to long-standing practices that are unlikely to be pain free for small firms and consumers in particular. More broadly, deepening the Single Market will require greater action at an EU rather than a member state level, running counter to the broader EU reform narrative being proposed by the current UK government. Outside any legislative change the UK and EU could do more to provide a one stop shop of information available particularly to small businesses³⁹ looking to sell online to customers in other member states, particularly with details of the differing consumer protection requirements across the EU.

Comprehensive free trade agreements with the United States (TTIP), Japan, India and elsewhere, hold the potential for dramatic economic benefits for EU and UK in particular. The Bertelsmann Foundation argues that the EU economy would stand to grow 4.95 per cent on average under a comprehensive US trade deal (where the UK would stand to grow by 9.7 per cent).⁴⁰ However, these will again require change to existing EU practices that may not be universally well received. Opposition to elements in the proposed deals have already been from raised issues including the treatment of genetically modified foods to consumer and environmental protection standards.

The relative importance of single market access and EU facilitated global trade links to different parts of the business community varies between exporters, those with the potential to export and those who will never sell their goods or services beyond their immediate community. For many exporters the benefits of EU membership can be clear, but for those operating domestically whether the advantages of EU membership to the economy as a whole outweigh the impact of both real and perceived EU regulation is more regularly challenged. Of course leaving the EU and scrapping EU regulations would not be the same as scrapping regulation entirely, as it is unlikely that Westminster would not seek to re-regulate in some form many of the areas of current EU law.

At this stage in the political cycle, it is of course far from clear who will form the government in the next Parliament. So what might a Labour government reform agenda look like? Pro-Europeanism in the UK can sometimes feel like an old fashioned vision of the future: central to the early phases of New Labour modernisation, it is no longer a signifier for the in-crowd in the party. Led today by a more traditional European social democrat, albeit one who looks to the US for inspiration, Labour under Ed Miliband is never likely to become a Eurosceptic party. However its support for the EU will be more measured and pragmatic rather than enthusiastic.

Some of the issues it may seek to address might be similar to the current government. Given that Labour domestically is trying to respond to the immigration issue, where its record in office, both real and perceived, is not popular with voters. The Labour Party may ultimately further explore what could be done around migrants access to benefits, although a greater focus will be around enforcement of the minimum wage and prevention of employers only recruiting migrant workers. Similarly there may be further exploration of democratic accountability of EU decision-making, but

³⁷ European Policy Centre, Europe needs a Digital Single Market now, April 2010, <http://www.epc.eu/dsm/>

³⁸ For example at present you need to have a bank account in the Netherlands to buy products online there and cannot use a debit card in the same way as a credit card for purchases as you can in the UK.

³⁹ The FSB estimates that 37% of its members have an online offer in addition to their physical premises.

⁴⁰ Bertelsmann Foundation, Transatlantic Trade and Investment Partnership (TTIP) Who benefits from a free trade deal? http://www.bertelsmann-stiftung.de/cps/rde/xbcr/SID-65FB5857-A9B8352B/bst_engl/xcms_bst_dms_38061_38062_2.pdf

both issues are likely to be conducted in a more conciliatory tone towards other member states and EU institutions. Certainly, Labour under Ed Miliband would not seek the sweeping changes to employment and social policy that so inflame the Conservative backbench. Any discussion of reform of regional policy would also be more delicately handled, given that Britain's more deprived areas currently receiving funding are, for the most part, in Labour's political heartland. Given Labour's re-embrace of industrial policy in the wake of the 2008 financial crisis, it is exploring opportunities for greater flexibility in EU state aid rules. Similarly, there may be efforts to build on the progress already made to enable public procurement to achieve social goals, along similar lines to those discussed in Sir Stuart Etherington's piece.⁴¹ Overall there would be a slight tonal shift compared to the previous Labour administration that was often at the forefront of liberalising measures, while still supporting the deepening of the single market and international trade links. Overall a potential Miliband-led Labour government would be somewhat closer to the European social democratic mainstream, while having to navigate the particular nature of the UK debate that often puts Labour on the defensive.

Referendum

The Conservative Party has irrevocably committed itself to support an in/out referendum by the half-way point of the next parliament. In an attempt to reassure its supporters and cause problems for Labour and the Liberal Democrats, it had been supporting James Wharton MP's private member's bill that would mandate an EU referendum. This bill may have run out of time in this parliamentary session due to opposition blocking tactics but the government has committed to reintroducing it in the next parliamentary session. This is accompanied by the threat of attempting to use the Parliament Act to force it through, a tool rarely used for private member's bills or non-manifesto commitments.⁴² Yet, at present a referendum in the 2015-2020 Parliament can only be ensured with a majority of Conservative (and/or UKIP) MPs elected in May 2015, as both Labour and the Liberal Democrats will oppose a referendum in the current European political circumstances.⁴³

Current Labour Party policy rules out a referendum on Cameron's timetable, arguing that this is an artificial date for the purposes of Conservative Party management, while not rejecting the principal of a public vote in perpetuity. While there are strong concerns about the practicality of the Conservatives' proposed renegotiation agenda and referendum timetable as set out above, by currently opposing a referendum Labour finds itself firmly on the wrong side of public opinion. The strategic bind that Labour finds itself in around a 2017 referendum was perhaps best set out by Peter Kellner and has very little to do with the party itself.⁴⁴ Were Labour to win the 2015 election and had committed itself to a 2017 referendum, much would hinge on the mood of the Conservative Party and their concerns over UKIP with a new Conservative leader likely to be even more Eurosceptic than David Cameron. Therefore, the Conservatives might support UK withdrawal, even if the results of any renegotiation under a potential Labour Government, led to similar changes to what they could have achieved in government. A strong Conservative official voice in the pro-withdrawal camp could tip the electoral balance in favour of leaving the EU, a result that would debilitate the rest of Labour's time in office or even cause its government to collapse. Nevertheless, with Labour's opposition to a referendum likely to feature heavily in the Conservative General Election campaign strategy, a number of Labour's leading tacticians have been arguing that Labour

⁴¹ European Parliament, New EU-rules on public procurement - ensuring better value for money, January 2014, <http://www.europarl.europa.eu/news/en/news-room/content/20140110BKG32432/html/New-EU-rules-on-public-procurement-ensuring-better-value-for-money>

⁴² BBC News, Cameron says Tories will bring back failed EU bill, January 2014, <http://www.bbc.co.uk/news/uk-politics-25977258>

⁴³ How the Liberal Democrats would deal with the referendum issue in the event of another hung Parliament where the Conservatives were the largest party is an important question in terms of a second coalition deal or confidence and supply agreement. However it should be noted that the mood in the Conservative party would be unlikely to withstand being in government with a lack of progress on the European question for a full parliament.

⁴⁴ Peter Kellner, The EU Referendum Paradox, May 2013, <http://yougov.co.uk/news/2013/05/07/eu-referendum-paradox/>

should match the Conservative pledge or commit to a referendum immediately after the election to prevent it becoming a central issue in 2015.⁴⁵

The last time the UK voted on Europe membership the politics was a mirror image of today's debate. In the 1975 referendum it was the Labour Government under Harold Wilson that proposed renegotiating the terms of Britain's (recent) membership of the European Economic Community and then putting this to the country through an in/out referendum. This was, in part, driven by party management challenges, the Labour left was opposed to Europe membership claiming it impeded the UK's pursuit of socialist economic policy and its traditional Commonwealth relationships. The 1975 referendum saw Labour heavily split on the issue, providing the core of No campaign.⁴⁶ Although the party survived the split in the short term, Europe was one of the key factors in the subsequent Social Democratic Party (SDP) split. The party's most active pro-Europeans under the leadership of former Commission President Roy Jenkins left a Labour Party then campaigning on a pro-withdrawal position. Today, UKIP provides a clear external political alternative for disaffected Eurosceptic Conservatives if the party's leadership supported continued EU membership. Indeed rumours persist that such switches could take place ahead of the 2015 election.

The second and latest UK-wide referendum took place on the issue of the replacement of the UK's First Past the Post voting system with the proposed Alternative Vote. Early polling showed support for change, when voter knowledge of the issues was low, but by the last two months of the campaign the No campaign was ahead and climbed until its victory on polling day.⁴⁷ Labour took no official party stance, with recently elected leader Ed Miliband and many of the younger generation of the party supportive of AV, while a number of grandees from the previous Labour government such as Margaret Beckett, John Reed and Jack Straw played a visible part in the No campaign. For an EU referendum on the Labour side it remains relatively unlikely that any senior figure from the current or recent leadership team would actively campaign for the UK's withdrawal from the EU. However for the Conservative leadership the likelihood of a severe split could be high, unless all renegotiation aims were achieved.

Where the EU is heading

*"Globalisation demands more European unity, more unity demands more integration, more integration demands more democracy, European democracy"*⁴⁸

A more integrated Europe is the vision for the EU's future articulated by President Barroso above and deemed required by some eurozone countries as a result of the Euro-crisis. Whatever the merits for some of the development of a 'federation of nation states,' it would be an understatement to say there is limited UK political demand for more EU integration and greater federalism. The UK focus is around strengthening the EU's accountability to national democracy through both member state parliaments and the intergovernmental level of the Council and the European Council, rather than enhancing accountability at the community level via the European Parliament or democratising the Commission. Europe already has and muddles through with the multi-speed engagement of different member states in its institution and processes. However as the eurozone integrates further, the UK government's goal of ensuring that decisions are not taken within the eurogroup for the EU as a whole is a fair one. Although any safeguards should be designed with the recognition that most current non-eurozone members aspire to membership.

⁴⁵ Tom Watson, Why a referendum on Europe could have been a positive opportunity and defeated Nigel Farage, Daily Mirror, January 2014, <http://www.mirror.co.uk/news/uk-news/tom-watson-european-elections-referendum-2980809>

⁴⁶ History Learning Site, 1975 Referendum on EEC membership, http://www.historylearningsite.co.uk/1975_referendum_EEC.htm

⁴⁷ UK Polling Report, Alternative Vote, <http://ukpollingreport.co.uk/av-referendum> (May 2011 - May 2012)

⁴⁸ Jose Manuel Barroso, Speech on the State of the Union 2012, September 2012, <http://ec.europa.eu/soteu2012/>

The concern that key decisions will be taken in forums where the UK is not represented does not only apply to the operation of the eurozone. Much has already been written about the Conservative Party's decision to leave the main EU centre right grouping; the European People's Party. What has been written about far less is the way British business associations are standing outside the representative bodies with which the Commission primarily consults. For example the Federation of Small Business is a member of the European Small Business Alliance (which it helped to found in 1998) rather than the much larger pan-European federation UEAPME, and the British Chambers of Commerce recently left the Eurochambres umbrella organisation, choosing instead to undertake its own lobbying activity. While in both cases this strategy may more accurately reflect the viewpoints and financial priorities of their memberships, it does leave the CBI as the sole sector-wide business group that sits in the main European umbrella body (Business Europe) with which the Commission consults, where it is also a formal party to the social partnership process of legislation development. While assiduous lobbying may soften the blow after the fact, British perspectives are not always going to be represented in the room when ideas are first floated by the Commission either informally or in structured dialogue with official partners. The lack of British voices is something that has concerned the government in terms of staff recruitment into EU institutions and steps have been taken to reduce the decline in UK participation.⁴⁹

Conclusions

The collegiate nature of the EU sits uneasily with the 'winner takes all' mentality of traditional UK politics, despite the current experience of coalition. Grand bargains between capital and labour to underpin long-term structures hold little appeal for a post-Thatcher Conservative Party (although retain some for the post-Blair Labour Party). However, in-order for the internal market and other key mechanisms to function in a Europe of 28 members, the EU cannot suddenly change direction with changes in political outlook in an individual member state. This poses clear challenges for democratic accountability that is difficult for the EU to resolve. Furthermore, the EU continues to suffer remoteness from the lives of ordinary people both geographically and in terms of the issues it addresses. While media reporting of local and national government is rarely positive in tone, its citizens can directly experience the outcomes of their actions from potholes to taxation, whereas the EU's impact is less directly observable. Managing the gap between the EU and the public, places a responsibility on member state governments to act as honest brokers that is not always fulfilled.

The challenges of the UK's debate on Europe place strong pressures on all its political parties to find ways of making the EU more effective and accountable in attempts to win back public trust. However, some of the expectations that are being raised are unlikely to be fulfilled, particularly in the relatively narrow timeframe imposed by the 2017 referendum debate. It is true that a number of other member states share some of British concerns, and there remains a desire to see what can be done to keep the UK inside the EU. Yet, the tone of the UK debate risks alienating potential allies, and the 'do what we want or else Britain will leave' card is one that can only be played a limited number of times before the UK outstays its welcome.

⁴⁹Oliver Wright, Exclusive: Fall in number of Britons working in EU posts worries Foreign Office, September 2013, <http://www.independent.co.uk/news/uk/politics/exclusive-fall-in-number-of-britons-working-in-eu-posts-worries-foreign-office-8798890.html>

A reformed European Union: The platform to realise our global future

Katja Hall⁵⁰

Current economic and political conditions in the Eurozone have brought into sharp focus a historic unease in the UK with aspects of our membership of the European Union, to the point that some in the UK are questioning the value of our membership of the EU and some are even advocating straight withdrawal. But in an inter-connected world, retreat and isolation is not the answer.

The CBI's recent flagship report, *Our Global Future: the business vision for a reformed EU*⁵¹, sets out the business case for why EU membership is the best vehicle for achieving our open, global ambitions in the 21st century. Just as there are strong geopolitical reasons for nurturing relationships with historical partners in the face of the changing global landscape, so too are there hard-headed business and economic reasons. But business is adamant that the EU cannot be complacent; it is in significant need of reform and there needs to be a permanent shift in the focus of the EU towards those issues that will underpin our prosperity in the future.

EU membership – far from becoming *less* relevant as the world's centre of gravity moves inexorably eastwards towards the emerging world – must continue to be the cornerstone of our international engagement as we look to realise our global future.

An open economic future in all corners of the globe

An embrace of 'openness' – to trade and people, to investment and ideas from abroad – has long been the foundation of Britain's success. This global outlook has served Britain well and increased our prosperity as a nation. The primacy of this economic openness to UK prosperity is reflected in remarks by the current Foreign Secretary, the Rt Hon William Hague MP, at the CBI's Annual Conference in 2011: "a strong economy is the bedrock of international influence... the foundation of this country's power in the past, and much of its influence today, was and is its trading prowess".

This focus on trade is even more important as the world changes rapidly around us – it is forecast that non-OECD countries will account for around 55 per cent of global growth from 2012 to 2025, with 2013 the year when emerging markets take over from the developed world as the majority shareholder in the global economy. There is a pressing need to build better trading links with these high growth economies.

Globalisation and the rise of emerging markets present a great opportunity for Britain. Openness to global exports, imports, investment and migration combined with the right industrial strategy and domestic policies to boost skills levels can drive a virtuous circle of increased productivity and competitiveness that will support growth and exports, creating jobs and boosting prosperity.

EU membership is overwhelmingly a net positive for British business

There will always be two sides to the ledger in any economic or political relationship, but for British business the balance of costs and benefits of EU membership is overwhelmingly positive, and our membership helps drive UK openness to the world. Whether in helping British business to break new markets, be globally competitive, or best innovate and elevate UK business to the top of international value chains, the European Union supports UK business in realising its global ambitions.

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⁵¹ CBI, *Our Global Future: the business vision for a reformed EU*, November 2013, http://www.cbi.org.uk/media/2451423/our_global_future.pdf

Three-quarters of CBI members – of all sizes and sectors – say that the creation of a Single Market of 500 million consumers has had a positive impact on their business. The Single Market has attracted investment from around the world and contributed to making the UK the world’s leading financial centre. In addition, the EU anchors UK trade around the world through the signing of high-quality, ambitious Free Trade Agreements with nearly 50 partners, giving the UK access to £15 trillion-worth of markets, and is now working towards opening up markets which would double that figure. Membership also provides significant influence over the rules, policies and priorities that allow British based firms to seize opportunities across the globe. But these benefits will only be maintained if the UK is able to continue to influence the outcomes of the co-operation and discussion that occurs at EU level.

Maintaining and maximising the advantages

Maximising UK influence in the EU should be a key strategic aim of UK foreign policy. It helps deliver specific policy outcomes and steer the wider direction of travel in Europe that can support or scupper UK business ambitions. From big picture developments to the nuts and bolts of everyday business decisions, UK influence in the EU is an integral element of supporting British business ambitions – from the genesis of the Single Market in 1986 to recent British-led progress in the EU on climate change.

The nature of the EU means that the UK will not always get its way; being part of a club will inevitably mean that compromise occurs. But the UK has been, and still is, influential in the EU – with a powerful voting strength and a good track record of building alliances. British personnel occupy senior positions in the staff of the Commission, and British technical expertise informs EU policy development. The UK must, however, remain proactively engaged, redoubling efforts to win support for its agenda and reversing the decline in numbers of UK staff employed in the Commission.

Although the UK has undoubtedly been historically influential, and can continue to be so, the biggest threats to maintaining the advantages of EU membership are the changes afoot in the EU in response to the financial and eurozone crises. The EU is a constantly evolving entity, and it is currently going through a particularly rapid period of change which has raised fears that the UK may be marginalised by a more integrated eurozone. This is a legitimate concern, and the UK must be alive to it. However, securing safeguards for the Single Market for non-eurozone members and restating a Europe-wide political commitment to the continuation of a European Union that works for all its members is achievable in a changing EU. Measures in response to the crisis are unlikely to go far enough to forge a new Europe that is narrowly focussed only on ways to strengthen the eurozone.

And the nature of interaction in Europe will itself also prevent UK marginalisation. Far from a homogenous set of states shifting seamlessly into one entity, the eurozone is characterised by a variety of cross-cutting communities of interests and alliances; a ‘multi-sphere’ Europe. For example, member states have been able to create the Schengen Area and a common European patent without having to get agreement from every country, with the lists of countries signing up different for each. The willingness on the part of other EU member states to develop the Union in this ‘multi-sphere’ tradition – including, on occasion, by allowing a subset of member states to come together to co-operate on those areas of shared national interest – can ensure that the UK does not become side-lined and can continue to realise its interests and maximise the benefits of EU membership.

A reformed and renewed EU

However, realising our global future – both for the UK and for Europe – will not happen automatically. The structural economic shifts from developed to emerging economies across the

globe will alter the path to prosperity and require a reaction. As Chancellor Merkel has said, “our yardstick should be whether our products can compete in global markets”. The EU must reform and renew its priorities and purpose to keep pace with increasingly competitive international rivals. The good news is that – from the traditionally like-minded liberal economies of Germany and Sweden to new Eastern European dynamism in places like Poland – the UK has allies in implementing this competitiveness agenda in Europe.

Some reform is technical, but it is absolutely necessary to maintain and improve Europe’s global competitiveness. Whether that is dropping the misguided Financial Transactions Tax (FTT) or getting data protection laws right, this can only be done through hard work and engagement. We only have to look at the finalisation of the complex Solvency II legislation for insurers in autumn 2013 to see the importance of this type of reform. But there are also bigger, bolder reforms that need to take hold, driven by political momentum that puts competitiveness to the fore.

The EU must be outward-looking, signing more trade deals and breaking down trade barriers. It needs to update the Single Market for the 21st century and change its regulatory approach to drive European competitiveness. It should take the steps needed to save the eurozone, but must safeguard the Single Market for those outside the Euro at the same time. The EU of tomorrow must work for *all* its member states, with the right balance of power and division of tasks struck between the Commission, Parliament and all 28 member states.

This reform agenda is achievable and can help put the EU on a path to sustainable growth and global competitiveness. But to achieve all this, the British government must reform how it engages with the EU by strengthening links with other member states and getting more UK nationals into key European institutions to increase our influence in Europe further. Influence through engagement is what creates the conditions in which business has to operate, however unglamorous the detail of day-to-day policymaking may be.

A global future in a reformed EU

For British business, large and small, the response to suggestions of withdrawal from the EU is unequivocal: we should remain in a reformed EU. Membership of the EU’s single market remains fundamental to our economic future: it supports our trading links to the Continent and to the rest of the world, it helps attract investment and capital from around the world to the UK, and its global financial centre in London, and it allows people and ideas to cross borders and boost innovation. Furthermore, as *Our Global Future* sets out, no alternative type of relationship on offer would come close to matching this balance of benefits or offer greater influence for the UK.

But Europe is far from perfect. It is clear that the answer to the questions being posed by the march of emerging markets and slow growth in the developed world lies not in shutting ourselves off from this world but in boosting Europe’s global competitiveness and being open to the challenge. President Obama’s recognition that “the countries that are passive in the face of a global economy, those countries will lose the competition for good jobs” is one we should adopt in Europe. Europe needs to be competitive in those areas that can make a difference to creating jobs for our citizens.

We should not judge our membership of the EU on how it measures up against our past or by looking at the immediate economic prospects for the eurozone, but on what we want our future to look like: open or closed; influential or uncertain; confident enough to embrace the world as it is and help shape it for the better. It is easy to shy away and try to have as little as possible to do with those relationships that have let us down on occasion. It is much harder – but more rewarding – to get stuck in and bring the change we need to see.

Unions and the EU

Owen Tudor⁵²

Jacques Delors once famously said that ‘no one will ever fall in love with a market’ and much the same is true of the institutions of the European Union: the College of Commissioners, the European Central Bank, the Court of Justice of the European Union...

Pragmatism rather than love

British trade unions are no more likely than the general public to be for or against those institutions in and of themselves: we want to see what they deliver, and we judge them on that.

In the 1970s, the Common Market seemed to be offering just a free trade area on terms we thought were disadvantageous, so we opposed membership. When Delors offered our annual Congress the social dimension in 1988, with rights at work, support for jobs, and a seat at the table, we bit his hand off, because what Margaret Thatcher’s Government offered was unemployment, inequality and ‘the enemy within’.

What the European Union seems to be offering at the moment to trade unions is austerity, lower wages and deregulation. Without growth, few people in Britain are likely to be enthusiastic about the European Union, although the fact that the Coalition Government offers pretty much exactly the same explains why British trade unions aren’t rushing for the door. Frying pans and fires spring inexorably to mind.

At the heart of the European trade union movement

For many years, this pragmatic, transactional approach to the European Union made the British trade union movement a bit unusual, although Scandinavian trade unions were in practice simply more secure in their belief that the EU was unlikely, whatever happened, to undermine their successful social and economic model. But the EU’s adoption of the fiscal pact in 2012 marked a considerable shift, with the European Trade Union Confederation (ETUC) adopting for the first time a hostile attitude to a European treaty.

In reality, unions across Europe had already made the transition from a previous generation’s support for the peace dividend that the EU delivered to a politically divided and war-torn continent. Unions responded to the mood of their members, who wanted to know what was in it for them, their families and their communities.

British unions are now more comfortable than they have probably ever been with membership of the wider European trade union movement. In part, it’s because we’re no longer the newcomer that we once were (at least half the countries in the EU have joined since the 1975 referendum), and partly that our Anglo-Saxon economic model no longer stands out from the much more worker-friendly Christian/Social Democrat system. Unions across Europe no longer look at us oddly when we complain about neoliberalism, deregulation, marketisation and so on, because they are experiencing them directly.

Nor have British unions reacted with concern or hostility to freedom of movement. Almost alone among British institutions, we remained committed to lifting restrictions on freedom of movement for Bulgarian and Romanian workers from day one, although we understand the pressures that workers and communities have been put under by inadequate management of free movement, and

⁵² Owen Tudor became Head of European Union and International Relations at the TUC in 2004. He has led the TUC’s work on health and safety, legal services, social security and training policy in a range of TUC departments since he joined from local government in 1984. He is a substitute member of the ETUC Executive Committee and ITUC General Council. He is a director of the Ethical Trading Initiative and sits on the Advisory Board of Wilton Park.

we have consistently argued that such workers needed the same terms and conditions as existing workforces to prevent both exploitation of migrants and undercutting of current workers.

For fear of finding something worse...

However, despite the EU's economic malaise, sky-rocketing unemployment in southern Europe, especially among young people, and the ripping apart of the social fabric in countries like Greece, British unions have rejected proposals at our last two annual Congresses to leave the EU or even to push for a referendum on membership.

This is partly because the alternative still looks worse: David Cameron's proposal to repatriate control over workers' rights is pretty much the polar opposite of what British unions want. And the cuts in public services and living standards being imposed first in Ireland, then – and worst – in Greece, and subsequently in Italy, Portugal, Spain and elsewhere look to British trade unionists to be exactly what the Coalition is imposing on Britain.

It's also because the call for a referendum is in some ways merely the flipside of that concentration on the structures and institutions that traditional British union pragmatism isn't very interested in, although it's becoming clearer that the TUC was right to express concern when David Cameron announced his repatriation strategy in January 2013 that prolonged uncertainty about a referendum could freeze investment decisions vital to restore growth⁵³. The subsequent General Council statement to Congress 2013⁵⁴ didn't exactly suggest that a referendum would be irrelevant to Britain's problems, but it did indicate that the British trade union movement was more interested in jobs-led growth, protecting workplace rights and equality, and defending public services.

In particular, unions reacted fiercely to the Prime Minister's suggestion that control over workplace rights should be repatriated to the UK. The Coalition agreement in 2010⁵⁵ gave pride of place to hostility to the Working Time Directive, which has become totemic for eurosceptics and deregulators, despite (or, cynical though this might be, because of?) the fact that the main impact on the labour market is the requirement to provide paid holidays, which is of course extremely popular with the beneficiaries.

Repeated suggestions that no one is planning to scrap that right – tellingly never made into a formal commitment – haven't convinced unions. After all, what a British Parliament would do about rights to paid holidays isn't a hypothetical question: when the British Parliament last had the chance to provide a right to them, it didn't – only the EU Working Time Directive made it happen.

So unions are concerned that the repatriation agenda would, if realised, lead to exactly the sort of further deregulation of the labour market that the Coalition Government has introduced in other areas, like the abolition of the Agricultural Wages Board, the increase in the qualifying period for unfair dismissal to two years, and the imposition of charges for seeking redress at Employment Tribunals, as well as the most recent proposals to strip health and safety protection from the self-employed and remove any obligation on employers to protect their staff from sexual and racial harassment by customers⁵⁶.

A New Path for Europe

⁵³ TUC, TUC statement on Europe ahead of PM's speech, January 2013, <http://www.tuc.org.uk/international-issues/europe/ec-social-agenda/employment-and-social-policy/tuc-statement-europe-ahead>

⁵⁴ TUC, General Council Statement on Europe, September 2013, <http://www.tuc.org.uk/about-tuc/congress/congress-2013/general-council-statement-europe>

⁵⁵ HM Government, The Coalition, Our Programme for Government, May 2010, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/78977/coalition_programme_for_government.pdf

⁵⁶ Prime Minister's speech to the Federation of Small Businesses, January 2014, <https://www.gov.uk/government/news/supporting-business-david-cameron-announces-new-plans>

But British unions' continuing support for UK membership of the EU is also because the British trade union movement still sees scope for an alternative European Union – what the ETUC calls a 'New Path for Europe' in place of what even EU Social Affairs Commissioner Laszlo Andor has called the 'Maastricht orthodoxy'⁵⁷.

Our manufacturing and private sector unions in particular are convinced that Britain is unlikely to be able to escape from our current economic problems without the rest of Europe at least following a similar path, and restoring sustainable growth to the EU would be a significant impetus to growth in Britain. Similarly, a reversal of existing austerity and liberalisation policies, combined with a new economic model to pay for it, would have something to offer public sector unions likely to be more sceptical of the current value of EU orthodoxy.

That isn't to say that we ever accepted the Chancellor's argument that Europe's economic woes were the cause of the longest slump in UK growth for a century, and nor do we accept his faith now that a Britain allegedly on the mend (but with living standards still falling and cuts accelerating in local government, health, benefits and so on) will be restored to rude economic health by exports to our nearest and biggest trading partner.

As a first step, we'd like to see the fiscal pact⁵⁸ abandoned. The treaty, which was the first EU treaty ever to be opposed outright by the ETUC, passes draconian powers to the European institutions, over-ruling even the views of electorates by effectively outlawing Keynesian responses to recessionary events. In response, the ETUC called for a Social Compact, which would roll back the austerity measures imposed on programme countries by the Troika of the European Commission, European Central Bank and the International Monetary Fund.

But the ETUC 'Social Compact for Europe'⁵⁹ also includes a call for a Social Clause in European treaties, establishing beyond doubt a reasonable balance between the freedom of capital and the role of unions; an extension of collective bargaining, including equal rights at work for groups like domestic workers; a youth guarantee ensuring the provision of a decent job or adequate training opportunities within four months of unemployment or leaving school; progressive taxation and harmonisation of the corporate tax base to prevent a downward competitive spiral.

More recently, the 'New Path for Europe'⁶⁰ argued for by the ETUC – based on the German trade union movement's call for a new Marshall Plan – would involve an injection of investment of up to 2 per cent of European GDP a year. The money would come from a mix of wealth and financial transaction taxes, Euro-bonds and state-backed investments, mobilising the reserves built up by employers over the last few years.

That injection would fuel the creation of decent, skilled jobs at fair wages. It would involve investment in renewables and energy conservation, social housing and information technology. And it would be based on minimum wages, quality public services and safety nets for people still affected by the effects of the global financial crisis.

We estimate that this will create more than eleven million jobs, but it will also kick start the European recovery, and that's something that we think people might get more enthusiastic about than yet another grandstanding Brussels summit.

⁵⁷ László Andor, Can we move beyond the Maastricht orthodoxy? December 2013, www.voxeu.org/article/can-we-move-beyond-maastricht-orthodoxy

⁵⁸ To give it its full title, the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union – an ugly name for an ugly treaty. Admittedly, it does not apply to the UK, but the Government has internalised many of the same policies voluntarily.

⁵⁹ ETUC, Social Compact for Europe, June 2012, <http://www.etuc.org/a/10049>

⁶⁰ ETUC, A new path for Europe, January 2014, <http://www.etuc.org/a/11925>

EU reform: Key priorities for Voluntary and Community Organisations

Sir Stuart Etherington⁶¹

Access for citizens and Voluntary Community and Social Enterprise (VCSE) organisations:

Background

Since the Second World War the core aims of the EU have been to deliver peace and prosperity to the European continent. Over 60 years these core aims have clearly been achieved, there have been no major wars between the countries of the European Union and living standards for the majority of residents have improved.

In many ways this success has led to a more detailed interrogation of what the added value of the EU should be. If we had been locked in military conflict there would have been no scope for discussion around economic, social or environmental goals!

In addition to these original core aims a range of additional rights have been developed and supported to enable healthy democracies, a thriving economy, good environmental oversight and core human rights for citizens. These rights are now often taken for granted but they underpin the fabric of our lives, such as cleaner seas and better employment rights. The European project has enabled the consolidation of liberal democratic and economic rights and has ensured the wider acceptance of these rights in post-Communist countries in Eastern Europe. The EU institutions have developed these core rights and provided funds for a wide range of organisations to work towards economic, social and environmental goals.

Within this context many civil society bodies, including a wide range of voluntary and community organisations have been directly involved in engaging with key policies set across the EU and regularly deliver projects with partners across Europe in EU programmes. Many of the core rights within the EU are directly relevant to voluntary organisations and can ensure support to their beneficiaries.

Challenges

While developing these core rights however, the institutions themselves have gradually lost touch with their own citizens. The EU is seen as distant from the everyday lives of many people and its decision-making processes are often perceived as opaque and slow-moving. The primacy of officials in institutions over elected members has led to a sense of a self-serving bureaucracy and a limited ability to reflect wider popular will.

At the same time the bureaucratic nature and complex language of the institutions inhibits citizen access and encourages lobbying by organisations that can afford to instruct lawyers who can navigate this difficult landscape. This exacerbates the perceived distance of the EU from the everyday concerns of people and community organisations.

Furthermore, while the total EU budget is relatively small compared to the total size of the EU economy, the expenditure of the EU is sometimes seen as less accountable than the expenditure of domestic authorities, due to the gaps in democratic oversight. In this situation, some expenditure choices may no longer be tied to the most pressing local priorities.

⁶¹Sir Stuart Etherington has been Chief Executive of the National Council for Voluntary Organisations (NCVO) since 1994. NCVO is a membership organisation that represents the interests of charities and voluntary bodies. It has over 10,500 member organisations. Stuart is also a Council Member of the Institute of Employment Studies, an Advisory Group member for the Policy Centre at the British Academy and for the Lord Mayor's Trust Initiative. He has been actively engaging with the EU for over 20 years and is a member of the European Economic and Social Committee.

Recommendations for reform

In order to enable a more open EU system, it is important to ensure that citizens and community voices can be heard. A more accessible approach within the EU requires reform in the following areas.

EU institutions

Under the Lisbon Treaty, EU institutions are required to engage in ‘transparent and continuous dialogue’ with citizens and civil society. This has only been partially achieved.

There has been progress with the Transparency Initiative⁶² and the wider range of consultations that are conducted by the EU institutions but this is still very piecemeal. Many smaller organisations find it hard to engage as they don’t understand the procedures for approval and co-decision so they are less likely to respond to legislation.

There is a new tool – the European Citizen’s Initiative (ECI)⁶³, which enables a petition of one million signatures to trigger a response by the European Commission. However, any new ECI must be matched against the EU’s competences and this also requires knowledge of EU treaty principles. This specialist knowledge is often not available to smaller organisations and they are unlikely to be able to afford specialist legal expertise.

NCVO would recommend a wholesale review of the way the EU engages with citizens. This would require re-drafting the Minimum Standards of Consultation and a new set of guidelines on how to engage in a meaningful way on the priorities for EU institutions. This should include simplified guidance on EU competences and shared approaches to consultation and procurement across the different Directorate Generals of the European Commission.

EESC

A particular institution that would benefit from reform is the European Economic & Social Committee (EESC). This institution dates back to the Treaty of Rome and provides a key space for engagement with economic and social partners, including business representatives, trade unions, professional bodies and the voluntary and community sector.

This institution should provide an ideal space for dialogue with civil society. However, the Committee has adopted some of the same working methods as the European Commission and is seen to be equally distant from local communities and citizens. Many of the members seem to be limited in their ability to connect with their national colleagues and they remain in Brussels without regularly sharing the key policy areas with domestic audiences.

NCVO would recommend that this Committee should be transformed to play its genuine role as a space for civil society. This could be achieved by slimming down the committee with more targeted activity on a smaller range of issues. The committee members should include a smaller number of representatives per country, with a maximum of four for each of the three groupings: business, trade unions and the voluntary and community sector.

NCVO recommends that the committee should focus on engagement and the collection of a broader range of views than it does currently. It should also host the majority of its dialogue through virtual meetings that are open to wider civil society networks in a more informal process.

⁶² European Commission, Communication from the Commission - European transparency initiative - A framework for relations with interest representatives (Register and Code of Conduct) {SEC(2008) 1926}, May 2008, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52008DC0323:EN:NOT>

⁶³ European Commission, European Citizens Initiative, <http://ec.europa.eu/citizens-initiative/public/welcome>

Regulation

There are key areas of regulation that can be improved at an EU level. The major area concerns simplification in the delivery of public services.

The new EU procurement rules go some way to simplifying the process and in particular the new 'Light Touch Regime' allows for higher thresholds for the full procurement procedures which should enable more flexibility for smaller contracts (up to 750,000 euros).

However, much of the challenge with procurement rules stems from a lack of awareness by national and local government officials, so it will be crucial that national governments ensure that local commissioners are enabled to use the more flexible guidelines and encourage innovation.

NCVO would recommend that as part of the transposition of EU rules, national governments set out awareness raising and training for officials as part of the new rules.

Combating poverty and building social inclusion through EU funding

A large part of the European budget is allocated to the European Structural and Investment Funds, allocated at the national level. They can provide an opportunity for projects initiated by VCSE bodies to address social, economic and environmental objectives. These funds are allocated on a long-term basis and can therefore provide a stable grounding for sustainable projects to address entrenched social and environmental challenges. These objectives remain relevant and can be addressed through a complementary approach which is additional to domestic funds.

In the 2007-2013 ESF English programme we recognise that many voluntary and community sector groups experienced unnecessary barriers to involvement due to challenges such as large contracts and the need for upfront capital funding in a payment by results framework. This has led to many contracts being awarded to very large prime contractors, which extract profits while only delivering limited direct access to local communities.

In the new programme, we welcome targeting 20 per cent of ESF funding to promoting social inclusion and combating poverty. We believe that delivery by voluntary and community organisations should be central to the programme, so we support a local approach to priority setting and the offer of match funding at the Local Enterprise Partnership level by the Big Lottery Fund.

NCVO would recommend that in the new programme a reduction in bureaucracy and a simplified approach to these programmes should include competitive grants, sensible payment systems which recognise social value and a simplified audit system.

Conclusion

In summary, we believe that the EU has brought some useful core benefits, including democratic and social rights, economic prosperity and access to funds for social inclusion. At the same time, there are challenges in three main areas: EU institutions; regulation; and EU funding. We believe that there is now an opportunity to re-build the EU from the core and this should be based on more open and transparent engagement with citizens and civil society.

The recent economic crisis highlighted the fact that many of the major challenges in Europe require concerted action across the European continent. The EU needs to reform in order to respond to a rapidly changing environment and ensure that it is able to deliver on the major priorities of its citizens. Only a more open and responsive EU can genuinely ensure that the needs of citizens are met.

How the UK continues to shape the Single Market

Malcolm Harbour MEP⁶⁴

“After all, what is the Single Market, if not the world's most advanced, most revolutionary experiment in regulatory cooperation?” Trade Commissioner Karel de Gucht posed this question recently, in the context of a speech about the moves to create a Transatlantic Trade and Investment Partnership.⁶⁵

The Prime Minister's Bloomberg speech, setting out his views on the direction for EU reform in the 21st Century, followed this path in setting out the importance of the Single Market to Britain's economic future.⁶⁶ In the context of his announcement that a future Conservative administration would lead a project for EU reform, and seeking endorsement for the subsequent settlement in a referendum, we are at last seeing some more profound analysis and appreciation of the Single Market's achievements. There have been many heavyweight reports from leading business organisations,⁶⁷ as well as the Government's own Competences Review.⁶⁸ These impartial and expert analyses underline the economic benefits of the Single Market to the UK and the importance of the unified set of rules governing that market. They also confirm that it is impossible to sustain and grow a Single Market without shared EU rule-making and a proper system of enforcement.

22 years on from 1992, a stock-taking on the Single Market shows that it has become deeply embedded in European economic decision-making by politicians, business leaders of large and small companies and investors. Companies plan and execute their investment plans by treating the EU as a truly borderless market. ‘Supply chains’ – indeed the whole system of design, development, manufacturing, marketing, distribution and after-sales – are established on the basis of one market. The economy is more open and more efficient with lower prices and greater choice. Consumers take full advantage of the benefits, although few attribute these gains to the EU. But an indispensable part of the Single Market is dealing with uncompetitive practices, giving consumers consistent and fairly presented information and rights of redress.

There was concern that, with the onset of a severe economic slowdown in 2008, the Single Market might come under strain. There were some signs of protectionist language and political initiatives favouring local suppliers in response to pressure on jobs and living standards. However, there has been a welcome recognition across the EU that the single market remains the foundation of Europe's competitiveness, and maintaining its integrity and development is crucial at times of slow economic growth. It is the one huge benefit that Europe can deploy to keep economies moving forward – there are always opportunities to be found in a grouping of 28 nations, and plenty of untapped potential.

To provide a central point to focus on Single Market development, all the EU institutions worked together in 2010 to launch a political initiative focused on Single Market completion, the biggest

⁶⁴ Malcolm Harbour CBE MEP was first elected as MEP for the West Midlands in 1999 and was re-elected in 2004 and 2009. He was nominated Chairman of the Internal Market and Consumer Protection Committee by the European Conservatives and Reformists Group after the 2009 elections. He has played a leading role in promoting the European Single Market and his Committee successfully advocated the launch of the Single Market Act. Before his election to the Parliament, Malcolm Harbour spent 32 years in the motor industry, as an engineer, a senior commercial executive, a consultant and a researcher.

⁶⁵ De Gucht, Karel *Transatlantic Trade and Investment Partnership (TTIP) - Solving the Regulatory Puzzle*. The Aspen Institute Prague Annual Conference. Prague, Czech Republic, October 2013, http://trade.ec.europa.eu/doclib/docs/2013/october/tradoc_151822.pdf

⁶⁶ Cameron, David (2013) *EU Speech at Bloomberg*. Bloomberg, London, January 2013, <https://www.gov.uk/government/speeches/eu-speech-at-bloomberg>

⁶⁷ See for example: Confederation of British Industry, *Our Global Future - The Business Vision for a Reformed EU*. November 2013, London: CBI, http://www.cbi.org.uk/media/2451423/our_global_future.pdf

⁶⁸ HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union - The Single Market*. London: The Cabinet Office, July 2013, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/227069/2901084_SingleMarket_acc.pdf

programme since 1992.⁶⁹ Called the Single Market Act, this is a political programme combining legislative initiatives and non-legislative initiatives directed at Member States and other EU institutions. Delivering the commitments set out in this Act – which has been followed in 2012 by a second series of proposals – is now seen as the top priority in Europe's growth initiative. It is a really important political achievement to have put the Single Market back at the top of the growth agenda, and once again the UK Government has been at the forefront of the debate. The European Parliament has been deeply involved, not least in devising and presenting the whole idea of a Single Market Act with united political support.

At a time when much attention has been focused on the stability of the Euro, the political achievement of pushing the Single Market forward has been largely overlooked. Many successful business leaders emphasise the crucial importance, in times of recession, not to cut back on long-term investment in research, development and product or service innovation. That counter-cyclical investment is crucial to sustaining long-term competitiveness. With the Single Market Acts, the EU has invested political capital in a counter-cyclical way which will definitely pay off over the next decade.

The question is, how do we move forward from here? We have a first Single Market Act and we have a second one which is tackling some of the really difficult issues, particularly in transport and railways, where we have an absurdly inefficient, varied and disintegrated system. We now need a third major political initiative around the Digital Single Market, where there is powerful evidence about the growth-enabling potential, through e-commerce, of freeing up cross-border transactions in goods and services.

There are many EU level initiatives already under way. The changes needed are not just about encouraging new technology. Many of them are related to softer factors like consumer confidence, lack of trust, worries about being able to have guarantees accepted, return of goods, parcel delivery costs. The explosion of internet shopping offers huge opportunities to make the Single Market work even better for consumers. They need to be encouraged to search for the best products and the best prices across the EU. Issues about fair competition and the availability of truly impartial comparative shopping advice are also on the agenda.

Trust and security are also essential. The reform of EU data protection rules and having a uniform system, properly enforced and trusted by consumers is indispensable. It now looks as if this will be one of the first major projects which a new Parliament will have to agree with Member Governments later in 2014.

This work needs to be integrated much better, because this is absolutely fundamental for the future of the EU economy. The European Council endorsed this approach at the October 2013 Economic Summit.⁷⁰ There was pressure from the European Parliament for the Commission to announce a 'Digital Single Market Act', but they failed to respond. This will clearly be a top item on the agenda for the next European Commission, and one that has very strong support from the UK.

But alongside the excitement of the Digital Economy, there are still significant areas in goods and services where the promise of the Single Market has yet to be fulfilled. There is still too much local protectionism through restrictions on service providers establishing and doing business outside their home country. In goods, there are still flagrant abuses of the mutual recognition principle. In all

⁶⁹ European Commission, *The Single Market Act*, November 2013, http://ec.europa.eu/internal_market/smact/index_en.htm

⁷⁰ European Council (2013). *Conclusions-24/25 October*. Brussels: European Council, October 2013, (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/139197.pdf)

these areas, the next Commission needs to focus on implementing the existing rules and providing speedier and more effective mechanisms for handling justified complaints.

Another priority for the next Commission must be the full implementation of new reforms in public procurement, adopted by the European Parliament in January 2014.⁷¹ Public procurement legislation has been a cornerstone of the Single Market since the 1950s. It has the entirely laudable objective of opening up public markets but it has become so legalistic that it has become a barrier to sensible procurement. The new proposals cut bureaucracy, encourage SMEs, promote innovative suppliers and allow factors like environmental performance and lifetime value to be taken into account. Once again, the whole reform has been strongly influenced by the UK, both from the Cabinet Office and in the European Parliament.

The other major challenge for Single Market policy in the 2014-2019 Commission will be the impact of the negotiations on the Transatlantic Trade and Investment Partnership (TTIP). These are now well under way, and many European standards in goods and services will be under the microscope. Dealing with non-tariff barriers will be the key to the success of TTIP. We will not be creating a Transatlantic Single Market to emulate our European one. But we will have to make real advances in the principles of Mutual Recognition, so that goods made to EU standards can be sold in the USA, and vice versa. This will require an intensive comparative evaluation of the consumer protection and health and safety benefits of EU and US rules, and their equivalence. This is bound to lead to a re-evaluation of some of the Single Market rules. Once again, the UK is a leading supporter of the TTIP process. Essentially, if we step up Mutual Recognition, if we get the standards process aligned, if we deal with some of the difficult issues and if we stop reinventing trade barriers in new technologies by collaborating together on standards, then the European Single Market will fundamentally dictate the terms of trade globally.

Britain has a long and successful history in promoting Single Market reforms. That track record and experience must be deployed, to the full, in the next mandate of the Commission and Parliament up to 2019. The foundation for David Cameron's proposed Single Market reforms has been put in place. We are at the heart of recent reforms and we need to continue to lead into the next phase. We must continue to be at the centre of European Union decision-making and leading on the Single Market is crucial if Britain is to sustain its role as a powerful competitor in an ever more challenging global economy.

⁷¹ European Parliament (2014) *New EU-procurement rules to ensure better quality and value for money*. Brussels: European Parliament. (Available from: <http://www.europarl.europa.eu/news/en/news-room/content/20140110IPR32386/html/New-EU-procurement-rules-to-ensure-better-quality-and-value-for-money>)

Small firms and the UK's European question

Dr Charles Dannreuther⁷²

This paper explores the small firm dimension of the UK's Europe question. Small firms' interests are consistently linked negatively to Europe in ways that relate more to political rhetoric than survey data or the positions of SME representatives. I argue that this is because the small firm is a new political constituency in UK politics, emerging only as the UK joined the EEC and often as a way of selling the idea of Europe to the British public. The small firm has been useful in this regard because it is a plastic concept that can, like the Eurosceptic cause, attract the support of a wide range of 'strange bedfellows'. I argue that populist anti-EU stances have compromised the UK executive's potential for domestic leadership on Europe not on account of post-imperialism or the search for Englishness⁷³ but because notions of small business and enterprise have been used to popularise Europe in the UK in ways that have suited the executive. Unlike many other European states, the lack of regulation of the small firm sector has allowed greater scope for policy makers to determine what the interests of the small firm are. When free market policies on the EU have not delivered, as in recent times, oppositional voices can claim the views of the small firm.

UK small firms and the EU

Small firms consistently appear at the heart of the debate on the UK's relationship with the EU, its red tape and its 'unBritishness'.⁷⁴ It is common knowledge that they are fiercely independent, favourably disposed towards strong leaders, hard wired to mistrust government regulation and civil servants and instinctively reactionaries against the liberal utopianism of the EU. Small firms appear to gain less from EU membership than larger firms, on account of their local rather than European market orientation. They also pay more indirectly through tax contributions and directly through regulatory burdens derived from the environmental and social policy *acquis*. Both politically and economically the case for non-Europe is at first glance very strong for British small firms. Surely small firms are against UK membership of the EU?

But member surveys conducted by the UK's many recognised SME interest groups do not appear to support an exit. 77 per cent of the Confederation of British Industry's (CBI) SME members (78 per cent of total membership) 'said that they would vote for the UK to remain a member of the EU in a referendum if held tomorrow.'⁷⁵ 60 per cent of a British Chambers of Commerce (BCC) survey thought withdrawal from the EU would impact negatively on their business, though 64 per cent wanted to see the repatriation of legal powers like employment, health and safety and regional development.⁷⁶ The Federation of Small Business (FSB) provides specific criticisms of European legislation but recognises that 90 per cent of exporting members do so to Europe⁷⁷, a point

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⁷³ See Chris Gifford 2006 'The rise of post-imperial populism: The case of right-wing Euroscepticism in Britain' *European Journal of Political Research* 45: pp.851–869; B.Wellings 2010. 'Losing the peace: Euroscepticism and the foundations of contemporary English nationalism.' *Nations and Nationalism* 16, 3, pp. 488-505

⁷⁴ For example T.Ross 2013 'Cameron Demands EU plan for cutting red tape by June' *The Daily Telegraph* [viewed 1-1-14 at <http://www.telegraph.co.uk/news/worldnews/europe/eu/9928487/David-Cameron-demands-EU-plan-for-cutting-red-tape-by-June.html>]

⁷⁵ See page 175 of CBI 2013 *Our Global Future: the business vision for a reformed EU* [viewed 1-1-14 at www.cbi.org.uk/global-future/]

⁷⁶ See page 1 of BCC 2013 Business EU Barometer [viewed 1-1-14 from <http://www.britishchambers.org.uk/policy-maker/policy-reports-and-publications/business-eu-barometer.html>]

⁷⁷ See page 10 of FSB 2013 'FSB response to the Prime Minister's Business Taskforce on EU Regulation' [viewed 1-1-14 at <http://www.fsb.org.uk/pressroom/assets/131-eu-taskforce.pdf>]

recognised by the Forum of Private Business (FPB) in a blog.⁷⁸ Even UKIP does not make a specific political claim to represent the small firm constituency in its list of policy 'offers'.⁷⁹

One explanation for this is that the issue of Europe is too political for small business representatives to seriously consult their membership on because it may compromise their reputation in the political arena. Certainly the need to maintain credibility with policy makers while maintaining the support of the membership is a difficult balancing act that groups have to manage.⁸⁰ But if the views of small firms about Europe are negative why does it matter so much that their own associations do not ask? The role of the small firm in the UK economy remains, like the role of the UK in the EU, a question about the relationship between the state and the economy. This remains an ideologically charged issue. Indeed, although a wide range of synonyms exist for the 'small firm' (self-employed, Small and Medium Enterprise (SME), enterprise, sole trader, family business, etc) there is a prevalence of the notion of the entrepreneur as an individual of unspecified character.⁸¹ This has allowed the meaning of the entrepreneur to appeal to a wide range of arguments, policy prescriptions and actors⁸² which have changed dramatically over time and meaning.⁸³ Unlike more regulated economies like France, Germany or Italy, the free floating meaning of the small firm as entrepreneur that prevails in the UK has provided a rich rhetorical resource for political actors to exploit.⁸⁴ In justifying Britain's relationship with the EU, political leaders from all parties have referred to the interests of the small firm over the years. In doing so they have elevated expectations from the petit bourgeoisie and compromised their ability to define the national interest. The forthcoming referendum, should it occur, may therefore present new problems not faced in the 1975 referendum.

From Bolton to Brussels

The UK joined the EU during a period of dramatic domestic economic, social and political reform. Just before the Winter of Discontent entered the public consciousness⁸⁵ a brand new political constituency emerged. For the first time in British history the small firm was officially recognised as an important part of the UK economy in 1971. The Bolton Committee of Inquiry on Small Firms was set up in 1969 to 'consider the role of small firms in the national economy, the facilities available to them and the problems confronting them; and to make recommendations'.⁸⁶ The report presented an expansive range of suggestions for new policies and processes.

While the political sensitivities of small firms to the EEC were addressed in Bolton's research reports, these were peripheral to the renegotiations in the run up to the 1975 referendum. The main issues here were set out in the Labour Party Manifesto and concerned the CAP, budget, EMU, VAT, Commonwealth and overseas trade and the 'retention by Parliament of those powers over the

⁷⁸ See FPB 2013 'The EU: in, out, do we really want to shake it all about?' [blog viewed 29-12-13 from <http://www.fpb.org/blog/category/Europe/>]; FPB 2013 'Will a referendum on Europe be good for business?' [viewed 1-1-14 at http://www.fpb.org/hottips/1807/Will_a_referendum_on_Europe_be_good_for_business?.htm]

⁷⁹ See UKIP 2013 Policy Forum [viewed 29-12-13 at <http://www.ukip.org/issues/policy-pages>]

⁸⁰ See Philippe Schmitter & Wolfgang Streeck 1999 'The organization of Business Interests – Studying the Associative Action of Business in Advanced Industrial Societies' *MPIfG Discussion Paper* 99/1 [viewed 1-1-14 at http://www.mpifg.de/pu/dp_abstracts/dp99-1.asp]

⁸¹ See Sarah Drakopoulou Dodd and Alistair Anderson 2007 'Mumpsimus and the Mything of the Individualistic Entrepreneur' *International Small Business Journal* 25(4): 341–360

⁸² See Campbell Jones & Andre Spicer 'The Sublime Object of Entrepreneurship' *Organization* 12(2): 223–246

⁸³ See Lew Perren & Charlie Dannreuther 2013 'Political signification of the entrepreneur: Temporal analysis of constructs, agency and reification' *International Small Business Journal* 31, 6, pp. 603-628; Hyrsky, K. 1999 'Entrepreneurial metaphors and concepts: an exploratory study. *International Small Business Journal*, 18, 1, pp.13-34.

⁸⁴ See Charlie Dannreuther & Lew Perren 2013 *The Political Economy of the Small Firm*. London: Routledge. Kate Kenny and Stacey Scriver 2012 'Dangerously empty? Hegemony and the construction of the Irish entrepreneur' *Organization* 2012 19: 615-633

⁸⁵ See Colin Hay 1996. 'Narrating crisis: The discursive construction of the 'winter of discontent'.' *Sociology-the Journal of the British Sociological Association* 30 (2):253-77.

⁸⁶ See page v of Bolton, J. 1971 'Report of the Committee of Inquiry on Small Firms'. Sess 1971-72 *Cmnd*. 4811 [Chairman: J.E. Bolton, DSC] (Small Firms) presented November 1971 London: HMSO

British economy needed to pursue effective regional, industrial and fiscal policies'.⁸⁷ Once achieved the Cabinet, despite its divisions on the Common Market, could then make a decision about whether to hold a referendum having achieved these terms. The national interest was therefore clearly presented as a choice for Parliamentary control of the commanding heights of the economy or economic modernisation and free markets. This is what was presented to the people in the 1975 Referendum.

The political reception of the Bolton Committee's findings constructed small firms as a constituency opposed to the statist and collectivist agendas of the 1970s.⁸⁸ Indeed a wide range of 'Respectable Rebels', like the Freedom Association and the Association of Self Employed People, sprung up to represent the views of the middle classes, while industrial disputes like Grunwick polarised societal opinion.⁸⁹ The introduction of VAT instigated a popular movement that would become the National Federation for Self Employed People and be known as the Federation of Small Businesses. During the 1970s it was this association between the small firm and freedom that linked the modernising agendas of Margaret Thatcher to the Common Market.

From this point onwards the UK's Prime Ministers have consistently sold the UK's position on Europe to the public as being in the interest of enterprise and small firms. Thatcher was an enthusiastic supporter of the idea of the Single European Act and the DTI's 'Department for Enterprise' logos directed Britain towards Europe through a swooshing arrow. She encouraged administrative simplification at various EC Summits, despite the policy's origins in the European Parliament's 1982 European Year of the SME.⁹⁰ Her most famous expression of a Europe for enterprise came in her Bruges speech which lingered on the association between the founding treaties, liberty and enterprise to define her view against the social Europe proposed by Jacques Delors.⁹¹ In her political rhetoric at least, the small firm was who Europe was for, and redefining the UK's industrial policy as the Single European Market reinforced her social and economic reforms in the domestic economy.

From Major onwards the small firm became less of a political football than an agent for delivering a more competitive economy, a flexible labour market and a neo-liberal response to globalisation. EU level policies provided structural conditions which supported these agendas by legitimating the role of the small firm in the UK economy through landmark EU initiatives. These included the Commission's 1993 White Paper on Competitiveness, Employment and Growth,⁹² the 1997 European Employment Strategy (EES),⁹³ the 2000 Lisbon Agenda and the SME Charter. All of these had strong SME dimensions in them.

Sovereignty now, sovereignty then

The UK debate on sovereignty and the EU has been structured around different issues in 2014 to those in 1974. In those forty years the idea of sovereignty has changed dramatically from one that linked economic and parliamentary sovereignty to one dominated by notions of popular sovereignty.⁹⁴ Economic sovereignty has been constrained by assumptions of globalisation,

⁸⁷ See Harold Wilson, 'Let us work together - Labour's way out of the crisis' FOREWORD Labour Party manifesto February 1974 [viewed 29-12-13 at <http://www.politicsresources.net/area/uk/man/lab74feb.htm>]

⁸⁸ See Neill Nugent & Roger King *Respectable Rebels: Middle Class Campaigns in Britain in the 1970s*. London: Hodder and Stoughton.

⁸⁹ See John McHugh 1979. 'The Self Employed and the Small independent entrepreneur' In N.Nugent & R.King *Respectable Rebels: Middle Class Campaigns in Britain in the 1970s*. London: Hodder and Stoughton.

⁹⁰ See C.Dannreuther 1999 'Discrete Dialogues and the legitimization of EU SME policy' *Journal of European Public Policy* 6, 3, pp. 436-455

⁹¹ See Margaret Thatcher 1988 'Speech to the College of Europe ('The Bruges Speech')' 20 Sep 1988 [viewed 1-1-14 at <http://www.margaretthatcher.org/document/107332>]

⁹² See page 4 of Bulletin of the European Communities 1993 'Growth, competitiveness, employment: The challenges and ways forward into the 21st century' Supplement 6/93 White Paper COM(93) 700 5 December 1993

⁹³ See Eurofound *European Employment Strategy* [viewed 1-1-14 at <http://www.eurofound.europa.eu/areas/industrialrelations/dictionary/definitions/entrepreneurship.htm>]

⁹⁴ See Chris Gifford 2010 'The UK and the European Union: Dimensions of Sovereignty and the Problem of Eurosceptic Britishness' *Parliamentary Affairs* 63, 2, pp. 321-338

competitiveness and monetary discipline. On the one hand the economy is no longer represented by corporatist interests or organised labour because its performance is currently seen to be structured by global competition and financial markets and supported through enterprise policy. For this reason, few now believe that a government should assert democratic control over the economy, despite the post-crisis bank nationalisations, because that would impede the entrepreneur's ability to speculate and innovate. On the other hand the UK's ability to exercise power in the EU as a political system far outweighs that acknowledged by the British press. So even where the UK's economic agendas do prevail (e.g. the Commission's Better Regulation agenda) and are supported by EU action, there is scant recognition of this.

Parliamentary sovereignty is expressed through the scrutiny of EU legislation which is as detailed, transparent and well organised as in any other policy area. In addition to this scrutiny, expert evidence is routinely incorporated to assess the burden of EU legislation on small firms through regulatory impact assessments. But for some time now Parliamentary sovereignty has been eroded through presidential leadership styles and executive domination. Indeed the 1994 Deregulation and Contracting Out Act has been criticised for its use of executive orders that bypass Parliamentary debate.⁹⁵ Even the 2011 EU Act relies on Ministers to trigger a referendum to defend Parliamentary sovereignty.

Today's debate over UK EU relations concerns sovereignty of a different character – that of popular sovereignty. The extension of economic rights through the centralised institutions of Westminster has made Britain a more individualised nation, albeit more as kitchen fitters than shop keepers. This individualisation was supported in many ways by reference to EU policies of enterprise and competitiveness. Much of EU legislation has been to reduce barriers to trade through harmonisation and to develop new market opportunities for small firms – the service directive was based on Article 52 EEC that provided for the freedom of establishment.⁹⁶ EU directives, agreed in Council, are often 'gold plated' as they pass through the Palace of Westminster, but are presented as undermining the right or ability of individuals to trade.⁹⁷ Whether regulation is good or bad for small firms is not the point here⁹⁸ but governments have connected the promotion of self employment, social enterprise and self-realisation to this process of regulatory reform. In doing so they have presented Europe as the source of regulation and as epitomising the 'other' against which the English identity of self-sufficiency has been forged.⁹⁹

Locating small firms within a powerful ideology of Englishness that is both independent and self-sufficient has in many ways supported the subversive liberal reforms that the Single Market has brought to the UK and other member states.¹⁰⁰ It has also increased the core executive's ability to control political agendas and their delivery. But it has also developed new challenges for those seeking to manage any referendum outcome. While the Cabinet split in the 1974 referendum was over the need for Parliamentary sovereignty to exercise democratic control over capitalism, no one in the coalition is making that argument today. Now the debate over parliamentary sovereignty is dominated by reducing controls that might temper fraudulent activities in the City. Government interventions to redirect the economy have been trifling against the austerity measures designed to

⁹⁵ See A.Walker 2001 'The Regulatory Reform Bill [HL]: order-making power and parliamentary aspects (Revised edition) Bill 51 of 2000-2001' *House of Commons Research Paper* 01/27

⁹⁶ See Article 52 para 2 of THE TREATY OF ROME 25 March 1957 [viewed 1-1-14 at http://ec.europa.eu/economy_finance/emu_history/documents/treaties/rometreaty2.pdf]

⁹⁷ Gifford op cit

⁹⁸ Many argue that it is good. UK companies are generally very small while small companies employ more people in regulated economies. Small firms can retain key assets like labour and property rights more easily in a regulated economy.

⁹⁹ Wellings, B. 2010. 'Losing the peace: Euroscepticism and the foundations of contemporary English nationalism.' *Nations and Nationalism* 16 (3):488-505.

¹⁰⁰ See Martin Rhodes 1995 'Subversive liberalism': Market integration, globalization and the European welfare state' *Journal of European Public Policy* 2, 3, pp.384-406

placate financial markets. Parliamentary sovereignty today has come to mean doing *less* to the UK economy than the EU, rather than doing more.

Consequences, controversies and conclusions

Two points are therefore worth considering here. First, we should not forget that the small firm was a new concept in British politics when it was thrust into the ideologically charged debates of the 1970s and 1980s. As the politics of the small firm and of EEC accession coincided with a period of crisis, it is perhaps not surprising that they would be both linked and deployed together to install radical top-down reformist agendas. Second, when enterprises, such as banks or financial actors, fail a major policy gap emerges in the UK's public discourse on Europe. The general macro-economic climate is particularly damaging for smaller firms but it is far easier for government to blame their struggles on the failures of the eurozone and regulatory burdens than the austerity measures that suppress economic demand. This policy gap has been filled by once peripheral views that have been able to attend to prejudice.

The current government has conducted an expert-led consultation in its Review of the Balance of Competences in preparation for a renegotiation and referendum in 2017. Expert views were also collated to support the results of the renegotiation of entry terms for the 1975 referendum in a highly centralised and organised economy in which the national economic interest could be clearly defined. During the 1970s the small firm almost did not register as a credible economic constituency. In 2013 it is almost the only economic constituency that the government can hope to influence but it is far harder to ascertain what they want.

We therefore need to be particularly curious when presented with a coherent narrative of small firms 'interests'. Small firms are very heterogeneous making it hard to capture their collective interests. But at the same time an individualised, politically isolated group bereft of class identity and income is a fertile ground for nurturing totalitarian regimes.¹⁰¹ History has shown us that the insecurities of the petit bourgeoisie were richly exploited by the far right in Weimar Germany,¹⁰² France¹⁰³ and Italy¹⁰⁴ in the pre-WWII period as each of these countries sought to redefine its relationship with the international system in the face of a devastating economic recession.

¹⁰¹ See Hannah Arendt 1968 *The Origins of Totalitarianism* London: Harvest Books

¹⁰² See Frederick McKittrick, 1996 'An Unexpected Path to Modernisation: The Case of German Artisans during the Second World War' *Contemporary European History* 5, 3, pp. 401-426

¹⁰³ See Steven Zdatny 1996 'Coiffeurs in Vichy France: Artisans and the 'National Revolution'' *Contemporary European History* 5, 3, pp. 371-39

¹⁰⁴ See Jonathan Morris, 1996 'Retailers, Fascism and the Origins of the Social Protection of Shopkeepers in Italy' *Contemporary European History* 5, 3 pp. 285-31

Euroscepticism and the dynamics of party competition in Britain

Richard Hayton¹⁰⁵

It is the contention of this essay that the dynamics of party competition on the right are serving to entrench Euroscepticism as the prevailing standpoint towards the EU in British politics, and that as a consequence the likelihood of a British exit from the EU is higher than at any time since the 1975 referendum. While on balance it remains more likely than not that the UK will remain a member of the EU, pro-Europeans have much to do if they are to turn this hostile tide. The EU is now discussed and debated in the UK in almost entirely sceptical terms – in relation to the eurozone crisis, perceived loss of sovereignty, lack of transparency and accountability and ineffective governance.

A negative portrayal of the European project is of course nothing new in British politics, and the UK has long been characterised both at home and abroad as something of an ‘awkward partner’.¹⁰⁶ This uneasy relationship reflects a number of long-term factors, a thorough exploration of which is beyond the scope of this paper. However in sum, as Andrew Gamble has noted, ‘Britain’s uncertain and reluctant relationship with the EU derives from its sense of being apart from Europe, an attitude constantly reinforced by its distinctive constitutional identity both in its form of government and its political economy.’¹⁰⁷ In relation to both of these factors it is the right that has come to dominate political discourse in the UK. To understand this requires an appreciation of the ideological influence and legacy of Thatcherism on the Conservative Party in particular, but also on British politics more widely.¹⁰⁸

The Thatcherite project which drove the neoliberal revolution in the UK blended an attachment to the free economy with the revival of a distinct British Conservative emphasis on national sovereignty, to which the sovereignty of the Westminster Parliament is absolutely fundamental. European integration with the objective of ever closer union, notably in relation to projects such as the single currency and the proposed European constitution, could not be accommodated by Thatcherites within their ideological outlook. The perception amongst Eurosceptics that these projects have failed has only served to reinforce these beliefs. The trajectory of British political economy since the 1980s has also reinforced the sense of a divergence of an Anglo-American model away from a European one.¹⁰⁹ To these broader factors we can also add some more recent and specific effects of party competition, as discussed below.

Cameronite modernisation and the Conservatives in coalition

In 2005 David Cameron was elected to the Conservative leadership on an explicitly modernising platform, widely regarded as a prescription for detoxifying the party's tarnished brand. In simple terms this involved rhetorically distancing himself from his party's past, striking a different tone on a range of issues from climate change and green issues to attitudes towards same-sex relationships. However, Europe was one area where Cameronite modernisation seemed to have only a limited effect.¹¹⁰ For arch-moderniser Michael Portillo, Euroscepticism was consequently the ‘one survivor’ of Cameron's project, as ‘distrust of the European Union's centralising tendency remains a core emotion’ for the Conservative Party, including for many of the modernisers themselves.¹¹¹ This is

¹⁰⁵ Dr Richard Hayton is a lecturer in politics at the University of Leeds. He is Convenor of the Political Studies Association Specialist Group for the study of Conservative politics and has published widely on party politics in the UK. His book *Reconstructing conservatism? The Conservative Party in Opposition 1997-2010* was published by Manchester University Press in 2012.

¹⁰⁶ George, Stephen. 1994. *An Awkward Partner: Britain in the European Community*. Oxford: Oxford University Press.

¹⁰⁷ Gamble, Andrew. 2006. The European Disunion. *British Journal of Politics and International Relations*, 8(1), 34–49, p. 35.

¹⁰⁸ Hayton, Richard. 2012. *Reconstructing Conservatism? The Conservative Party in Opposition, 1997-2010*. Manchester: Manchester University Press.

¹⁰⁹ Gamble, Andrew. 2006. The European Disunion. *British Journal of Politics and International Relations*, 8(1), 34–49, pp. 44-6.

¹¹⁰ Lynch, Philip. 2009. The Conservatives and the European Union: The Lull before the Storm? in S. Lee and M. Beech (eds.) *The Conservatives under David Cameron: Built to Last?*, Basingstoke: Palgrave Macmillan, pp. 187-207.

¹¹¹ Portillo, Michael. 2006. A cunning Euro plot that could bolster Cameron. *Sunday Times*, 11 June.

something that the party has carried forward into government. Research into the composition of the Parliamentary Conservative Party suggests that of the 306 Conservative MPs elected in 2010, just seven could be realistically regarded as Europhile, with 64 categorised as 'European Agnostic' with the remaining 235 being Eurosceptic.¹¹² Of this latter group, 81 can be classified as 'hard Eurosceptics' on the grounds that they have publicly advocated withdrawal from the EU and/or rebelled against the party whip in favour of a referendum on withdrawal.¹¹³ Such hard-line attitudes also extend to the wider party membership. For example, a YouGov survey of Conservative party members published in mid-2013 found that 71 per cent are in favour of Britain withdrawing from the EU, with just 1 in 5 in favour of staying in.¹¹⁴

Although Cameron's modernisation project enjoyed some success in broadening the Conservatives' appeal sufficiently to emerge as the largest party at the 2010 election, and also in terms of relocating sufficiently towards the centre-ground to make sharing power something the Liberal Democrats under Nick Clegg were keen to countenance, it did not divert the longer-term drift of the Conservatives since Thatcher towards becoming a firmly Eurosceptic party.¹¹⁵ Some pro-European Conservatives hoped that the lack of an overall majority and the formation of the coalition with the Liberal Democrats would signal a return to a more pragmatic Conservative approach to the EU, particularly as the coalition agreement saw the Conservatives drop their manifesto pledge to seek the repatriation of powers.¹¹⁶ In practice however, David Cameron's rhetoric and policy positioning on European issues has become increasingly confrontational as time has worn on. In 2011, the government passed the European Union Act, which requires that a referendum be held to approve any future European treaty changes. In December 2011 Cameron vetoed treaty changes which would have facilitated an EU-wide package of measures to tackle the crisis in the eurozone. Perhaps most significantly, in 2013 Cameron pledged that if the Conservatives secure an overall majority at the 2015 general election he will renegotiate the terms of Britain's membership and hold a referendum on whether to leave the EU. Clearly then, while on occasion the presence of the Liberal Democrats has acted as a restraining influence on the government, it has been the Conservatives that have driven the coalition's approach to European integration.¹¹⁷

Several factors explain this hardening of the government's stance towards the EU. One issue has been the context of the economic crisis in parts of the eurozone, which has reinforced negative perceptions of the European project in the UK. Given the politics of austerity at home, it would have been politically difficult for a British government of any make-up to have been seen to be making a substantial financial contribution towards a bailout of European banks or governments – particularly those such as Greece who were widely portrayed as having been profligate in the past. The bilateral loan of £7 billion made to the Irish government by the UK in 2010 as part of a broader rescue package was defended by the Chancellor George Osborne as in British interests due to the interdependent nature of the two economies.¹¹⁸

¹¹² Heppell, Timothy. 2012. Cameron and Liberal Conservatism: Attitudes within the Parliamentary Conservative Party and Conservative Ministers. *British Journal of Politics and International Relations*, 15(3), 340–361, p. 345.

¹¹³ Ibid.

¹¹⁴ YouGov/Bale & Webb Survey Results, Conservative Party membership. Accessed on 20.12.13 at: http://d25d2506sfb94s.cloudfront.net/cumulus_uploads/document/kkgf9pwnqb/YouGov-Bale&Webb-Survey-Results-David-Cameron-EU.pdf

¹¹⁵ Hayton, Richard. 2012. *Reconstructing Conservatism? The Conservative Party in Opposition, 1997-2010*. Manchester: Manchester University Press, pp. 61-80.

¹¹⁶ Patterson, Ben. 2011. *The Conservative Party and Europe*. London: John Harper Publishing.

¹¹⁷ Goes, Eunice. 2014. The Coalition and Europe: A Tale of Reckless Drivers, Steady Navigators and Imperfect Roadmaps. *Parliamentary Affairs*, 67(1), 45-63.

¹¹⁸ 'Irish Republic bail-out in UK interest - George Osborne', BBC News, 22 November 2010. Accessed at: <http://www.bbc.co.uk/news/uk-politics-11807769>

Another key dynamic has been the rise in support for the UK Independence Party (UKIP).¹¹⁹ In part this reflects a longer term trend over the past decade that has been most notable at elections to the European Parliament,¹²⁰ but how to compete with UKIP on their right-flank has become something of a strategic dilemma for the Conservative Party in all elections. As Lynch and Whitaker argue, 'multi-party politics alters the dynamics of party competition in Westminster elections' and the fact that the Conservatives are in coalition with the Liberal Democrats creates a potential source of support for UKIP in the form of Conservative-inclined voters who are unhappy with this arrangement.¹²¹ The rise in support for UKIP, to the extent that the party has consistently recorded double-digit ratings and beaten the Liberal Democrats into fourth place across most opinion polls in 2012 and 2013, has been drawn substantially (although by no means exclusively) from former Conservative voters.¹²² Without representation in Westminster, UKIP have no direct route to influencing UK government policy. In practice however, the Conservative leadership is acutely aware of the need to diffuse the electoral threat posed by UKIP at the 2015 general election. The party's chief election strategist, Lynton Crosby, has identified the need for the Conservatives to offer tough policies on immigration, Europe and welfare to win back the support of right-wing voters attracted to Nigel Farage's party.¹²³ These three issues have all come together with the removal of restrictions on the rights on Romanian and Bulgarian migrants to work across the European Union from January 2014 (following the ending of the transitional controls which accompanied their accession in 2007). Amid feverish UKIP rhetoric about the scale of inward migration and the pressure on public services that would result, in November 2013 David Cameron pledged to block access to welfare benefits to migrants newly arriving in the UK.¹²⁴

Intertwined with the rise in support for UKIP has been the challenge of managing intraparty relations within the Parliamentary Conservative Party. David Cameron has sought to placate backbenchers concerned about this by striking a tougher line on issues associated with a traditional right-wing appeal. While European integration is not a high salience issue amongst the electorate, it is one that exercises many Conservative MPs a great deal. The pledge of a referendum in the next parliament, and the use of government time to support the passage of the EU referendum bill brought forward by James Wharton MP, are notable concessions to the Eurosceptic wing of the Conservative Party. These moves can also be seen as part of an effort by the Conservative leadership to reassure the right of the party that it is sympathetic to their concerns, even if their ability to act is constrained by the coalition. Both governing parties have pursued differentiation strategies, with the sense of a shared coalition identity in 2010 soon giving way to more public disputes and even a desire to be seen to disagree on certain issues.¹²⁵ The fact that the coalition provides an excuse for incapacity to act on areas where common agreement cannot be found has also given the parties the space to ramp up the rhetoric to please certain audiences. As such, rather than anchoring the Conservatives to the centre-ground the coalition has arguably allowed Cameron to strike a more combative tone towards Europe than might have been the case under a Conservative government with a slim overall majority.

¹¹⁹ Hayton, Richard. 2013. The Rise (and rise) of UKIP. *Political Insight blog*, 12 June. Available at: <http://www.psa.ac.uk/political-insight/blog/rise-and-rise-ukip>

¹²⁰ Hayton, Richard. 2010. Towards the Mainstream? UKIP and the 2009 Elections to the European Parliament, *Politics*, 30(1), 26-35.

¹²¹ Lynch, Philip and Whitaker, Richard. 2013. Rivalry on the right: The Conservatives, the UK Independence Party (UKIP) and the EU issue. *British Politics*, 8(3), 285-312, p. 285.

¹²² Nicholas Watt. 2013. Ukip's popularity will hit Tories hardest, says professor, *The Guardian*, 24 April 2013. Available at: <http://www.theguardian.com/politics/2013/apr/24/ukip-election-success-tories-farage>

¹²³ Isabel Hardman. 2013. Exclusive: How the Tories plan to attack Ukip. *The Spectator*, 8 July.

<http://blogs.spectator.co.uk/coffeehouse/2013/07/exclusive-how-the-tories-plan-to-attack-ukip/>

¹²⁴ Peter Dominiczak. 2013. We will block benefits to new EU migrants, says Cameron, *Daily Telegraph*, 18 December 2013.

<http://www.telegraph.co.uk/news/uknews/immigration/10524285/We-will-block-benefits-to-new-EU-migrants-says-Cameron.html>

¹²⁵ Hayton, Richard. 2014. Conservative Party Statecraft and the Politics of Coalition. *Parliamentary Affairs*, 67(1), 6-24.

Conclusion

On balance it is more likely than not that Britain will remain a member of the EU. Labour has so far refused to match Cameron's pledge to hold a referendum on EU membership, and the opinion polls currently suggest that the Conservatives will struggle to secure an overall majority at the next general election. However, the pledge of a referendum on EU membership by one of the two major parties marks a significant shift in the terms of the debate in the UK. Labour will no doubt come under pressure to match this commitment in the run up to the European elections in May 2014. This could intensify in the aftermath should UKIP win and leave Ed Miliband's party in second place, as some polls suggest they might.¹²⁶ Some Labour MPs such as the former campaigns coordinator Tom Watson have suggested the party should back a referendum, as failing to do so leaves Labour exposed to the charge of 'running away' from the issue and denying the public a say.¹²⁷ A referendum may also be a tempting prospect for Labour as it has the potential to reopen a major schism in the Conservative Party, whereas Labour is relatively united in its pro-membership position. However, it is not inconceivable that if a referendum were held under a Labour government in the next parliament that the Conservatives (possibly under a new and more vigorously Eurosceptic leader) could join the 'out' campaign in an effort to bring down the government. In such a scenario the UK could face an almost accidental exit from the EU as a result of a referendum dominated by domestic political concerns rather than addressing the fundamental issue.

As I have noted elsewhere, regardless of whether such a plebiscite does or does not occur, British politics has now entered a period where Euroscepticism is the mainstream norm.¹²⁸ Pro-Europeans have struggled to address the problem of the EU's lack of democratic legitimacy in the eyes of the public and have largely failed to effectively articulate a positive vision for Britain's future in the EU. To some extent this reflects the general drift of public sentiment since the 1990s. However, as this paper has argued the presence of UKIP as a prominent feature on the political landscape and the efforts of the Conservative leadership to combat this challenge and manage intraparty tensions in coalition since 2010 have served to entrench this Eurosceptic consensus, dragging Britain to the margins of the EU.

¹²⁶ Open Europe/ComRes poll: Voting intentions and the UK's relationship with the EU. May 2013. Available at:

http://www.openeurope.org.uk/Content/Documents/Open_Europe-ComRes_poll.pdf

¹²⁷ James Kirkup. 2014. Labour should back EU referendum, says Tom Watson. *Daily Telegraph*, 3 January.

<http://www.telegraph.co.uk/news/newstoppers/eureferendum/10548220/Labour-should-back-EU-referendum-says-Tom-Watson.html>

¹²⁸ Hayton, Richard. 2013. The Rise (and rise) of UKIP. *Political Insight blog*, 12 June. Available at: <http://www.psa.ac.uk/political-insight/blog/rise-and-rise-ukip>

**The UK in a reformed EU:
How to secure a future that the British people will be comfortable with**
Andrea Leadsom MP¹²⁹

The EU is currently the slowest growing economic region in the world¹³⁰. This fact alone demonstrates the urgent need for reform of the EU, for the sake of the people of Europe, individual member states, and the concept of a Europe that is stronger together than apart.

The hard truth is that, after decades of well-intentioned regulation, the EU has reached a crunch point of sink or swim. Europe simply cannot afford to continue doing what we have always done, because we cannot afford to get what we have always got. There must be a change in direction and strategy.

Europe has not only reached a crunch point economically. Democratically, the consent and satisfaction of the peoples of Europe with the EU is at a historic low point. Dissatisfaction is manifesting itself politically and socially, and in the UK, democratic consent for our membership is at rock bottom. What's more, the status quo in Britain's relationship with the EU is no longer an option. The eurozone is moving towards fiscal and banking union, and this poses challenges for all member states, euro and non-euro alike.

Therefore, European politicians face a defining period for the future of Europe. In his Bloomberg speech in January 2013, Prime Minister David Cameron committed a future Conservative government to renegotiate our relationship with the EU and to put this new relationship to the people via a referendum in 2017.

The next few years present not only a unique imperative, but also a unique opportunity to reform the EU with a new focus on global competitiveness and at the same time to ensure a new settlement for the UK. While there is understandable reluctance to spend years negotiating a new treaty, the evolution of the Euro is most likely to require treaty change. There is also broad acceptance across the EU of the need to accommodate the legitimate concerns of the non-euro member states as this process takes place.

Other European leaders are now acknowledging the need for far-reaching reforms to ensure the economic competitiveness of all member states. Chancellor Merkel of Germany said "If Europe today accounts for just over 7 per cent of the world's population, produces around 25 per cent of global GDP and has to finance 50 per cent of global social spending, then it's obvious that it will have to work very hard to maintain its prosperity and way of life."

The Dutch Prime Minister Mark Rutte recently urged the EU to work on "three things: a stronger single market, Europe as an international trading bloc and a clearly defined division of tasks between member states and the EU." The era of 'ever closer union' has come to an end, and the Dutch government have suggested the guiding principle should be 'Europe where necessary, national where possible'.

The Fresh Start Project of Conservative backbench MPs, of which I am co-founder, has recently published its Mandate for Reform¹³¹. It sets out a positive vision for the UK in a reformed EU,

¹²⁹ Andrea Leadsom MP is the Conservative Member of Parliament for South Northamptonshire, a post to which she was elected in 2010 following a 25-year career in the financial sector. In Parliament and beyond, Andrea campaigns on her three major areas of interest: reform of the European Union in her work as co-founder of the Fresh Start Project; reform of the banking system, and establishing a national network of parent-infant psychotherapeutic support for families and their newborn babies through her new charity, PIP UK. For more detail on these proposals and the analysis behind them, please go to www.freshstart.org

¹³⁰ IMF World Economic Outlook

describing a range of changes needed to bring that about. It advocates reform of the EU as a whole, not a special deal for the UK. It is in the UK's interests that the EU as an institution and an economic bloc works, and works well. The reforms that we propose are designed to help the EU to succeed. But it is also in the UK's critical national interest that the deal it gets with the EU works for us as a sovereign nation. If we cannot reform the EU as a whole, then the UK may well have to seek a 'special relationship'. If that cannot be achieved, the British people may decide in 2017 that the UK is better off outside the EU. But that is a lot of 'ifs', and the focus for reformers like me, and for the UK government, is to create an EU that is globally competitive, flexible and democratically accountable.

Competitiveness

The single market is the core of the EU and to ensure it remains the driving force for growth and jobs, a new legal safeguard should be written into the treaties. This would expressly prohibit any measure that impedes the development of the single market.

We also need a renewed focus in the single market for services. Services account for over 70 per cent of Europe's output but only 22 per cent of internal EU trade. Fully implementing the existing Services Directive could give EU GDP a one-off boost of up to 2.3 per cent¹³², and we should make better use of the EU's own enforcement procedures to do so. But we also need to further liberalise trade in services, by enhanced cooperation if necessary, and also develop a true digital single market.

The EU also needs to reform the regulatory environment to enable businesses to prosper. To ensure that excessive EU regulation does not strangle economic growth, the EU should apply a 'one in, one out' rule for all regulation, introduce sunset clauses (the time after which the regulation will expire, unless explicitly renewed) for all new regulations, and provide further exemptions for small and micro-businesses. In the interests of economic competitiveness, member states should be able to determine their own mix of social and employment regulation, and the EU should reflect the principle of subsidiarity in this area. Repatriating the competence over Social and Employment Law to member states would require treaty change.

The EU must also work hard to develop trade outside of the single market. A tiny fraction of the EU budget is spent on boosting trade with the rest of the world and the EU should place much greater emphasis on negotiating free trade agreements (FTAs), including with Brazil, China, India, Japan and the USA. If the EU proves unambitious or unsuccessful in these negotiations, member states should secure a means of negotiating more ambitious FTAs for trade in services in the future.

Flexibility

As the EU has evolved, it has legislated in more and more policy areas that no longer make sense in the modern, globally competitive world. We must rebalance the decision-making power between the EU and member states to make better use of scarce resources and to create a flexible, outward-looking union. The EU has moved on from its founding principles and the treaties should be changed to recognise that 'ever closer union' is **not** the goal of all member states.

The issue of immigration is one of the biggest concerns of EU taxpayers and the impact on wages, access to benefits and 'social dislocation' all need to be addressed in the context of large scale migration in the EU. Member states **must** be able to decide who should be allowed to access their welfare systems, and the principle of subsidiarity should be applied in the area of access to benefits to ensure that free movement of labour does not become free movement of benefit tourists.

¹³¹ EU Fresh Start, Mandate for Reform, November 2013, <http://www.eufreshstart.org/downloads/mandateforreform.pdf>

¹³² APPG for European Reform Report - EU Single Market in Services (Oct 2013)

Further reforms are also needed to prevent known criminals from entering another member state and to return convicted criminals speedily to their member state of origin.

The EU institutions and budget are also in need of significant reform. The European Parliament continues the ridiculous travelling circus of moving MEPs, staff and truckloads of documents from Brussels to spend four days a month sitting in Strasbourg. At the heart of a renewed drive for a more efficient, streamlined and reasonable EU, the European Parliament should have a single seat.

Regional Development Policy should be decentralised by limiting EU funds to those member states with GDP per head of less than 90 per cent of the EU average. This would provide more funds to those poorer member states and end the needless recycling of funds among the wealthier member states. It could also result in a 15 per cent cut in the EU budget and enable wealthier member states to make their own decisions about how to support their own regions.¹³³

All of these changes are designed to boost the success of the EU as a whole. The one area where we seek a different relationship for the UK is in the area of Policing and Criminal Justice. The UK has a unique legal tradition and should not be subject to ECJ rulings in the area of Policing and Criminal Justice (PCJ). The Lisbon treaty provided the UK with an option to opt out of 131 EU laws, which the government plans to invoke. We should go further and opt out of all EU PCJ laws entirely, and pursue operational co-operation with the EU via other means. The UK should also seek further changes to the EU treaties in order to cement an opt-out from the European Charter of Fundamental Rights.

Democratic Accountability

The EU is increasingly disconnected from citizens and as Prime Minister David Cameron described it “as something that is done to people rather than acting on their behalf”. Institutions and decision making are opaque, cumbersome and often result in messy compromise that yields far from satisfactory results. There is a very real issue of a sovereign government being outvoted in Brussels under Qualified Majority Voting and a law being foisted upon a nation against the will of its government and people which must be addressed. Revising or repealing ineffective or unpopular legislation is near impossible and citizens feel powerless to overturn EU law.

Reforms to the European Parliament have not succeeded in reconnecting citizens with the EU. Turnout in European elections is approximately half that of national elections. National parliaments remain the real source of democratic accountability and legitimacy in the EU and reforms are needed to strengthen their role.

A new ‘red card’ system should be introduced into the relationship between National Parliaments and the European Commission. This would mean that National Parliaments could combine to permanently block Commission proposals. The Lisbon Treaty introduced a ‘yellow card’ which is a similar concept but only allows National Parliaments to ask the Commission to ‘reconsider’ a proposal, so it is weak and has only been used twice. In the second case, on the European Public Prosecutor, the Commission has decided to go ahead regardless, despite the opposition of 14 National Parliaments.

A real game changer for democratic accountability would be to allow the red card to apply to existing rules. This would **at last** provide a mechanism for National Parliaments to tackle existing, poor legislation and would provide a permanent means to reverse the ongoing EU power-grab. The Dutch Parliament recently proposed a similar mechanism. A red card on existing legislation should

¹³³ *ibid*

trigger a 1 year sunset clause after which the legislation would expire unless particular member states decide to retain it under enhanced cooperation among themselves.

An emergency brake procedure should be introduced, modelled on the so called 'Luxembourg compromise'. Under this provision, a member state that considers an EU proposal to be a threat to a fundamental national interest could refer that proposal to the European Council where unanimity, and hence a national veto, would apply.

There is a real risk that eurozone countries will act as a bloc and outvote non-eurozone countries on key issues. Non-euro member states successfully negotiated the 'double majority' voting mechanism at the European Banking Authority last year. This means that for decisions to be taken by the EBA, there must be a majority of non-euro states as well as a majority of euro states. Extension of the double majority lock is one way to avoid the eurozone-17 writing the rules for all 28, and should be used in other policy areas, in particular those relating to the single market.

Building on the success of the Freedom of Information Act in the UK, a similar resource should be introduced for EU institutions, to enable voters to challenge and question the decisions taken on their behalf.

Some of these reforms may require treaty change, others could be achieved through negotiation through the current structures, and others could be achieved by political agreement outside the treaties. The need for reform is clear, and we call on all those with an interest in economic competitiveness and democracy to give these proposals serious consideration.

How should Britain engage with other countries?: liberal internationalism vs. regional power blocs

Tim Congdon¹³⁴

The UK's relationship with the European Union cannot be analysed in isolation; it needs to be set in the larger context of the institutional relations that bind (or sometimes divide) all the world's nations. In this article, two models of the relationships between nations are distinguished, in order better to clarify the issues at stake in the British debate on EU membership.

Nations nowadays are fortunate compared with their counterparts before the 20th century, in that they have a range of global clubs they can join. Small and even micro nations are particularly lucky because the most important of these clubs commonly have a rule; that members are to receive equal treatment regardless of their size. The contemporary application of the equal-treatment principle originates in the Atlantic Charter of August 1941. This was agreed between Roosevelt and Churchill, speaking respectively for the United States of America and 'the British Empire' (as it then still was, more or less), and gave concrete expression to the ideals of Anglo-American liberal internationalism. It is hardly an exaggeration to say that the Atlantic Charter is as basic to the modern conception of relations between nation states as the Constitution of the USA is to relations between its own citizens.

After their victory in the Second World War, the USA and the United Kingdom established a range of international institutions which embodied the eight points of the Atlantic Charter.¹³⁵ These are the clubs – the clubs in which non-discrimination between members is so fundamental – that all the nations of today can join. The idea of non-discrimination leads onto another of great importance, that the clubs are 'multilateral' in scope. They are meant to discourage bilateral or regional blocs of countries, in which a big country (e.g. Germany in the 1930s) tries to make itself even more of a heavyweight by attaching smaller neighbours into its sphere of influence. In multilateral arrangements one member nation recognises reciprocal obligations to every other; it does not give special favours to a particular nation.

The three principal non-discriminatory, multilateral institutions of today's world are the United Nations, the World Trade Organization and the International Monetary Fund.¹³⁶ All three have their roots in Anglo-American negotiations starting in 1944, although foreshadowed in the earlier exchanges between Roosevelt and Churchill. As far as member states are concerned, these institutions have a cost (in terms of an annual subscription, the need to pay official representatives and so on) and cede a degree of sovereignty. However, the overwhelming majority of nations nowadays regard the membership dues and the loss of sovereignty as worthwhile because of the benefits to their citizens from easier international relations. All nations can join the non-discriminatory clubs that have defined the international scene since the Second World War. But membership is not obligatory and some have chosen, for extended periods, to stay outside. The voluntary nature of membership is evidenced in the different number of members that the UN, the WTO and the IMF have. (At the time of writing [December 2013], the UN has 193 member states, the WTO 159 and the IMF 188.)

¹³⁴ Prof Tim Congdon CBE is a leading 'monetarist' economist and businessman. After a career as an economist in the City of London, he has been a visiting professor at Cardiff Business School, and City University Business School and was recently appointed a professor of economics at the University of Buckingham where he is setting up the Institute of International Monetary Research. He is prominent in the UK Independence Party, where he was runner-up in the 2010 leadership election and is now UKIP economics spokesman. He is chairman of the Freedom Association.

¹³⁵ On 1st January 1942 all the allied nations then fighting the Second World War pledged themselves to the Atlantic Charter in the Declaration by United Nations

¹³⁶ The UN has a number of agencies, including for example UNESCO (the United Nations Educational, Scientific and Cultural Organization) and FAO (the Food and Agricultural Organization), but the three mentioned in the text are the most important in the fulfilment of the key principles of equal treatment and non-discrimination.

Indeed, the continued existence of separate nation states – and explicitly of their right to self-determination – was emphasised in the Atlantic Charter. Without being too forthright about the matter, the USA and ‘the British Empire’ were confident about one vital aspect of the settlement. This was that for an extended period after the end of the war they would, acting together, be powerful enough to guarantee the borders of every nation that wanted to participate in the new global arrangements.¹³⁷ But, just as it was not compulsory for nations to join any of the UN, the IMF and so on, nations retained their right to full independence and could leave any of the international institutions whenever they wished. The purpose of the post-war Anglo-American organisations was not to supersede the nation state or to end the independent existence of their constituents. On the contrary, the nation state was meant to be the defining unit of the post-war world.

Twelve years after the end of the Second World War, in 1957, six European countries came together to set up a very different type of international club when they put their names to the Treaty of Rome. This was widely taken – at the time and for many years afterwards – to be concerned above all with economic cooperation, particularly with the promotion of free trade between member nations. In fact, the signatories of the Treaty of Rome included as one of its main aims ‘an ever closer union among the peoples of Europe’. The new international structure was known as the European *Economic Community*, apparently in accordance with its *economic* rationale. But, in truth, from the outset the founders of the EEC believed themselves to be engaged in an altogether more ambitious project, to evolve over time into a ‘United States of Europe’ comparable to the USA on the other side of the Atlantic. The Treaty of Rome had followed a few years of increasing Franco-German discussion and collaboration, with the Schuman Declaration of 1950 as perhaps the defining document.

Two of the leading figures in the preparation of that document – Robert Schuman and Jean Monnet – had trouble finding the right vocabulary for what they planned. They were not sure whether the intended degree of interdependence should be best described by the word ‘supranational’ or the term ‘federation’.¹³⁸ At any rate, their vision – whatever its ambiguities – did endorse a conscious and potentially massive erosion of national self-determination. In this vision, Germany and France, and some or all of their neighbours, were in the long run to subsume their national identities in the larger identity of a new European nation.¹³⁹ By committing themselves to the EEC and hence to ‘ever closer union’, the member states of the EEC embarked on a process that might last generations. A tacit principle was that they could not withdraw from the process, which in some eyes acquired the character of historical inevitability and in that respect resembled Marxism. As an assortment of contemporaneous statements, speeches and pontifications spelt out, the purpose of the Treaty of Rome was to supersede the nation state. Right from the word go, post-war European integration envisaged an end to the independent existence of the nations that participated in it.

Germany and France worked with their neighbours in the task of unification, but were understood to be leading the process from the front. In 1963 their heads of state, Charles de Gaulle and Konrad Adenauer, signed the [Élysée Treaty](#) which pledged them to collaborate in the design of the

¹³⁷ The Atlantic Charter was agreed only a few weeks after the German invasion of Russia, when Roosevelt and Churchill had good reason – because of the estimates of the relative production of military equipment, particularly of warplanes – to be confident that Germany would be defeated. But Roosevelt repeatedly misunderstood the malicious intentions of Stalin and communist Russia, so that in the event the Anglo-American guarantee did not protect many nations near to the Soviet Union from virtual annexation in 1945.

¹³⁸ The [Schuman Declaration](#) of 9th May 1950, later known as [Europe Day](#), was a French government proposal. The French government’s decision to share sovereignty in a European community of some sort was based on a text, written and edited by Schuman’s friend and colleague, the [Foreign Ministry](#) lawyer, [Paul Reuter](#) with the assistance of [Jean Monnet](#) and Schuman’s Directeur de Cabinet, Bernard Clappier. Schuman saw his proposal as the first example of [supranational](#) community, which he understood to be a new development in world history. The plan was also seen by some, like Monnet, who crossed out Reuter’s mention of “[supranational](#)” in the draft and inserted “federation”, as a first step to a “[European federation](#)”. (This footnote draws on Wikipedia.)

¹³⁹ On the occasion of the 40th anniversary of the [Élysée Treaty](#) in 2003, the [EU Commissioners Pascal Lamy](#) (France) and [Günter Verheugen](#) (Germany) presented the so-called [Lamy-Verheugen Plan](#) that proposes a *de facto* unification of France and Germany in key areas of national sovereignty, including the unification of armed forces, the combining of embassies and the sharing of the seat at the UN Security Council now held by France.

integrationist agenda. Meetings between the German and French heads of state, and meetings also of high-level civil servants from the two countries, were timed and organised so that they had the initiative at subsequent meetings of the European Council. In effect, Germany and France shared the driving seat. Other EEC/EU member countries might involve themselves in taking the vehicle forward, but they were the back-seat drivers.

The closeness of the collaboration between Germany and France may seem surprising, given the previous long-run historical antagonisms between them. The motivation was in part wholly admirable, to stop another major European war. But another geopolitical consideration was at play. Germany and France had been losers in the Second World War, and they had a subordinate role in the Anglo-American creation of the defining non-discriminatory international institutions of the post-war world (i.e. the UN, the IMF and so on). Through the EEC/EU the elites of Germany and France saw themselves as forging a vehicle which could enhance their international standing and power. To some degree, the EEC/EU was an attempt to counter the Anglo-American dominance of the West that characterised the first decade after the Second World War and has now evolved into a more purely American leadership.

In line with an apparently economic agenda, the EEC was widely known in the British public debate as ‘the Common Market’. In the 15 years from 1957 to 1972 the Common Market six enjoyed much faster economic growth than the UK, leading to fears that Britain would become ‘the poor man of Europe’. On 1st January 1973, the UK joined the EEC, and over the next few years underwent a range of institutional upheavals (the introduction of value added tax, the application of the Common Agriculture Policy to farming and the Common Fisheries Policy to fishing, and so on) in order to conform to the Accession Treaty. Entry into the Common Market was controversial, but a large majority for membership was secured in a referendum in 1975.

There is little doubt that the British public supported EEC membership because they wanted its perceived economic benefits. Most people in Britain – then and now – were opposed to the end of their nation’s political independence. Nevertheless, the UK became a nation ‘in’ the EEC and, eventually, ‘in’ the EU. As has been explained, membership of the EU is a very different commitment from membership of the global multilateral clubs set up in the mid-1940s. Whereas those clubs allowed countries to leave and endorsed the self-determination of nation states, no matter how small, the EU aims at an ‘ever closer union’ and does not contemplate the withdrawal of any of its members.¹⁴⁰ Further, the EU is seen by its supporters as legitimately taking to itself a large number of ‘competences’ from its members, reducing their sovereignty to such an extent that they cease to be meaningfully independent nation states.

Enough has now been said to describe the framework of international institutions facing the UK at the opening decades of the 21st century. The world consists of two kinds of nation, those that belong to the EU (the 28 ‘in’ countries) and the 165 or so that do not. The EU members are all also members of the UN, whereas most other countries combine their non-membership of the EU with membership of the UN. The EU’s relationship with the other global multilateral clubs is complicated, to say the least, and becoming more so with time. The complexity of the EU’s position in the global arena reflects the ambiguity of its multi-nation quasi-federal set-up, an ambiguity which – as we have seen – baffled Schuman and Monnet way back in 1950.

A fair comment is that governments of the EU’s member states are uncertain about how best to conceptualise and label the association to which so many of their ‘competences’ have been surrendered. Nevertheless, the European club in which they participate expects them ultimately to

¹⁴⁰ The 2009 Lisbon Treaty does contain article 50 on the procedures for a nation’s withdrawal from the EU. But article 50 was new in 2009 and, with the minor if interesting exception of Greenland, no part of the EU has withdrawn from it until now.

embrace 'ever closer union', perhaps to the point that the competences surrendered wholly outweigh the competences retained.¹⁴¹ Would they then remain 'sovereign' nations? Once issues of trade, currency, energy policy, transport and such like were decided at the European level on a supranational and/or federal basis, why should its members continue to send delegations to the multilateral clubs of the post-war world? At that point the European Union might become a member of the UN, the WTO, the IMF and so on in its own right. (After all, the Lisbon Treaty accorded full 'legal personality' to the EU.) The UK, France, Germany and the EU's 24 other states would no longer need a seat at the UN, in just the same way that the then 48 states of the USA were deemed not to need their own seats in 1945. The UK's own seat on the UN Security Council would have to be forfeited, as an anachronism arising from a past conflict now of only historical interest.

The last paragraph may seem strained, even a little shrill. Let the American precedent be noted. Congress may admit new states to the Union on an equal footing with existing ones, as it last did with Alaska and Hawaii in 1959. The Constitution is silent on the question of whether states have the power to secede from the Union, but the Supreme Court ruled in the *Texas vs. White* case of 1869 that secession was unconstitutional. In reaching that position the Supreme Court appealed to the phrase 'a more perfect union' which does appear in the Constitution, even if in fact the immediate justification was more brutal, the outcome of the American Civil War.

At any rate, the complexities and ambiguities of EU membership do not trouble countries that are outside it. Whatever their ultimate geopolitical destiny, the 'out' countries – including such entities as Singapore, Panama and Bahrain which are mere specks on the map – need not bother themselves about lost competences or eroded national independence. Moreover, they do not envisage a future era in which their sovereignty is so residual and vacuous that they might as well quit the UN, the IMF, the WTO and so on. As Roosevelt and Churchill might have hoped, no evidence can be adduced that over the seven post-war decades the citizens of small nations have suffered – in terms of material, cultural or human-rights outcomes – relative to those of large nations. The great majority of the world's nations do not belong to the EU and have not tried to form regional power blocs. Critically, for the UK debate, these nations have not been handicapped relative to the EU by being outside it or for failing to establish regional blocs of their own.¹⁴² Non-membership of the EU is a valid and successful geopolitical option, even for small nations, as demonstrated very obviously by (say) Singapore and New Zealand. If the great majority of the world's nations can survive and flourish outside the EU, so can the UK.

To summarise, since 1945 two approaches have been available to governments that want their citizens to have the opportunity to interact (economically, culturally and so on) with the citizens of other nations in much the same way that they interact with citizens of their own nation. They can subscribe to the multilateral and non-discriminatory institutions set up by the USA, with British backing, in the mid-1940s or they participate in a regional power bloc such as the EU which pursues 'ever closer union'. In the case of the EU the objective has been and remains to establish a rival to the USA as a global power, to end the separate existence of the member nations and to forge citizenship of a European nation in the place of UK citizenship (or citizenship of Germany, France or whatever).

The British people must be given the chance decide what they want, and sooner or later a referendum on EU membership is inevitable. In Berlin on 13th November 2013 Andrew Duff, Liberal

¹⁴¹ In his speech on the UK and the EU on 23rd January 2013, David Cameron said that "ever closer union" was not the UK's objective. But it is uncertain that he or indeed any British government can secure the agreement of other EU states for deleting that phrase from the EU's key constitutional documents.

¹⁴² Regional trading arrangements – such as the North American Free Trading Area or Mercosur in Latin America – are restricted to economic and commercial matters; they are not intended to replace the governments of the member nations with a new federal government.

Democrat MEP for the East of England, spoke to the Union of European Federalists as its outgoing president. He claimed that 2014's elections to the European Parliament would be a "crunch time" and urged his audience (and implicitly the Liberal Democrat party) to "campaign for the federal Europe which we espouse". Duff argued that pro-federalists have to persuade the "those who hold the reins of national power to realise their relative impotence", although acknowledging that "it would be naive for those of us who wish to strengthen the firepower of the EU to expect to be loved for what we do and say". As well as mocking the "so-called 'eurosceptics' who march to the beat of the nationalist drum", he attacked the Prime Minister David Cameron for peddling "his defeatist prospectus of a weaker, looser confederation of nation states". According to Duff, Cameron's position was unattractive, since – in Duff's words – "we now have our optimistic prospectus of a strong, democratic federal union of states and citizens".

Duff has to be commended for his candour and clarity, including his frank endorsement of an EU with federal status comparable with that of the USA. However, he was wrong to sneer that opponents of this vision are marching "to the beat of the nationalist drum". On the contrary, the alternative to EU membership is for the UK to be like the 165 or so nations that do not belong to the EU, and instead participate in global cooperation through the non-discriminatory clubs (the UN, the WTO and so on) envisaged by Roosevelt and Churchill after the Second World War. In this sense the eurosceptics are every bit as internationalist in outlook as the pro-federalists. References to "the reins of *power*", "*impotence*" and "*firepower*" (author's italics) betray Duff's (and indeed the EU's) real mission, which is to make 'Europe' in some sense more powerful and greater than the USA, and hence the world's leading nation. That sort of thing recalls the dark ages of Europe in the first half of the 20th century and is the antithesis of liberal internationalism. Britain's long-term geopolitical commitment – today, as in 1941 – must be to a non-discriminatory international rule of law, and to the institutions that defend and promote it. Britain must not let its sovereignty be surrendered totally to an entity such as EU, which fancies itself as a regional bloc and global superpower.

Discretion or perplexity? How do Britain's fellow EU members view British EU reform proposals?

Richard Corbett¹⁴³

The prospect of a possible future Conservative majority government re-negotiating the terms of British EU membership and then holding an 'in-out' referendum has caused some perplexity among other Member States. They are, of course, wary of intervening in what they mostly consider to be, at present, an internal UK debate with much posturing. As former Irish PM John Bruton put it: "EU leaders have taken a vow of silence on the UK's internal debate ... they do not wish to aggravate UK public opinion".¹⁴⁴

The President of the European Council, Herman Van Rompuy, speaking in London a month after David Cameron's January 2013 speech, said that the leaders of other EU countries "will first listen... and then talk".¹⁴⁵ But he also made clear that the implicit threat of UK exit was not helpful: "How do you convince a room full of people, when you keep your hand on the door handle? How to encourage a friend to change, if your eyes are searching for your coat?" He went on to say that an exit would be "legally possible" but it would be "a most complicated and unpractical affair. Just think of a divorce after forty years of marriage...But let us not dramatise. It is natural that all member countries can, and do, have particular requests and needs – and these are always taken into consideration...The common challenge is...to improve the way our Union works".

Others have let slip comments that are less tactful.¹⁴⁶ On the idea of opt-outs and derogations, Carl Bildt, the Conservative Swedish foreign minister, said "Flexibility sounds fine, but if you open up to a 28-speed Europe, at the end of the day there is no Europe at all. Just a mess." The then German Foreign Minister Westerwelle said, "Cherry picking is not an option. Europe isn't the sum of national interests but a community with a common fate in difficult times." As to 'Brexit', it is still dismissed as a serious option. Joschka Fischer said: "For the EU, Britain's exit would be a heavy blow, but for the British it would be a real disaster." French Foreign Minister Fabius quipped to a meeting of UK businesses: "Listen, if Great Britain decides to leave Europe, we will roll out the red carpet for you" to move to France.

Conservative ministers sometimes claim that there is support in other EU countries for their reform ideas, citing in particular the Dutch subsidiarity review. The Dutch, however, have made it clear that they are not proposing treaty change, merely looking at how existing competences should be applied. Even if some of the Dutch rhetoric resembles that of British eurosceptics (for instance, blaming the Commission for overregulation rather than the national ministers who actually adopt EU regulations in the Council), it is not nearly as radical as what the Tory right wing aspires to.

Of course, other countries are not yet facing any specific UK proposals. However, they see the position taken by the current government on issues such as the JHA opt-out, the budget and seeking to curtail freedom of movement of EU citizens. They also read some of the ideas being floated on the Tory backbenches, such as those of the 'Fresh Start' group. They note the glib talk of repatriation of powers and return of competences. Judging from off-the-record comments and private discussions that I have been party to, other member states look in askance at some of the suggestions floated:

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¹⁴⁴ "What does the UK want from an EU negotiation and what terms can it expect?" CEPS <http://www.ceps.eu>

¹⁴⁵ "Britain in Europe: channeling change together" Speech by Herman Van Rompuy at the Annual Conference of Policy Network, London, 28/02/2013: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/135747.pdf

¹⁴⁶ The following quotes are from the FT 23/1/13 <http://www.ft.com/intl/cms/s/0/a683a0e8-653a-11e2-a3db-00144feab49a.html#axzz2ppKINvYf>

- Give the House of Commons the right to dis-apply existing EU legislation? This would drive a coach and horses through the EU system (and has probably been proposed with that in mind). What would be the point of thrashing out common rules for the common market if each country can then decide unilaterally to ignore them? How would this benefit Britain when others do likewise and erect protectionist barriers? There is room for improving parliamentary scrutiny **prior to** the adoption of European legislation (about which more below), but unilateral repeal **after** it has been agreed would be unacceptable. Even William Hague described this as unrealistic. Mario Monti, former Italian Prime Minister, put it: "If all parliaments and all member states were to be able to tear through small bits or big bits of the single-market legislation, then this would be a patchwork, not a market. One of the countries that would suffer most would be the UK."¹⁴⁷
- Opt-out of the social chapter? Most member states regard this as part and parcel of the common rules for the common market, ensuring a level playing field. They would not accept one country playing according to different rules in this field, triggering a race to the bottom. This does not mean that there is no interest in revising existing pieces of legislation, as is currently been done with the posting of workers directive and might be done with the working time directive. But a wholesale opt-out would require a treaty change accepted by all. It won't happen.
- Opt-out of more Justice and Home Affairs matters? The UK government's own review of this last year concluded that Britain's national interest was to remain in the key pieces of JHA legislation. And as to the idea that the European Court of Justice (ECJ) be removed from this field for settling differences of interpretation about existing rules, this would ultimately mean 28 different interpretations of the rules "and many new loopholes through which well-advised criminals could evade justice."¹⁴⁸
- Change free movement rules? If this means ending one of the four freedoms that constitute the bedrock of the single market, the answer will be a resounding no. If it means taking action at national level compatible with EU law (such as proper enforcement of the minimum wage, clamping down on rogue agencies, requiring vacancies to be advertised locally), then yes. If it means revising current EU legislation (such as the 2004 directive on the right to move and reside freely within the territory of the Member States), then there is some scope for negotiation. If it means that future accession treaties should have longer transition periods, this is something that will be negotiated at that time and, as they require unanimous approval, Britain (and others) will be in a position to insist on that.¹⁴⁹
- Opt out of security & defence policy? This is a policy area that Britain, with France (the only other Member State with significant military clout), has led. The PM was happy to endorse (after seeing off a supposed threat of EU-owned military assets) the conclusions of the December 2013 European Council strengthening cooperation in this field, which the NATO Secretary General welcomed as complementary to NATO. At a time of shrinking budgets, it would be perverse to withdraw from cooperation in procurement, inter-operability of equipment and joint operations.

¹⁴⁷ BBC News, Conservatives will fight for EU reform, says William Hague, January 2013, <http://www.bbc.co.uk/news/uk-politics-25710418>

¹⁴⁸ CEPS ibid

¹⁴⁹ Though, if the next one is Montenegro, after 2017, the impact of limiting the rights of its 0.6 million citizens will not exactly be fundamental!

- Opt-out of the common fishing policy? Fish have the unfortunate habit of swimming from one country's waters to another. How can you solve the problem of overfishing and depletion of stocks unilaterally? This does not mean that the policy cannot be reformed – indeed a very significant reform has just taken place - but leaving it would be nonsense: even Norway has to negotiate fishing quotas with the EU (and then, as a non-member, faces a tariff on exporting its fish to the EU).
- Opt-out of regional funding? The recognition that the single market can have centripetal effects, and that less prosperous regions need help to take full advantage of it, was part of the deal that enabled that market to be created. Scrapping the structural funds would be unacceptable to most Member States. An alternative, of focusing the funds entirely on the poorest countries, and leaving out poorer regions in richer countries which would be funded nationally, also has little support, though might be achievable (but would, unless other changes are also agreed, increase Britain's net budgetary contribution, as Britain's poorer regions would no longer benefit).
- Change the reference in the preamble of the treaty¹⁵⁰ to 'an ever closer union'? Even this symbolic change would require a unanimously agreed treaty change, and to what avail? The full text is 'an ever closer union among the peoples [not the states] of Europe in which decisions are taken as closely as possible to the citizen in accordance with the principle of subsidiarity' - the principle that the EU should act in as decentralised a way as possible. It is anyway only a preambular exhortation with no direct legal effect, which is presumably why the then Conservative government accepted it – indeed defended it - when negotiating the Maastricht Treaty. Safeguards against over-centralisation have already been secured in the treaty, which specifies (in Articles 4 and 5 of the Treaty itself, rather than in the declaratory preamble) that the Union may act 'only within the limits of the competences conferred upon it by the Member States' (principle of conferred powers) and even then 'only if and insofar as the objectives of the proposed action cannot be sufficiently achieved by the Member States' (principle of subsidiarity) and provided that 'the content and form of Union action shall not exceed what is necessary to achieve the objectives of the Treaties' (principle of proportionality). The Union is also required to respect member states 'essential state functions', including national security which 'remains the sole responsibility of each Member State'. Most consider these safeguards to be sufficient.

An early indicator of how others might respond to British proposals for special treatment came in December 2011, when the other member states drew the line at a suggestion from David Cameron that unanimity be reintroduced for voting on financial sector legislation. This was perceived as Britain retreating from the single market that it had hitherto championed. It was Margaret Thatcher who accepted that (except for tax matters) the common rules for the common market had to be agreed to by qualified majority voting. Nobody could quite understand why this had apparently and suddenly become a problem for Britain, especially in the field of financial sector legislation where, up to that point, other member states bent over backwards to make sure that any measures adopted were acceptable to the UK, given the importance of the City of London for the British and indeed the European economy. Since then, of course, Britain has been outvoted on one significant matter: limiting bankers' bonuses – something not universally unpopular in Britain itself! (Indeed most British MEPs voted for it-with the Conservatives abstaining).

¹⁵⁰ In the current, post Lisbon, Treaty on the functioning of the European Union and its predecessors going back to the 1957 Treaty of Rome.

One professed British fear is that the Eurozone is integrating further and will act as a caucus on other matters. Yet, the range of views within the €Z-18 on most issues is as wide as among the EU-28. It is not a natural caucus, even on economic matters. For the one area where such a fear might be justified – banking regulation – the other states accepted a ‘double majority’ system requiring a majority of states outside the eurozone to agree with what a majority inside propose to do – a remarkable safeguard. In any case, the extent to which the eurozone becomes the centre of gravity of the Union will be limited. The bulk of the EU decision taking – even in the economic field – will remain at the level of the whole of the Union of 28. That is the level at which the single market is organised, with all the legislation that entails, and it is the level of the non-economic fields of cooperation. While the countries that share a currency will have to take some decisions together, the idea of the eurozone developing into a closely knit separate framework – as some French politicians have suggested – has mostly been resisted by both ‘ins’ and ‘outs’. President Van Rompuy has been careful to ensure that eurozone summits have not become fully-fledged separate affairs, but are tagged on to the end of the European Council meetings (and chaired by him). There is no two-tier voting in the Commission, the Court or the Parliament. In the Council, the Eurogroup is an informal body, with the Council taking formal decisions with all 28 present, if not voting. If Britain genuinely fears a two-tier system, it has plenty of allies to avoid that happening – it could only happen if a British government actually encourages it.

So what EU reform ideas might secure support and perhaps be achieved? Clearly, changes that can be portrayed as being in the general interest will gain more support than unilateral opt-outs. And changes to policy and legislation are easier than treaty change, which requires both unanimity and national ratification. There is an openness to review policies and legislation: indeed such reviews are what the EU does, day-in day-out. In some fields, there is a considerable appetite to do more.

One bugbear of British ministers is excessive regulation and red tape. In this, they are not alone, and there is room for progress. However, it must also be said that ‘blaming Brussels’ is somewhat facile. For a start, much EU legislation is an exercise in cutting red tape, by bringing in a single set of rules for the single market rather than 28 different and divergent ones. And it is worth recalling that no EU legislation is adopted in the first place without the approval of an overwhelming majority (74 per cent of the votes in the Council for a qualified majority) of national ministers (who are, lest we forget, members of national governments, accountable to national parliaments) actually wanting it. Yes, just like at national level, those adopting it can get it wrong and legislation can become outdated: it therefore constantly needs review and updating. But that is actually happening - most recently with the ‘REFIT’ programme. Reasonable proposals command support. Unreasonable ones don't.

There is certainly room for improving national parliamentary scrutiny of the ministers representing them in Council meetings. The Nordic countries do this well. They require any minister attending an EU meeting to appear beforehand before the relevant parliamentary committee. The parliament can shape the position beforehand rather than hear about it afterwards. This practice is spreading to other countries. It can be decided nationally. There is nothing to stop the UK introducing a similar system. By contrast, suggestions that national parliaments be given a ‘red card’ (on the model of the current ‘yellow card’ for objecting to legislative proposals on the grounds that they violate the principle of subsidiarity) to block EU legislation would require treaty change and are problematic. Nor are they necessary if the minister representing a country is in line with the views of his/her national parliament, as there is already a ‘red card’ for a blocking minority of ministers at the level of the Council, and without any requirement that it be limited to subsidiarity questions.

Some new procedural safeguards might also find support, perhaps an understanding that pending proposals should be withdrawn if no agreement is reached on them after a certain time, more

frequent use of review clauses and sunset clauses, or more public hearings and questioning of candidates for key EU posts by the European Parliament. Many recent or on-going changes can be seen as part of a reform agenda that would appeal to the more reasonable critics. The greater care taken ahead of legislating (systematic use of impact assessments, Green papers prior to drafting proposals, consultation of stakeholders), the reform of the fisheries policy, some of the CAP reforms, the deepening of the European single market in services and energy, the new trade agreements that use the EU's leverage in trade talks to prise open markets in Asia and the Americas (and the forthcoming negotiation with the USA), the new Financial Framework, the 'REFIT' programme (reviewing existing EU legislation to reduce unnecessary burdens) are all significant developments. The government would add to that list ending Britain's involvement in the bailout loans and the double majority requirement on banking regulations.

Continuing on the route of such reforms would be feasible and beneficial to all. But the tone of the debate shows that there are some Conservative backbenchers who would not be satisfied with that. What they want would be very difficult, if not impossible, to achieve. Views in other capitals about the potential (and as yet unformulated) British requests are mostly expressed in private conversations. As John Bruton pointed out, the "downside of this... is that the UK public and media opinion may develop unrealistic expectations of the terms it could achieve in any renegotiation, leading to disappointment and consequently, increased support for outright withdrawal."¹⁵¹ Perhaps it is time for heads to be raised above parapets?

¹⁵¹ CEPS *ibid*

Britain and The Netherlands: Similar concerns but different approaches in reforming the EU

Jan Marinus Wiersma and Adriaan Schout¹⁵²

Introduction

At first sight, the UK and The Netherlands seem close allies in their efforts to drive forward EU reform, repatriate EU competences and demand more attention be paid to subsidiarity. This was at least the impression Prime Minister Cameron gave when he made his ground-breaking Bloomberg speech in which he announced a referendum on EU membership and discussed repatriation of EU competences: “So let us use this moment, as the Dutch Prime Minister recently has suggested, to examine thoroughly what the EU as a whole should do and should stop doing.”¹⁵³ Originally, Cameron even planned to deliver the speech in Amsterdam in front of a – supposedly – sympathetic audience.

For sure, the Dutch governing coalition of conservative Liberals (VVD) and Labour (PvdA) had put in their government declaration, entitled ‘Building Bridges’, the intention to ask the European Commission to make an inventory, on the basis of the subsidiarity principle, of EU ‘policy areas’ that could be given back to the Member States and proposed to put forward ideas itself.¹⁵⁴ Hence, the two traditionally like-minded countries seem to have similar interests in less European integration. However, is the assumption that the two governments have the same vision on the future of the EU warranted? Do the UK and The Netherlands have a common agenda and share the same motives? Are the Dutch as Eurosceptic as the British?

As argued below, a closer look at the developments in 2013 that started with Cameron’s speech on 23 January and more or less ended with the letter of Dutch minister of Foreign Affairs, Frans Timmermans, in the *Financial Times*¹⁵⁵ in November, shows that 2013 provided some clarity with regard to the differences in the EU strategies of both countries and, with that, the changing relations between these traditional partners. It also sheds some light on how the UK manages its relations with allies whom it could potentially count on if it would like to press for reform of the EU. Moreover, comparing The Netherlands to the UK also helps to unravel where the Dutch government stands with regard to the current stage of European integration.

Dutch responses: From ‘end of the ever-closer union’ towards ‘strengthening the Commission’

Cameron’s speech came at a crucial point in time, both in the context of European dynamics, and of the Dutch political situation. As underlined by major strategy papers by Commission President Barroso¹⁵⁶ and Council President Van Rompuy for the December 2012 Summit, just weeks before the speech, the EU was trying to get to grips with the painful contours of deepening integration including possibly closer economic surveillance, economic contracts, euro-bonds and expanding the (economic) powers of the European Parliament. At the national level, liberal Prime Minister Rutte had just started his second administration in which the support of the ‘populist’ Freedom Party of

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¹⁵³ Rt Hon David Cameron MP, EU Speech at Bloomberg, No.10 Downing Street, January 2013, <https://www.gov.uk/government/speeches/eu-speech-at-bloomberg>

¹⁵⁴ Bruggen slaan; Regeerakkoord VVD-PVDA, 29 October 2012, <http://www.kabinetsformatie2012.nl/actueel/documenten/regeerakkoord.html>

¹⁵⁵ Timmermans, F. (2013) ‘Monnet’s Europe needs reform to fit the 21st century’, FT, 14 November, <http://www.ft.com/cms/s/0/346f4ff4-4c82-11e3-923d-00144feabdc0.html>

¹⁵⁶ A blueprint for a deep and genuine economic and monetary union Launching a European Debate, Brussels: European Commission, COM/2012/0777 final.

Wilders (PVV) was replaced by a coalition with the centre-left Labour Party (PvdA). The hope of Rutte II was to have a more positive tone regarding EU integration and a more positive rapport with other countries. One way in which Rutte II was hoping to de-escalate EU tensions was to downplay discussions over long-term EU strategies ('finalite' discussions). Rutte went at some length to duck¹⁵⁷ *finalite* questions: "During a famine, one should not talk about changing the constitution."¹⁵⁸

Cameron's speech offered what Rutte tried to avoid: discussion over long-term visions of European integration including discussions over possible opt-outs, referenda and treaty changes. Moreover, Cameron's plan to give the speech in Amsterdam was probably slightly painful as the new Dutch government was looking for a more positive EU tone and Prime Minister Rutte was in any case not going to attend due to a pre-agreed commitment (a Cabinet meeting). Cameron postponed his speech at the last moment, officially because of the hostage crisis in Algeria, and he finally delivered it in London. Yet the damage was done. The speech had posed an important question: where did the Dutch government stand between Cameron and Barroso?¹⁵⁹

Major debates arose in the media and in Parliament. The right wing (PVV) and left wing (SP) populist parties welcomed the British idea of a referendum and suggested one should also be held in the Netherlands about EU membership or at least about the handling of the Euro crisis. Pro-European parties like D66 (progressive liberals) and the Labour party (PvdA) were more critical of the British proposals, stating that Cameron's plea for flexibility should not lead to a Europe à la carte – and they did not rise to the idea of a referendum. The Christian democrats (CDA) were in favour of a debate about the pervasiveness of EU policies and produced a rather dubious list of 13 policies ripe for subsidiarity.¹⁶⁰ The VVD officially welcomed Cameron's proposals but regarded them as welcome input for discussion.

The speech by the British Prime Minister was debated in Parliament after the government published an official reaction. Prime Minister Rutte and Foreign Minister Timmermans stated that the EU indeed was ripe for reform. The relevance of the subsidiarity exercise was also reiterated in order to produce a list to be discussed with the other member states with the aim of agreeing common proposals on how to 'do the right things better.' However, it was immediately stressed that the Netherlands would not demand opt-outs nor strive for treaty changes. Hence, unlike in the UK, a redefinition of the Netherlands' relationship with the EU was not on the agenda. Broadly supporting a reform discussion, Rutte and Timmermans emphasised that the referendum was an internal British affair.¹⁶¹ However, the referendum issue was taken up by a number of prominent publicists who started a campaign in favour of a Dutch referendum against 'creeping integration.'¹⁶² They gathered enough supporters (55,000) to gain the attention of the national Parliament, even though a discussion on the future of the EU had not even started.

Balancing between the desire to postpone a thorough EU discussion and the need to keep extremist positions at bay on the far left and far right, the government quickly embarked on its own subsidiarity exercise. Great lengths were gone to in order to emphasise that this exercise was about the *acquis* (the existing stock of EU policies and legislation) and not about the 'competences' (tasks) of the EU and the EU institutions. This distinction between the Dutch 'subsidiarity' tone (application of tasks) and the British 'competences review' (the tasks themselves) was clear from the beginning.

¹⁵⁷ Visser, M., (2013), 'Rutte kan het', FD, <http://fd.nl/economie-politiek/columns/martin-visser/917610-1306/rutte-kan-het>.

¹⁵⁸ 'Rutte: nu niet tijd voor vergezichten', AD 5 June 2012.

<http://www.ad.nl/ad/nl/5597/Economie/article/detail/3266276/2012/06/05/Rutte-nu-niet-de-tijd-voor-Europese-vergezichten.dhtml>

¹⁵⁹ Schout, A. (2013) 'Rutte, wat nu?', NRC, 26 January.

¹⁶⁰ Buma: 'Een sterk en zelfbewust Europa weet ook wat het niet moet doen', *Volkscrant*, 5-02-2013. 'De lijst van Buma (en wat er allemaal niet aan klopt)', *Volkscrant*, 6-02-2013.

¹⁶¹ 21501-20-748 Brief regering d.d. 29 januari 2013 - M. (Mark) Rutte, minister-president A reaction to the speech of British Prime Minister Cameron on the future of Europe.

¹⁶² <https://www.burgerforum-eu.nl/>

Nevertheless, the subsidiarity exercise was presented in a strong tone: “The Netherlands is convinced that the time of an ‘ever closer union’ in every possible policy area is behind us.”¹⁶³

Hence, forced by circumstances partly influenced by Cameron, a more reserved European tone was back on the official agenda but in the context of a less threatening subsidiarity exercise. Across the board, all parties were pleased, from pro-internal marketeers interested in deregulation to eurosceptics with a harsh undercurrent of the end of the ever closer union.

The outcome of this exercise was presented in June 2013 and contained 54 suggestions for reconsideration.¹⁶⁴ In his introduction, the Minister of Foreign Affairs emphasised that the EU should stop creeping integration and pointed to, among others, the habit of the European Commission to publish communications with an unclear link to the actual competences of the EU (‘creeping competences’). Similarly, the EU should concentrate on the big issues and leave the implementation as much as possible to lower levels of government. Modesty, sobriety and effectiveness should be guiding principles according to Minister Timmermans. The letter reiterated the position against treaty change and the focus on pragmatic policies. Following this exercise, the Dutch government started to organise a conference with EU member states and EU institutions on ways to deepen the application of the subsidiarity and on the closer involvement of national parliaments in EU policies. On the basis of the outcomes of this conference, the government wants to work towards consensus between the 28 member states and with the EU Commission on a new EU initiative before the new European Commission will take office.

Having started an open and pragmatic discussion on subsidiarity, the tone of the Dutch government once again changed during the second half of 2013 as an op-ed of Minister Timmermans in the *Financial Times* underlined.¹⁶⁵ Timmermans concludes in the FT that the Commission should have a more independent and robust role with less Commissioners and with a less unilateral link to the European Parliament. He described the Commission as having lost the initiative in the Euro crisis and acting as a mere supervisor and enforcer. Moreover, looking ahead to the 2014 European Parliament (EP) elections, Timmermans makes critical remarks about the European Parliament, specifically that it is always demanding more money and powers while election turnout is at stake. Fearing a stronger bond between the Commission and EP, the Dutch Foreign Minister proposed to increase the independence of the Commission from the EP by agreeing a European Governance Manifesto between the Council, Commission and EP which presents a vision on priorities (do more), as well as identifying where things should be left to Member States and national parliaments (do less). These steps could be achieved within the current Treaty according to Timmermans. A stronger European Commission with stronger links to the national parliaments seems to be the Dutch answer to the shifts in the European balance of power.

2013 started with Cameron’s plea for reconsideration of EU ‘competences’ and treaty change. This ultimately resulted in the Dutch discussion on subsidiarity (given EU competences). Harsh words on the end of the ‘ever closer union’ in the meantime subsided into a reconsideration of the institutional balance in which the Commission would not become more politically dependent on the European Parliament.

¹⁶³ European where necessary, national where possible. <http://www.government.nl/news/2013/06/21/european-where-necessary-national-where-possible.html>

¹⁶⁴ Government of the Netherlands, Inventory of EU rules on subsidiarity and proportionality- Dutch list of action, June 2013, <http://www.rijksoverheid.nl/documenten-en-publicaties/vergaderstukken/2013/06/21/inventarisatie-eu-regelgeving-op-subsidiariteit-en-proportionaliteit-nederlandse-lijst-van-actiepunten.html>. See also: Michael Emerson, ‘The Dutch wish-list for a lighter regulatory touch from the EU’. (CEPS Commentary, 1 July 2013) for an assessment of the list.

¹⁶⁵ Frans Timmermans, ‘Monnet’s Europe needs reform to fit the 21st century’, *Financial Times*, 14 November 2013, <http://www.ft.com/cms/s/0/346f4ff4-4c82-11e3-923d-00144feabdc0.html>

London and The Hague: Allies?

Cameron's proposals and the Dutch subsidiarity exercise certainly have some things in common, but it would be an exaggeration to conclude that he 'recruited' the Netherlands. There are some similar interests of course, such as the shared ambition to discuss subsidiarity (but not the scope of EU competences). Had the British exercise opted for a more subtle title than 'Balance of Competences Review', it could have complemented the results of the Dutch subsidiarity exercise. Moreover, we need to wait and see whether it actually delivers a competences review or is in fact a subsidiarity exercise. The Dutch could also agree on the principles outlined by Cameron in his Bloomberg speech: to increase the competitiveness of the internal market, to have a European Commission respecting more carefully the principle of subsidiarity, to improve democratic accountability, to uphold the principle of fairness and to allow for more flexibility.¹⁶⁶

But there is more. The discussion on deeper integration and banking union have in the meantime ignited discussions over the integrity of the internal market and the EU institutions. Eurozone insiders such as the Netherlands are equally interested in safeguarding the achievements of the internal market and its institutions as outsiders such as the UK.

This does not, however, mean that both governments would have the same interpretation of these principles – as one can conclude from the Dutch resistance to a Europe à la carte. The Dutch government has drawn clear lines with regard to treaty change, opt outs and referendums. Substantive changes to the Treaty on the Functioning of the European Union (TFEU) would certainly have to be ratified by referenda in the Netherlands or elsewhere.

Comparable goals but different motives

A closer look also reveals that the motives of the two governments are different. Prime Minister Cameron gambled in at least three ways when he presented his aim for a package in 2017 that will allow him to plead for continued membership of the EU: halting the rise of UKIP and pacifying the Eurosceptics in his own party, winning the 2015 elections and hoping that the EU will cooperate with him on 'competences'. The Dutch are of course aware of the risks Cameron is taking, of the party political motives and of UKIP successes in the May 2013 local elections.¹⁶⁷

Beyond immediate political pressures, the UK is hoping for stability in the eurozone and even hints at the need for deeper integration including Eurobonds.¹⁶⁸ This, of course, is understandable from a country heavily dependent on tranquillity in European capital markets. Nevertheless, paradoxically, this creates the impression that the UK is at the same time arguing in favour of subsidiarity and a competences review in the internal market and of deeper integration for the eurozone. It sounds like it is telling its allies: 'You more, we less'.

The Dutch subsidiarity exercise has a different political context. First of all, the interest in subsidiarity has to be seen against the background of deeper integration, economic contracts and other threats to perceived national sovereignty. Secondly, EU membership is not so much contested in the Netherlands.¹⁶⁹ Debates concern creeping integration and the extent to which policies should be EU-wide but the EU and internal market as such are, with major differences between parties, widely supported. Liberals of the VVD are more reserved towards accepting new EU policies while the

¹⁶⁶ Schout, A., J.M. Wiersma (2013), 'For as well as against: The Dutch-EU paradox', in N. Walton & J. Zielonka (eds), *Reinventing Europa: The new political geography of Europe*, London: ECFR. Schout, A., J.M. Wiersma, 'The Netherlands in the EU: From the centre to the margins?', Heinrich Böll Foundation, 2013, <http://www.boell.eu/web/115-919.html>.

¹⁶⁷ Mathias Matthijs, *David Cameron's Dangerous Game*, Foreign Affairs, September 2013

<http://www.foreignaffairs.com/articles/139641/matthias-matthijs/david-camerons-dangerous-game>

¹⁶⁸ Panel discussion between David Lidington (UK minister for EU affairs) and Mark Verheijen (EU spokesman, VVD), 16 December 2013, Nieuwspoor, The Hague.

¹⁶⁹ Schout, A., J. Rood (eds) (2013) *The Netherlands as an EU member state: a normal partner at last?* Portland: Eleven International Publishing.

Labour party (PvdA) has a more pro-European inclination and explores its interest in, for example, a European social agenda to ensure a left-ish image. These – and other – parties have supported all the steps taken to redress the Eurocrisis (the bailout of Greece, the bail-in of Cyprus, the six and two packs¹⁷⁰ and, so far, the Banking Union). The VVD watches its most dangerous electoral opponent, the PVV of Geert Wilders, and emphasises the dangers of losing sovereignty.¹⁷¹ For all parties in the centre however, subsidiarity offers a way to dilute the impression of selling out to ‘Brussels’. Thirdly, the Netherlands is careful not to isolate itself. It is aware of the need to have sustainable relations with the EU institutions and respect from fellow EU countries. Hence, the subsidiarity initiative was presented in an open cooperative manner.

With or without Britain?

Evidently, the UK has been a major ally of the Dutch in solidifying the internal market and acting as a counterweight to Berlin and Paris. A British exit from the EU would cause a major shock in The Hague. However, we seem long past the era of President Charles de Gaulle when the Netherlands would do almost anything to get the UK on board. There may have been a parting of the ways during the last years of the 20th century when London chose not to follow the others in important areas such as economic and monetary integration and Schengen. As a result, the UK is not a key player in many profound EU discussions in the Eurogroup. The Dutch have to play the German card to balance the influence of France and the Southern Euro countries. Furthermore, an ally that pushes for deeper integration because it is itself outside the direct challenges of eurozone governance could be slightly annoying.

Conclusions

2013 proved to be an important year in terms of EU strategies in both the UK and the Netherlands – as well is in terms of understanding the relations between the two traditional allies. Both countries share a deep concern over unnecessary regulation and loss of sovereignty. However, firstly, the UK proved to be inward-looking. Cameron aimed to give his ‘competences’ speech in the friendly Netherlands. He was apparently unaware of the fact that the Dutch government was looking for a more positive EU tone, was not interested in treaty revisions and tried to avoid *finalite* discussions. For whatever reason, the speech in Amsterdam was cancelled at the last moment and rescheduled to a venue in London.

Secondly, the wording of the British exercise proved to have been – from a Dutch perspective - unnecessarily provocative. Whereas there is a lot of overlap between the Dutch and the British exercises, the review of the *acquis* in the UK goes under the heading of ‘balance of competences’ instead of subsidiarity. Thirdly, the Dutch context – no treaty change, more positive tone, fear over deeper integration – seemed to have played little role in the UK’s possibly overly hasty steps towards re-negotiations.

Looking for a more positive tone, the Dutch seem to have used 2013 to build some support for a more reserved EU agenda and, possibly, a discussion on the inter-institutional balance. The UK however seems to have opted for a more inward-looking discussion on its position in the EU. This difference may be attributed to differences in the policy styles and contexts of Cameron and Rutte. However, it could also be a result of the fact that the UK is a big member state more concerned with national politics and the Netherlands, as a smaller trading nation, is more aware of its place on the continent.

¹⁷⁰ A brief guide to this governance arrangements is available here: EU Commission, Six-pack? Two-pack? Fiscal compact? A short guide to the new EU fiscal governance, March 2012, http://ec.europa.eu/economy_finance/articles/governance/2012-03-14_six_pack_en.htm

¹⁷¹ The most recent example of this discussion was the initial denial of the Prime Minister that contracts between the European Commission and Member States concerning economic reforms would be binding. He had to retract that in December 2013.

What remains is the question of whether the UK could have achieved more or less had Cameron engaged in discussions with European partners on reforms *before* he had declared his position on a balance of competences review. A broader agenda based on subsidiarity, Commission reform and integrity of the EU could have been the outcome. But that may not have sufficed given the threat Cameron faces from UKIP.

Keep Britain within the EU

Axelle Lemaire¹⁷²

France has been one of the most pro-European of our Member States in recent times, with François Hollande as a consistent, though critical, Europhile and Jean-Marc Ayrault, the Prime Minister, as a known *germanophile*. Meanwhile, in stark contrast to France, the United Kingdom has become increasingly Eurosceptic over the past few years. There is now a large rump of right-wing backbenchers on the Conservative side of the House of Commons who call openly for Britain to leave the European Union.

I could not agree more with Emma Reynolds, the Shadow Housing Minister, who described the situation as such: “Given the eurozone crisis, I don’t blame people for being more sceptical than before. But we’ve got to start putting the argument more powerfully that it would be disastrous if we left and highlight the good things we get from our EU membership. It’s going to be a constant theme for the next few years and it’s one I feel passionate about.”¹⁷³

The debate surrounding the UK’s referendum on whether the country should leave the European Union was quite intense in December 2012 and January 2013. At the time, 58 per cent of French people said that they would prefer the UK to stay in the EU. Unfortunately, no poll has been conducted since. It is as if they are no longer interested. Obviously, French society has developed a truly ‘*don’t care*’ attitude towards the issue, shifting their attention to the multiple debates France currently faces: equal marriage, reducing the country’s debt, school reform, fiscal turmoil, etc.

Conversely, politicians and businesspeople are very interested indeed about a United Kingdom within the European Union. The UK’s exit from the EU would create great opportunities for France. As Laurent Fabius, the French Foreign Minister, said: “*We’ll roll out the red carpet for UK businessmen.*” Without customs agreements, the UK could be forced to apply a 10 per cent tariff on, for example, auto exports and could not enjoy free access to the European internal market. The problem is that European markets represent half of the British economy and foreign investments. Moreover, a battle will take place between Paris and Frankfurt in order to become the financial city of the EU instead of London. However, the UK’s departure would not only have deep consequences for the UK itself, but would also precipitate numerous ramifications for Europe, particularly in France. In terms of direct investment, the UK made 52 per cent of its investments inside the EU (8.8 per cent in France) and only 18 per cent in the USA.

Historically, the UK has played a major role in the creation of the internal market and free-trade agreements, of course, but do not forget that it was also an essential partner at the birth of development aid and climate change policies. As seen during various environmental summits, France and the UK are great partners when it comes to climate change policy. In the diplomacy area, the British play an important role in the E3 + 3 Group (France, Germany, United Kingdom, United States, Russia and China), which led negotiations with Iran, for example. Without the UK, the EU’s diplomatic role would be less significant, and sometimes isolated, even though France has a great history in this domain and Germany has developed substantial partnerships with China and Russia. Many argue that ESDP (European Security and Defence Policy) would run more smoothly without the UK. They forget how important it is to defence.

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¹⁷³ *Queries*, Autumn 2013, Foundation for European Progressive Studies, Brussels.

The UK has one of the best armies in Europe, a great diplomatic service and a permanent seat on the UN Security Council. Therefore, 'Brexit' would hamper the EU's capabilities and capacities to implement its vision and actions, notably for military operations such as Libya, Mali or, more recently, the Central African Republic. Thomas de Maizière, a former German Defence Minister articulated these fears: "Outside the EU [the United Kingdom] would not lose a role, but it would reduce their own influence and this cannot be in the interests of Great Britain. We in Germany would lose a strong partner for pro-Atlantic co-operation with America and a pragmatic British way to deal with security issues."¹⁷⁴ France too shares these fears. Even though the Army cannot be considered to be within the European policy sphere, cooperation between forces is truly deepened by their membership and Britain has openly talked about leaving the ESDP. In 2010, France and Britain agreed to strengthen defence collaboration in order to save money, through common research and acquisition of military equipment. But in May 2012, the UK abandoned plans to fit its aircraft carriers with catapults and traps sinking any hope that French planes might land on them. Budgetary issues were put to one side and defence officials added that they were never central to co-operation with France. By aborting any chance of deepening their military cooperation, France would lose a strong partner come the next international intervention, as well as a pioneering ally at the dawn of a pan-European force as the USA forgets about NATO and concentrates more on Asia.

Institutionally, a European Union without Britain would also mean stronger and deeper political integration. While France has established strong political relations through numerous bilateral agreements, such as in the defence field, the UK still blocks the development of a stronger and more political EU, in terms of institutions and budget. Even though France does not want any treaty change before 2017, we could agree to some inflexion to the policies Britain wants to get back, in order to protect the future of the European Union. But this way would not mean any treaty change. France, much like Germany, believes that stronger and deeper integration would benefit every member state. Therefore, France will do whatever she can to continue its actual policy of 'reorienting Europe' in order to create growth and reinforce attractiveness regarding employment – a policy that can deeply interest Britain.

As Jacques Delors told *Handelsblatt*, a German financial newspaper, in December 2012: "The British are solely concerned about their economic interests, nothing else. They could be offered a different form of partnership. [...] If the British cannot support the trend towards more integration in Europe, we can nevertheless remain friends, but on a different basis. I could imagine a form such as a European economic area or a free-trade agreement." We often say that Germany, Italy and Spain would be shocked by a vote in favour of UK exit. Yet France remains optimistic: even if Britain chooses to quit the EU, we would be delighted to conserve bilateral relations between our two countries, even if this is not our preferred option. Those bilateral relations could concern defence, spatial, or energy among others.

Nevertheless, France would prefer a stronger Europe with Britain in it, even if it takes many years to implement, rather than a smaller Europe with deeper integration and only soft power, diplomatically speaking.

¹⁷⁴ Interview with Thomas de Maizière by Nick Hopkins, *The Guardian*, Monday 22 April 2013

The two unions and the Scottish and European Questions

Prof James Mitchell¹⁷⁵

The title of this series might describe either of the big constitutional debates in the United Kingdom. The UK union and European Union have run in parallel over the last half-century, sometimes separately, though often linked. At the heart of each lies a deceptively simple question: where should governmental power reside on a variety of public policy concerns? The European and Scottish Questions must, however, be viewed as dynamic and having four key inter-linked components: identity, everyday public policy concerns, party politics, and constitutional and institutional relations.

The Scottish Question is often assumed to be about whether people living in Scotland view themselves as Scottish, British or some mixture of these. Rarely is the question asked as to whether people have a European identity, though whenever this is added to the mix, the European identity barely registers. In this sense the European Question appears far less concerned with issues of identity and belonging but the difference can be exaggerated. Anthony Smith was assuredly correct when he asserted that few would 'die for Europe'¹⁷⁶ but a distinction has been drawn between identification *as* and identification *with* Europe. There is evidence that people in the UK, including Scotland, are willing to identify *with* Europe to a far greater extent than *as* Europeans.¹⁷⁷ Equally, identification *as* Scots has been less important than identification *with* Scotland as a stimulant for constitutional reform. The sense of being Scottish has long existed but it was political identification *with* Scotland that proved the catalyst for reform.

The strength of a strong sense of Scottish identity and weak European identity does not translate neatly into support for Scottish/European institutions. Identity is important but only part of the equation. Everyday public policy plays a significant part. Scotland today has a Parliament because people saw this institution as a bulwark against perceived threats to welfare.¹⁷⁸ The Parliament exists today due to the sense that it delivers public goods for the Scottish people as much as it is a symbol of Scottish nationhood. European institutions are even more dependent on public policy outputs for public consent, in part because of the relative absence of a reservoir of emotional attachment to Europeanness. Renan's classic definition of a nation as a 'daily plebiscite' is relevant.¹⁷⁹ Identification *with* Europe is dependent on perceived public goods that follow from membership.

But this too is insufficient in understanding the European and Scottish Questions. Party politics is an important, perhaps *the* key element, in understanding the dynamics of both Scottish and European debates. With the exception of the Liberal Democrats, and antecedents, all main parties have changed position on both questions in significant ways over the course of time. Conservative, Labour and SNP have each been sceptical, in both Humean and popular senses, at times as well as being enthusiasts at others. We should note this inconsistency not to berate parties for changing their minds by recalling Keynes's wise words, 'when the facts change, I change my mind, what do you do, sir?' But we are entitled to ask which facts have changed when a party changes its mind, whether inclining towards enthusiasm or scepticism. In asking this we should not be cynical. Opinion should change if changed circumstances necessitate this. Much has changed but the changes that have motivated changed opinion within these parties have differed.

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¹⁷⁶ Smith, Anthony (1995), *Nations and Nationalism in a Global Era*, Cambridge, Polity Press.

¹⁷⁷ Cram, Laura (2001), 'Imagining the Union: A Case of Banal Europeanism' in Helen Wallace (ed.), *Whose Europe: Interlocking Dimensions of Integration*, London, Macmillan.

¹⁷⁸ Denver, D., J. Mitchell, C. Pattie and H. Bochel (2000), *Scotland Decides: The Devolution Issue and the 1997 Referendum*, London, Frank Cass.

¹⁷⁹ Renan, Ernest (1882), *What is a nation?*, <http://ig.cs.tu-berlin.de/oldstatic/w2001/eu1/dokumente/Basistexte/Renan1882EN-Nation.pdf>

Few argue against a common market. Neither Scottish nationalists nor Euro-sceptics seek border controls inhibiting trade, though their opponents insist that this is what is advocated. The reality is more complex. The Scottish Government's White Paper envisages far closer monetary integration within the UK than the UK currently has with the rest of the EU. The UK Government's response appears to be that independence must mean the end of free trade within these isles but the prospect of such campaign rhetoric being pursued on the other side of a referendum seems unlikely. Similarly, those who argue for either withdrawal from the EU or the repatriation of powers are traduced as advocates of economic autarky. Nuance has rarely been evident in either debate.

There are areas of economic policy that remain contested. Debate on the locus of power in fiscal and monetary policy tends to swing from the exit to loyalty options, ignoring that of voice to borrow Hirschman's terms.¹⁸⁰ Even when the voice option is proposed, it struggles to find space in the UK's hopelessly adversarial politics. Whatever outcomes of the two referendums, decisions affecting Scotland and the UK respectively will continue to be made in London and elsewhere in Europe.

Social and welfare policy are equally contested. The Scottish Parliament was established because voters sought to remove control over these areas as a means of protecting existing policies. The debate on more powers/independence is also, at least in some quarters, informed by perceptions that Holyrood's existing powers fail to protect existing welfare policies, especially in an era of fiscal austerity and with the UK central Government's welfare reform programme. But the EU's social policy has also played its part in provoking a reaction amongst those who have sought to roll back power from the EU, most famously articulated in Mrs Thatcher's Bruges speech in September 1988, 'We have not successfully rolled back the frontiers of the state in Britain, only to see them re-imposed at a European level with a European super-state exercising a new dominance from Brussels'.¹⁸¹ The interaction of party politics, everyday public policy and identity and constitutional preferences are captured well in this contribution to the debate. But there is a dimension that is largely absent or at least less prominent in the debates on the Scottish Question that has been at the heart of the European Question and that concerns who belongs?

This takes us to the insights of Hannah Arendt, one of the twentieth century's greatest philosophers, which remain as fresh and relevant to contemporary debates as at the time she was writing. The European Union is rooted in the tragedies that she devoted herself to understanding, though the logic and purpose of the modern EU has come a long way from these origins. Liberal democracy, as Arendt noted, espouses competing principles. On the one hand, liberal democracy is associated with the Scottish Enlightenment, of universal human rights, while on the other it takes the form in a world organised into autonomist states with power to determine citizenship rights and, indeed, who should belong to the state.

She maintained that the 'right to have rights' and the 'right to belong to some kind of organised community'¹⁸² was essential. Her deep and personal appreciation of the implications of the absence of such fundamental rights have all too often been forgotten in the modern world. Her observation that refugees and stateless people were the 'most symptomatic group in contemporary politics' remains true. We are fortunate in Europe in not facing these implications as so many of her generation did, though recent Balkan history reminds us not to be complacent. We should also take some comfort that the debate on borders, immigration and asylum in Europe today is set against a very different backdrop from that against which Arendt considered matters. But the essential

¹⁸⁰ Hirschman, Albert O (1970), *Exit, Voiced, and Loyalty*, Harvard, Harvard University Press.

¹⁸¹ Thatcher, Margaret (1988), Bruges speech, <http://www.margaretthatcher.org/document/107332>

¹⁸² Arendt, Hannah (1951) *Origins of Totalitarianism*, London, Harcourt Inc. edition.

message remains relevant and the key questions remain at the heart of these debates: who has the right to belong and what rights are entailed in different forms of belonging?

These questions remain fundamental to any understanding of the European and Scottish Questions. Debates on Scotland's constitutional status and European Union membership arise from these questions. This makes these debates both important but also difficult to reach finality. Each generation will grapple with these issues anew. Referendums are often viewed as mechanisms for reaching a definitive conclusion to a debate. But their use in the UK has more often been as mechanisms of last resort when alternatives have failed to resolve a matter. History teaches us that we may find that the next Scottish referendum and prospective European referendum, regardless of the results in each case, may prove important but unlikely to be the final words on either the Scottish or European Questions.

Renegotiation, Reform and Referendum: Does Britain have an EU future? examines some of the key issues in the current UK debate over the future of its membership of the European Union. The publication looks at the UK government's attempts to renegotiate Britain's relationship with the EU, the current debate about ideas for possible reform, and the implications of the proposed 2017 membership referendum. It examines the views of a number of different political and societal stakeholders and explores how such renegotiation proposals and the wider UK debate are regarded in other member states, looking at how EU partners may respond to British requests.

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