

Supranationalism implies a central authority with power over member states: the so-called 'Brussels Empire' that alarms Eurosceptics. A federal system would seek to preserve some measure of national and sub-national autonomy, but the exact balance is far from clear because of the ambiguities of federalism, the different territorial bases of political organization in the member states, and because of the controversial nature of this debate. The EU does show some signs of federation, albeit limited and perhaps best understood as a form of 'co-operative federalism' whereby member states and the EU share responsibilities because neither has the authority to tackle the challenges they face on their own.

What is clear is that there has been a remarkable process of political and economic integration in Europe since the Second World War and that the EU constitutes a truly unique form of international political organization. The chapters that follow look at this process and at Britain's role in it. The next chapter looks at the historical context of Britain's EU membership in which it is seen that Britain was distrustful of supranationalism and stayed out of the EC, thus failing to shape policy priorities that were to prove disadvantageous when it did decide to seek membership.

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### Joining the Club

#### Introduction

Britain's relations with the European Union since the 1950s need to be related to the character of that organization—(supranational and with some lurking federal ideas) and to key developments in British domestic and foreign policy. The two went hand in hand as Britain stood aside from the first steps taken towards European integration in the 1950s, then re-evaluated its role and sought membership of the EC in the 1960s and 1970s. The chapter develops the 'Britain in Europe' theme by providing an overview of Britain's relationships with the EC from the post-war leader of a landslide Labour government, Clement Attlee, until accession in 1973. The chapter is particularly concerned with the factors that shaped British government attitudes towards supranational integration, the capacity to attain UK European policy objectives, and the ways in which these preferences and objectives changed over time between the late 1940s and the early 1970s. In the 1950s, the development of European integration is assessed alongside Britain's long-standing preferences for free trade and the maintenance of economic relations with the Commonwealth and USA, an aversion to supranationalism, and a desire to recover great power status. In the face of competing influences, British governments in the 1950s chose not to participate in the early moves towards European integration. This stance was re-evaluated in the early 1960s and led to membership applications in 1961–3 and 1967, both of which were rebuffed by President de Gaulle. A key underlying point is to demonstrate the ways in which national history and national self-understanding played (and still play) a key role in British relations with the EU.

From the contemporary vantage point it is easy to condemn the choices that were made by Britain's political elite when the first steps towards European economic and political integration were taken and the lack of 'European vision' implicit within them. Yet, whilst 20–20 hindsight is

a great asset for the contemporary historian, in the 1950s it could not have been known that the ECSC would develop into what we now know as the EU. It would also have constituted a remarkable about-turn for the British government in the early 1950s to abandon its foreign and trade policy priorities and throw in its lot with the supranational European Coal and Steel Community and its progeny, the European Economic Community. It is more fruitful to explore the decisions that were made, the historical and institutional context within which they were taken, and then analyse their implications without necessarily having to embark on a hunt for the 'guilty men'.

#### **East versus West**

After the Second World War Europe was divided and faced severe economic and political challenges. To the east the Soviet Union consolidated its strength. To the west states looked to their principal ally, the USA, for help. As Story (1993: 11) puts it, 'Europe had become an object of world politics with the shots being called by the great powers.' American assistance to Europe came in the form of Marshall Aid, named after Secretary of State George C. Marshall, who developed the plan to rebuild west European economies. Around \$13 billion worth of aid was distributed among west European countries between 1948 and 1952. West Germany was the main beneficiary of Marshall Aid, receiving \$4.5 billion. This served to draw it firmly into the Western bloc. By establishing the Organisation for European Economic Co-operation (OEEC) in May 1948, the Americans sought to involve recipient countries in the Marshall Aid distribution process. Significantly, the British, then the strongest power in Europe, resolutely advocated intergovernmental co-operation in the OEEC rather than the institution of supranational structures with powers over member states.

The USA was keen to see the establishment in Western Europe of open capitalist economies with liberal-democratic political systems. It made sound commercial sense for the USA to seek to restore the economies of the west because it could then trade with them. Hence the USA was a sponsor of European integration and sought the inclusion of its closest European ally, the UK, into this organization. It was not only the external threat from the east that perturbed the Americans; there were also strong Communist parties in France and Italy. The restoration and consolidation of economic prosperity within a liberal, capitalist order was seen as a defence against Communism in these countries.

On Soviet insistence, Marshall Aid was not accepted in Eastern Europe. Both Czechoslovakia and Poland rejected it. This, and the Czech Communists' seizure of sole power in February 1948, led Britain, the Benelux countries (Belgium, the Netherlands, and Luxembourg) and France to form the Brussels Treaty organization in March 1948 whereby they pledged mutual military aid and economic co-operation. Also in March 1948 the three Western occupying powers in Germany – France, Britain and the USA – unified their occupation zones and convened a constitutional assembly, which introduced currency reforms that created the Deutschemark. This caused similar steps to be taken in the east of Germany by the fourth occupying power, the Soviet Union. A Soviet attempt to blockade Berlin in the winter of 1948 (which, although occupied by the four powers, was surrounded by the Soviet zone of occupation) was breached by Allied airlifts.

In April 1949 the Treaty of Washington established NATO. This firmly committed the USA to defend Western Europe. In September 1949 the Federal Republic of Germany (FRG) was created. In October 1949 the GDR was established in the east. The division of Germany provided firm evidence of the Iron Curtain that had fallen across the continent of Europe.

#### **Intergovernmentalism versus supranationalism**

It has been argued that British political elites made three fundamental miscalculations about the first steps taken in the 1950s towards European economic and political integration (Beloff, 1970):

- 1 British governments held the view that supranational integration was idealistic rather than practical and that it would inevitably fail. The EC's federalizing tendencies would soon founder on the rocks of member states' national concerns. The evidence for this is that the British refused to join the ECSC and the European Defence Community (EDC) and only sent a senior civil servant to the negotiations, which led to the Rome Treaties of 1957.
- 2 Britain believed that the problems of the post-war era could be met by establishing a free trade area (EFTA), and that supranational integration was unnecessary.
- 3 The British under-estimated the obstacles to accession once a distinct course of action had been decided upon. de Gaulle blocked the applications made by Macmillan (1961–3) and Wilson (1967).

The restoration of nation states after the Second World War had dashed the hopes of constitutional federalists who had sought a United States of Europe. In their opinion, only such a dramatic step could transcend the bitterness and divisions that had plagued the continent and generated two world wars in the space of 30 years. For them, ways forward in a Europe of nation states were unclear. In the meantime, nation states were re-established and became closely linked to the performance of welfare state functions that further served to consolidate the national state as the recipient of citizens' loyalty.

What was clear was that a basic divide was emerging between Britain, on the one hand, and the six countries that were to found the ECSC in 1951 on the other. The Attlee government was prepared to sponsor co-operation with other European countries, but primarily as a way of ensuring that Britain remained top dog. The Foreign Office view was that 'Great Britain must be viewed as a world power of the second rank and not merely as a unit in a federated Europe' (cited in Ellison, 2000: 16). The British had no intention of participating in a supranational organization, but supranational plans that fundamentally changed relations between European states were being hatched. The Benelux countries had in 1948 taken steps towards 'pooling' their sovereignty when they set up a customs union.

It has been argued that the European policies of the Labour government (1945-51) and Conservative governments of the 1950s directly contributed to the outcome that was supposed to be avoided: the fear that Britain would become, as Labour's post-war Foreign Secretary Ernest Bevin put it, 'just another European country'.

Early tensions between supranationalists and intergovernmentalists became apparent at the May 1948 Congress of Europe in The Hague, where over 700 prominent Europeans met to discuss the future of the continent. The outcome of the meeting was creation of the Council of Europe in May 1949. It was located in Strasbourg, on the Franco-German border, in order to symbolize reconciliation between these two countries. Britain's preference for intergovernmentalism prevailed in the Council of Europe: decisions in its Council of Ministers are taken on the basis of unanimity. It has come to be identified with the European Convention on Human Rights (ECHR), signed in November 1950. This, after the atrocities of the Second World War, signified a commitment to human rights as binding on sovereign states. By 2003 the Council of Europe had 41 members and was the largest pan-European grouping.

### Schuman's plan

A core group of west European countries felt frustrated by Britain's opposition to supranationalism and, as the Benelux countries had already done in their customs union, sought economic integration. France and West Germany formed the key axis within this supranational project. Plans developed by the French foreign minister, Robert Schuman, were for a common market in coal and steel. The ECSC was an attempt to resolve the question of how to both restore West German economic prosperity, from which the French would benefit, whilst binding West Germany to a peaceful west European order. The Netherlands, Belgium and Luxembourg had already taken steps to pool their sovereignty, while for the Italians supranational integration could offer an external guarantee of economic and political stability.

Schuman's plan, proposed on 9 May 1950, led to the creation of the ECSC by the Treaty of Paris in April 1951. It created a common market for coal and steel and supranational structures of government to run the community. Schuman's ambitions were not limited simply to coal and steel. As he put it, 'Europe will not be made all at once or according to a single general plan. It will be built through concrete achievements which first create a *de facto* solidarity' (cited in Weigall and Stark, 1992).

The ECSC broke new ground in two ways: it laid the foundations for a common market in the basic raw materials needed by an industrial society; and it was the first European inter-state organization to show supranational tendencies.

Schuman advocated step-by-step integration. A united Europe was the goal, but it would be achieved through 'spillover' effects (see Chapter 3). A leading ally of Schuman was the Frenchman, Jean Monnet, who became the first President of the High Authority of the ECSC (the forerunner of the Commission).

Britain was not opposed to the creation of the ECSC, but was opposed to British membership of it. As Hugo Young (1999: ch. 2) shows, there was strong opposition from Labour politicians and senior Whitehall mandarins to British participation in the 'institutional adventures' of Monnet and Schuman. Coal and steel had only recently been brought under state control, so ceding competencies in this area was an unattractive proposition. But more than this, integration also risked offending key trade unions: or, as Herbert Morrison put it: 'If's no damn good - The Durham miners won't wear it' (cited in Forster, 2002a: 299). That said, if supranational integration were to pacify Franco-German relations then it

would be advantageous (it could hardly be argued otherwise). Also, the fact that the US government supported the ECSC affected the British government's stance.

A divide in interpretations of British responses to European integration in the early and mid-1950s has been identified between diplomatic historians and economic historians (Ellison, 2000: 5). Diplomatic historians focus on foreign policy and see UK policy as motivated by opposition to supranationalism, a strong preference for an Atlantic basis for European security, and a need to balance relations with Europe with those with the Commonwealth and USA (J. Young, 1993). Economic historians focus on financial policy and see that while the EC6 sought to develop a common market, Britain sought to maintain sterling's convertibility with the US dollar as a route to the re-establishment of former glories (Miliward, 1992). Whatever the focus, a point that unites the two camps is the general view that Britain was not particularly successful in achieving either its diplomatic or commercial policy objectives.

### The European Coal and Steel Community's institutions

The ECSC was a major innovation in international politics because participating states agreed to relinquish aspects of their sovereign authority to common institutions. This was an ambitious plan and there were those in Britain that saw it as doomed to fail because high-minded ambitions would founder on the rocks of hard-headed *realpolitik*. What these harbingers of failure did not grasp was that the ECSC was not solely motivated by high minded idealism but by calculations of national interest, particularly French ideas about how to develop peaceful relations with West Germany. Four main institutions were created to operate the ECSC:

- 1 The High Authority had two main tasks: to make policy proposals and to ensure that member states complied with their obligations. Member states were not allowed to give subsidies and aid to their national coal and steel industries and restrictive practices were outlawed. The High Authority was more than just a bureaucracy; it also had an important political role. Its nine members were not national representatives, but they were intended to advance the purposes of European integration.
- 2 The Council of Ministers was the legislature of the ECSC. There were six members of the Council, with each member state having one

representative. As member states were unwilling to lose complete control over key industries, decisions were usually made on the basis of unanimity, which meant that decision-making structures were weak because it was often difficult to get all participants to agree. The Council of Ministers introduced an important element of intergovernmentalism into the ECSC.

- 3 The Common Assembly was meant to provide a democratic input into the working of the ECSC. However, members of the Assembly were not directly elected, but were chosen from the ranks of national parliamentarians. They had a purely advisory role and possessed no legislative authority.
- 4 A Court of Justice was established to settle disputes between member states and the ECSC. When members signed the Treaty of Paris they entered into a binding legal commitment. The role of the Court was to interpret ECSC law in the event of disputes, and thus to define the parameters of supranational integration.

Although the ECSC's institutions created a supranational authority, member states were keen to have the final say in decisions that were taken. They ensured that this happened by making the Council of Ministers the decision-making body of the ECSC. Even today, decision-making power in the EU still resides to a large extent with member states in the Council of Ministers. As we see in the next chapter, this institutional hybridity has been a key feature of the EU's institutional system.

### Two steps forward, one step back

Stanley Hoffmann (1966) has argued that European integration has tended to falter when it has had to deal with matters of 'high politics', such as foreign affairs and defence, and to prosper when confronted with matters of 'low politics', chiefly trade. In the early 1950s the morale of federalists was raised by the success of the ECSC, and they looked to build on this success by creating a European Defence Community. This represented a move into the domain of 'high politics' of defence, security and foreign policy.

In 1950, the leader of the opposition, Winston Churchill, had called for a unified European army acting in co-operation with the USA and West Germany. In office, though, Churchill's Conservative government of 1951 to 1955 was as hostile to supranationalism as had been its Labour predecessor, and it refused to join the EDC. The French Left was

also opposed to rearmament of Germany within the EDC. The plan was killed off in August 1954 when it was rejected by the French National Assembly. Instead, in the same month, the six ECSC members plus Britain, as the west European, intergovernmental, pillar of NATO, established the West European Union (WEU). The WEU incorporated the vanquished axis powers of Germany and Italy into the collective defence structures of Western Europe.

#### All roads lead to Rome

The creation of the WEU could be portrayed as a triumph for intergovernmentalists and a setback for integrationists, although Milward (1992: 386) argues that the setback provided momentum for the negotiations that led to the Treaty of Rome and creation of the Common Market. By the mid-1950s integrationists sought a common market, like that set up by the Benelux countries in 1948. In June 1955 a conference of foreign ministers was convened in the Sicilian coastal town of Messina and a committee led by the Belgian foreign minister, Paul-Henri Spaak, was asked to look at options for further integration.

The British representative on the Spaak committee was a Board of Trade official Russell Bretherton – ‘the sacrificial agent’ as Hugo Young called him – rather than a senior minister. This indicated the British government’s lack of serious intent. The discussions centred on creation of a common market and an atomic energy authority. When, in November 1955, Spaak drew up his final report Bretherton asked that no reference to Britain’s position be made. This was seen as tantamount to British withdrawal from the process, an impression that the British government was not concerned to dispel (J. Young, 1993: 47).

The outcome of the Spaak committee was two treaties of Rome signed by the six founder members (Belgium, France, Italy, the Netherlands, Luxembourg and West Germany) in March 1957: one established the European Economic Community (EEC) and the other set up the European Atomic Energy Authority (EAEA or Euratom). Thus, there are three founding treaties of the European Communities: the Treaty of Paris (1951) that created the ECSC and the two Treaties of Rome (1957) that established the EEC and Euratom. Subsequent treaties, such as the Single European Act (1986), the Maastricht Treaty (1992), the Amsterdam Treaty (1997) and the Nice Treaty, amend these founding Treaties.

The EEC became the predominant organization. Its founding Treaty was premised on ‘an ever closer union of the peoples of Europe’. It sought

the abolition of trade barriers and customs duties and the creation of a common external tariff, thereby making the EEC a customs union. The EEC was also designed to promote the free movement of workers, goods, services and capital within a common market. The member states transferred to the EEC powers to conclude trading agreements with international organizations on their behalf.

Four main institutions, modelled on those set up to run the ECSC, were created to manage the EC, as shown below:

- 1 The Commission, a supranational institution responsible for both policy proposals and implementation.
- 2 The Council of Ministers, the legislative authority.
- 3 The Common Assembly (now known as the European Parliament), with a consultative role and no legislative authority.
- 4 The Court of Justice, to umpire matters of dispute relating to EC law.

The EEC Treaty also made provision for a Common Agricultural Policy (CAP). Agriculture was an obvious candidate for a common policy for three main reasons. First, it would have been illogical to leave this important area of economic activity with member states. Second, the EEC and the ECSC addressed a range of industrial issues, such that an agricultural policy was seen as a balance to these concerns. Third, France, with its large agricultural sector, sought protection for its farmers as well as access to markets in other member states. Through the CAP France has been highly effective in dressing the national interest as the European interest and thus protecting one of its key economic sectors. The CAP had three founding principles:

- common agricultural prices in the EEC
- common financing (meaning an agricultural budget)
- community preference over imports.

Much of the Treaty framework was vague and depended heavily on the inputs given to integration by member states. The speed and direction of European integration have always depended heavily on their collective endeavour.

Many have argued that the 1950s were a decade of lost opportunities for the British. John Young detects national arrogance in the views of those such as the former Conservative politician, Anthony Nutting, who argued that ‘Britain could have had the leadership of Europe on any terms she cared to name’ (cited in J. Young, 1993: 52). The historian,

Miriam Camps, also claimed that the 1950s was a decade of 'missed opportunities' in which the leadership of Europe was Britain's 'for the asking' (Camps, 1964: 506). John Young (p. 52, emphasis in original) goes on to make a contrasting point very clearly:

Britain could not have had the leadership of Europe on its own terms because Britain saw no need to abandon its sovereignty to common institutions, whereas the Six saw this as vital. Britain could only have played a key role in European integration, paradoxically, if it had accepted the continentals' terms and embraced supranationalism, but very few people advocated this before 1957.

### The British response

By November 1955, the British were developing a plan that they hoped would lure the EC 'six' away from the supranational integration and towards the British preference for a free trade association without supranational pretensions. The result of Britain's alternative plan was the creation of EFTA, set up by the Stockholm Convention of July 1959. EFTA was in accord with the British preference for intergovernmentalism. The seven signatories – Denmark, Norway, Sweden, Portugal, Austria, Switzerland and Britain – established a free trade area which brought down barriers to trade between members and sought to keep in touch with EC tariff reductions. Europe was now at sixes and sevens.

By the early 1960s it had become apparent to the British that EFTA was peripheral to the fast-growing economies of the EC. A powerful trading bloc was emerging on Britain's doorstep from which it was excluded. In the 1960s the EC appeared to be going from success to success as the Common External Tariff was put in place and the CAP established. Britain was forced into a re-evaluation of previous policy and sought membership of the EC. However, as will be seen, de Gaulle was distinctly underwhelmed by the prospect of British membership and vetoed the first two British accession bids.

### The origins of the European Community

A rapid process of European integration was instigated in the 1950s by the institution of the ECSC, the EEC and Euratom. An anti-Europeanism evident in British politics during the 1950s hardened into an anti-Common

Market stance motivated by a dislike of supranational integration's implications for the British political elites view of their country's place in the world (Forster, 2002a).

During the 1950s, supranational integration remained largely confined to the area of low politics and failed to break into the domain of high politics following rejection of the EDC in 1954.

Britain remained aloof from supranational organizations. However, this was not just the product of its distrust of supranationalism; as the former US Secretary of State, Dean Acheson, put it in 1960, the British had lost an Empire and were trying to find a role. Despite decolonization, the Empire/Commonwealth retained a powerful influence over many Conservative MPs and remained 'the main religion of the Tory Party' in the 1950s as R.A. Butler put it (cited in Forster, 2002a: 299). These historical ties and economic entanglements created some real tensions within the British elite when trade policies and relations with the USA, the Commonwealth and the European Community were discussed.

By the end of the 1950s a basic divide had emerged in Europe between the 'EC6' and the 'EFTA7'. The EU proved to be the magnet to which EFTA countries have been attracted. By 2002 most of the EFTA member states had joined the EC (Austria, Britain, Denmark, Portugal and Sweden). Norway rejected membership in referendums in 1972 and 1994, but is associated with the EU through the European Economic Area.

### 1960s: Britain says yes, de Gaulle says no

Britain is commonly referred to as awkward or reluctant, but other member states have been 'awkward' too. In the 1960s France under the leadership of de Gaulle unilaterally vetoed British accession and strongly opposed the development of qualified majority voting in the Council of Ministers. Kaiser (1996) argues that the UK had come to terms with majority voting as early as 1961. British policy towards the EC was re-evaluated in the 1960s. Both Macmillan (between 1961 and 1963) and Wilson (in 1967) pursued membership of the Community, only to be rebuffed by de Gaulle's veto. The other member states supported UK accession, but the General's 'non' was enough to block British membership. It was left to Heath to lead Britain into the EC in January 1973.

De Gaulle's vision was of Europe as a third force between the super-powers of both east and west, ideally with him as its leader. He thought Britain would seek to dominate the EC and place it firmly in the American bloc. Britain and America shared a 'globalist' perspective, of

which central features were commitment to an open world trading order and rejection of protectionism.

Four broad characteristics of British policy towards the EC in the 1950s should be highlighted: first, aloofness towards Europe based on a perception, as Churchill put it, that Britain was 'with them' against the greater foe of Communism, but not 'of them' in participating in integration. Second, there was opposition to the sovereignty-eroding implications of supranational integration. British national identity had, if anything, been strengthened by the experience of the Second World War. The sovereignty that had been so keenly defended then was not about to be ceded to supranational institutions in Europe. Third, the other side of this perspective was that accession would be a sign of failure and of Britain's diminished status in the world. Fourth, the development of an alternative policy focused on the Empire and the 'special relationship' with the USA, but by the early 1960s the British government was questioning its aloofness towards the EC. The 'special relationship' with the USA had been dented by the Suez crisis of 1956, when the USA had declined to support Britain's military intervention in Egypt. The relationship was beginning to seem more special in British eyes than in American, and post-war hopes of partnership had been replaced by an economic and military dependence by means of which Britain was consigned to a role of 'increasingly impotent avuncularity' (Edwards, 1993: 209).

Britain was also worried that its close ties with America could be supplanted by links between the USA and the EC. The USA feared that de Gaulle's 'third force' aspirations for Europe would weaken the Western alliance, and hoped Britain would steer the EC in a direction sympathetic to American interests. In July 1962 President Kennedy called for an Atlantic partnership between the USA and the EC, including Britain. He wanted to see an outward-looking and open EC and wanted Britain to be part of it.

In the 1960s the Commonwealth ideal that nations of the former Empire could co-operate on an equal footing took several dents. Divisions emerged between the 'black' and 'white' Commonwealth over, for example, Britain's less than wholehearted denunciation of the racist South African regime after the Sharpeville massacre of 1961. Conflict also arose between India and Pakistan over the disputed territory of Kashmir, and over the unilateral declaration of independence made by Ian Smith's regime in Rhodesia in 1965.

By the time Harold Wilson became Prime Minister in 1964, economic concerns impelled the membership bid. EFTA was not proving a success when compared to the dynamic economies of the EC, and Commonwealth

trading patterns were changing as Australia and New Zealand looked to markets in the USA and Japan. Wilson had come to office espousing 'the white heat of the scientific revolution' that would modernize the British economy. Larger markets were needed for high technology industries – such as aircraft and computers – but exclusion from the EC meant separation from the supranational institutions that united fast-growing neighbouring economies.

On all usual economic indicators Britain was lagging behind the EC. For example, between 1958 and 1968 real earnings in Britain rose by 38 per cent, compared to 75 per cent in the EC. Fear of isolation is apparent in a memorandum sent by Macmillan to his Foreign Secretary, Selwyn Lloyd, in 1959: 'For the first time since the Napoleonic era the major continental powers are united in a positive economic grouping, with considerable political aspects, which, although not specifically directed against the United Kingdom, may have the effect of excluding us both from European markets and from consultation in European policy.'

### 1973: membership

In 1969 the political complexion of the two countries at the heart of European integration – France and West Germany – changed in a way advantageous to Britain's membership hopes. In France President de Gaulle resigned and was replaced by Georges Pompidou, who (as will be seen) favoured British accession. In West Germany the new Social Democratic government, led by Willy Brandt, was also keen to see enlargement of the EC.

However, prior to the accession of new member states the founder members laid down a budgetary framework for the Community at a heads of government meeting in The Hague in 1969. This was formalized by Treaty in 1970 and provided a classic example of rules that were not to Britain's advantage being determined in the absence of input from the British government. Britain was obliged to accept the *acquis communautaire* (the entire body of European law), including the budgetary arrangements. When Britain joined it contributed 8.64 per cent of the budget, rising to 18.72 per cent in 1977. Construction of the EC's 'own resources' was not to Britain's advantage as it effectively penalized countries with extensive trading links outside the EC and those that had efficient agricultural sectors. Goods entering the EC from non-member states encounter the EC's Common External Tariff, which then becomes

part of the Community's 'own resources'. Having substantial trading links with non-EC countries, notably those in the Commonwealth, Britain was disadvantaged from the start by this measure. Britain's relatively efficient agricultural sector meant that much benefit was not secured from the main financial activity of the EC, the Common Agricultural Policy and its support system for (particularly French) farmers.

Negotiations on British accession began in June 1970 under the Conservative Prime Minister, Edward Heath. In July 1971 a White Paper was published. It noted some of the disadvantages of membership as follows:

- 1 It was estimated that food prices would go up by 15 per cent over a six-year period because the CAP contained a system of Community preference which would mean that Britain could no longer shop around on cheaper world food markets.
- 2 Increased food prices would contribute to a 3 per cent increase in the cost of living over a six-year period.
- 3 British contributions to the EC budget would amount to £300 million a year, making Britain the second largest contributor behind West Germany. British contributions would be high because it had extensive external trading links.

Although Heath was pursuing a policy developed by his Conservative and Labour predecessors who had come to the conclusion that EC membership was necessary if Britain was not to risk economic and political isolation, he was more than merely a pragmatic European. Indeed, Heath was a wholehearted advocate of British membership and remained a convinced Euro-enthusiast throughout his political career. In this he stands apart from many of his Euro-sceptic opponents who started out as supporters of British membership of the EC before becoming vociferous critics.

Edward Heath's political outlook was shaped by formative experiences in his youth when he travelled extensively in Europe and saw the rise of Nazism at first hand, even being present at the Nuremberg rally in 1938 (Heath, 1998). Heath's maiden speech as an MP in 1951 had extolled the merits of the ECSC and advocated British membership. Heath remained a stalwart defender of the EU and a vigorous opponent of the Euro-sceptics even after the tide within the Conservative Party had turned strongly against him in the 1990s. On pragmatic grounds, too, Heath was convinced of the merits of British accession. Even though there were some

points of contention and some areas where EC and British priorities did not fit, he thought that Britain had little option but to enter the EC and try to shape it from within.

Geoffrey Rippon led the British negotiating team. The application was co-ordinated through the Cabinet Office in an attempt to prevent Whitehall rivalries and tensions scuppering the application. Since the first accession application in 1961, the pace of European integration had quickened considerably. By the early 1970s there were 13,000 typewritten pages of Community legislation covering key areas of EC activity such as the Common Agricultural Policy and the common market (by 2003 there were some 80,000 pages). The leading official negotiator, Sir Con O'Neill, summed up some of the frustrations of the negotiating team when he wrote in 1972 Foreign Office report that: 'None of its policies were essential to us. Many of them were objectionable.' But they had to be accepted if accession was to occur or, as O'Neill also put it, 'swallow the lot, and swallow it now' (cited in H. Young, 1999: 227). That said, the UK did secure some adjustments to EC rules that favoured Commonwealth trading partners for a five-year transition period.

Aside from the negotiation details, there was another crucial element to British accession: the support of French President, Georges Pompidou. Heath (1998: 367–70) had already established a good relationship with Pompidou. The British–French summit meeting, 19–20 May 1971, was central to UK accession. Pompidou supported UK accession for a variety of reasons. It would allow him to distinguish himself from de Gaulle (Pompidou did not share de Gaulle's distrust of the 'Anglo-Saxons'). Another French rejection of British membership could have irreparably damaged UK–French relations. Finally, when compared to the Labour leader, Harold Wilson, there was little doubt that Heath 'meant it' when he sought full membership and that he would not be distracted by the Commonwealth or USA. In the Salon des Fêtes of the Elysée Palace where de Gaulle had vetoed UK accession in 1963, Pompidou (standing alongside Heath) declared that:

Many people believed that Great Britain was not and did not wish to become European, and that Britain wanted to enter the Community only so as to destroy it or divert it from its objectives. ... Well ladies and gentlemen, you see before you tonight two men who are convinced of the contrary. (cited in Heath, 1998: 372)

This gave firm impetus to the negotiations, which then required Parliamentary approval. This was secured on 28 October 1971 when



MPs voted by 356 to 244 in favour of accession to the Community, but the Conservative government relied on support from 69 Labour MPs who defied a three line whip to support accession. The House of Lords endorsed membership even more overwhelmingly by 451 votes to 58. The Treaty of Accession was signed in Brussels on 22 January 1972.

British accession occurred just as the economies of Western Europe were ending their long post-war period of economic growth. Britain could hardly have chosen a less propitious moment to dip a tentative toe into the waters of supranational economic and political integration. Oil price increases soon helped to plunge the British and European economies into recession.

### Conclusion

This chapter has explored the attitudes of British governments towards European economic and political integration in the period from the end of the Second World War, the commencement of the Cold War and the onset of supranational economic and political integration, initially through the ECSC and then in the form of the EEC. Across the political spectrum and at the highest official level, there was scepticism about the European project initiated by the French and Germans. The chapter also sought to identify the policy preferences that underlay these attitudes, the capacity to attain these objectives and the ways in which preferences and objectives changed over time. It was shown that during the 1950s in neither commercial nor diplomatic terms was there a deeply held view at the highest political level that European economic and political integration was in the UK's interests. The UK was prepared to sponsor integration, but was not itself prepared to participate in the common structures of a supranational community. This was founded on a view that Britain's commercial interests did not lie exclusively with this European grouping and that a route to recovery of great power status could be found through the Commonwealth and the special relationship with the USA. By the 1960s it had become clear that the context within which these preferences were exercised was changing: the Commonwealth ideal and the special relationship had both been denied, the UK economy was growing at a slower rate than the EC countries, and European integration was proving to be a success. Taken together, these indicators of relative decline instigated some form of national identity crisis. Britain had won the war, but seemed to be losing the peace. But rather than being seen as a route to reclaimed influence,

European integration was seen by many as amounting to recognition of Britain's diminished place in the world. Any conversion to Europe was unlikely to be heartfelt.

These indicators of relative British decline cannot be ignored. The re-evaluation of British relations with the EU prompted a decision in the early 1960s to abandon the experiment in intergovernmental free trade centred on EFTA and for Britain to throw in its lot with the EC. The capacity to attain this objective was seriously undermined by the opposition of de Gaulle, because in his view Britain did not 'mean it' and would steer the EC in the direction of US interests. The change of government in France opened the door to UK membership, as too did Edward Heath's genuine and wholehearted desire for British membership.

These developments also have a broader long-term significance. First, as historical institutionalists point out, initial policy choices can have long-term effects because they establish a path for policy developments from which it can become more difficult to deviate over time. UK governments faced problems with European integration during the 1950s and 1960s because when push came to shove they did not *believe* in the European project to the extent that the member states did. When it did arrive, UK engagement was based on a pragmatic and instrumental view of European integration that remained strongly influenced by preferences for Atlanticism, intergovernmentalism and global free trade. The British political elite were also economical with the truth when it came to divulging to the British people the nature of the organization that Britain was joining. The EC was often portrayed as a common market devoted to trade objectives. The political implications had been clear since the 1950s, but were played down in the UK. This was unlikely to provide fertile ground for acceptance of more ambitious integration plans in the future.

A second point that builds on the historical legacy of these choices made during the 1950s and 1960s is that strong elements of continuity can be detected in Britain's relations with the EU. The maintenance of close ties with the USA, support for a vision of Europe that focuses on the central role of member states, and a preference for free trade and open markets all provide a link between British attitudes in the 1950s and aspects of New Labour's approach in the first decade of the twenty-first century. The next chapter develops these themes by analysing events since Britain joined the club in 1973 and the patterns of continuity and change that have been evident.

## 5

## Full-Hearted Consent? Britain in Europe from Heath to Blair

### Introduction

How can British relations with the EU since Britain joined the club in 1973 be explained? The previous chapter suggested the powerful legacy of post-war events. This chapter takes these analytical strands forward by exploring British relations with the EC/EU from the premiership of Edward Heath until that of Tony Blair. The chapter continues the Britain in Europe theme by exploring the preferences of British governments, the motivations for these preferences, the capacity to attain UK objectives and the ways in which preferences, motivation and capacity have changed over time. It will be shown how Britain engaged with important developments in European integration such as the Single European Act and the Maastricht Treaty. The chapter will link with the Europe in Britain themes by indicating the ways in which political changes in the UK (such as the development of Conservative Euroscepticism in the 1990s) had effects on Britain's relations with the EU and led to serious questions being asked about Britain's continued membership of the organization. The chapter will conclude with an overview of New Labour's EU policies and will ask whether they also indicate continued differential and conditional engagement with the EU and, as such, despite some of Blair's rhetorical commitment to Europe, are actually indicative of substantial continuities in Britain's EU policies.

### 1974-5: renegotiation and referendum

EC membership in 1973 was for Edward Heath his defining political accomplishment and the one of which he remained most proud. This counted for little when continued British economic decline and major

industrial disputes led to the fall of his government in February 1974 and his replacement as Prime Minister by Harold Wilson. As leader of the opposition Britain's membership of the EC posed something of a dilemma for Wilson. As Prime Minister he had sought EC membership in 1967, but in Britain's adversarial political system he could use EC membership as a device to criticize the Heath government. Moreover, there was deep opposition to the EC within the Labour Party and labour movement. Wilson's strategy was to oppose the terms of accession as negotiated by Heath and pledge a future Labour government to renegotiation and a referendum. This caused tensions within the Labour Party at the highest level (most notably, for the Deputy Leader and convinced pro-European, Roy Jenkins). Wilson's reasoning was that a shift to a broader public debate could avoid deep Labour Party divisions being exposed to the public with the result being, as James Callaghan put it, that the referendum was 'a life raft into which one day the whole Party [might] have to climb' (cited in Forster, 2002a: 303). Labour were involved in some opportunistic u-turns when one considers their 1967 attempt to secure membership, but the depth of opposition within the Party made a referendum an attractive proposition. Harold Wilson gave responsibility for co-ordinating Labour's opposition to the accession treaty in the House of Commons to the confirmed anti-EC duo of Michael Foot and Peter Shore. The contrast here with Conservative Party management is interesting. Heath had marginalized opponents of the EC and excluded them from the membership negotiations. Labour at this time had anti-marketeters in senior positions within the government and involved in discussions at the highest level about Britain's future in Europe.

After Labour returned to power in February 1974 renegotiation talks were led by the Foreign Secretary, James Callaghan. Callaghan has been described by his biographer as emphasizing from the start 'his coolness about the European project and his intention of dissecting it in its fundamentals'. When officials suggested that there might be some leeway on the budget and the CAP, Callaghan rebuked them, asking if they had read the Labour Party manifesto, and stated that if they had then they would discover that the Labour government's aim was a fundamental renegotiation of the Treaty of Accession (cited in Morgan, 1997: 412-13). This was hardly likely to go down well with the other member states. That the Eurosceptic Peter Shore and the pro-European Roy Hattersley then carried out the detailed discussions may have appeared Labour's pro- and anti-Common Market brigades, but it baffled other member states.

Why should other member states accede to British demands? There were many good reasons why they might find them irritating. After all, unravelling the complex EU *acquis* to favour the British might prompt other member states to seek some compensation too. For instance, if the British were to get some help with their budget contributions, then why not the West Germans who were also big contributors?

Britain gained little through the renegotiation that it could not have gained through normal Community channels. The degree of acrimony engendered by the bargaining soured Britain's relations with other members for many years. For what they were worth, the House of Commons endorsed the renegotiated terms by 396 votes to 170 in April 1975. Omnibusly for the Labour government, and despite pro-Community speeches from both Wilson and Callaghan, a special Labour conference on 26 April 1975 voted by 3.7 million to 1.9 million to leave the EC.

The pledge to hold a referendum helped Wilson overcome divisions within the Labour Party. Indeed, it seems likely that this was the referendum's major purpose. During the referendum campaign of 1975 Wilson suspended the convention of collective Cabinet responsibility so Cabinet ministers could speak according to their consciences. The 'Yes' campaign commanded powerful political assets despite opinion polls at the outset pointing to a 'No' vote. It had strong support from Fleet Street and from influential business interests, which provided a large part of the £1.5 million spent in the quest for an affirmative vote. It also gathered a powerful coalition of centrist politicians, including Heath, Labour's Roy Jenkins and the Liberal leader, Jeremy Thorpe. By comparison, the 'No' campaign raised just £133,000. It found itself outgunned and was weakened by its disparate character. Tony Benn from the left of the Labour Party formed a decidedly uneasy temporary alliance with right-wingers such as Enoch Powell. The outcome, on 5 June 1975, was a two to one vote in favour of continued membership on a 64 per cent turnout (Butler and Kitzinger, 1976; King, 1977). The anti-EC National Referendum Campaign soon fizzled out with the rapid disappearance of its 12 regional offices and 250 local branches (Forster, 2002a: 304).

#### 1976-9: Callaghan's difficulties

In April 1976 James Callaghan succeeded Harold Wilson as Prime Minister and inherited a Labour Party divided over EC membership. Labour's rank and file distrusted the EC even though some prominent Labour politicians, such as Roy Jenkins and Shirley Williams, were keen

advocates of membership. There were two main areas of concern: first, it was felt that integration into a supranational community would restrict national sovereignty and the freedom of action of a Labour government; and second, the EC was seen as a 'capitalist club' with market-based purposes that offered little to working people. Arguments over EC membership were symptomatic of a creeping malaise within the Labour Party that saw the leadership frequently at odds with the membership and which culminated in a grassroots move to the left, with right-wingers splitting to form the Social Democratic Party (SDP) in January 1981.

In February 1975 the Conservatives replaced Edward Heath as leader with Margaret Thatcher. Thatcher had opposed the 1975 referendum, describing it, in a phrase that would come back to haunt her in her Eurosceptical dotage (when she called for a referendum on the Maastricht Treaty), as a device for demagogues. She argued for a 'Yes' vote on the grounds that Britain needed to foster economic links with the European markets on its doorstep.

Callaghan's pragmatism and Atlanticism meant he held no truck with the lofty rhetoric of European union. He had a poor reputation in EC circles as a result of his dogged pursuit of national interests during the British renegotiation, and failed as premier to ease tensions caused by Britain's entry to the Community.

From March 1977 Callaghan relied on support from the Liberals to sustain his administration. This support was conditional upon the insertion of a clause introducing proportional representation as the method of voting in direct elections to the European Parliament. Such a clause was duly inserted into the European Assembly Elections Bill of 1977. However, it provoked a Cabinet revolt and, on a free vote in the House of Commons, was defeated. It also delayed direct elections, which, to the irritation of other member states, were put back from 1978 to 1979.

The British Presidency of the EC in the first six months of 1977 did little to enhance Britain's reputation. Callaghan was hamstrung by a Eurosceptical party and by domestic economic problems. In a letter to the General Secretary of the Labour Party at the start of the British Presidency, he outlined three basic principles that informed the Labour government's stance on the EC:

- maintenance of the authority of EC nation states and national parliaments, with no increase in the powers of the European Parliament
- emphasis on the necessity for national governments to achieve their own economic, regional and industrial objectives
- reform of the budget procedure.

Contained within these policy principles is a clear restatement of Britain's suspicion of supranationalism and continued concern over the high level of budget contributions. Margaret Thatcher shared these concerns when she became Prime Minister in May 1979. Thus while she became well known for battling for a budget rebate and opposing extensions of supranational authority, Britain's reputation as an awkward partner both preceded and survived her.

British membership of the EC was advocated on pragmatic economic grounds. Many British people seemed to think that they were joining a Common Market – an economic organization that was little more than a glorified free trade area – although the political intent of the European Community had been clear since its foundation in the 1950s. The idea that the EC was essentially designed as a glorified free trade area was not true. Suffice to recall that Britain's alternative to the EC in the form of EFTA was just such an organization, but this largely failed. Yet the pragmatic acceptance of membership by Britain and the understanding propagated by some of the original purposes of the 'Common Market' mean that Britain has tended to judge the EC by utilitarian standards: what does it have to pay and what does it get out of it? Britain was paying a lot in the late 1970s and early 1980s and seemed to be getting little in return. Not surprisingly, enthusiasm for the EC did not run deep.

#### 1979–84: the budget rebate

When Margaret Thatcher took office in 1979, the Conservatives were seen as a pro-European party. In her 1981 speech to the Conservative Party conference Thatcher reflected on British membership of the EC and noted that:

it is vital that we get it right. Forty-three out of every hundred pounds that we earn abroad comes from the Common Market. Over two million jobs depend on our trade with Europe, two million jobs which will be put at risk by Britain's withdrawal [Labour's policy at the time]. And even if we kept two thirds of our trade with the Common Market after we had flounced out – and that is pretty optimistic – there would be a million more to join the dole queues. (Harris, 1997: 147)

But Thatcher's pro-Europeanism was distinct from that of her predecessor, Heath. While Heath 'lived and breathed the air of Europe', Thatcher tended to depict European unity as desirable in terms of anti-Soviet policy

(H. Young, 1989: 184). From the mid-1980s onwards, Thatcher began to take a more populist line on Europe and viewed the EC, its institutions and other European leaders with much suspicion (see Chapter 9 for more discussion of Euroscepticism).

Europe was, however, not a central political theme of the first two Thatcher governments (1979–83 and 1983–7), which focused on domestic economic policy and external events such as the miners' strike, the Falklands War (1982–3) and the US bombing of Libya (1986). Probably the most pressing issue was the British contribution to the EC budget. By the end of the 1970s Britain was the second largest contributor to the budget and was in danger of becoming the largest, paying over £1 billion a year, even though it had the third-lowest GDP per capita of the nine member states.

A series of often acrimonious negotiations – 'patient' and 'a little impatient diplomacy' as Thatcher put it in her speech to the 1984 Conservative Party conference – were held between 1979 and 1984. The then Commission President, Roy Jenkins, writes in his memoirs of long hours spent discussing the BBO: the British Budget Question (or, as he preferred to put it, the Bloody British Question). He notes how Thatcher made a bad start at the Strasbourg Summit in 1979 when she had a strong case but succeeded in alienating other leaders whose support she needed if a deal were to be struck. Britain's partners in the Community were unwilling to receive lectures on the issue from Thatcher and were alienated by suggestions that the budget mechanisms were tantamount to theft of British money, particularly as Britain had known the budgetary implications when it had joined (Jenkins, 1991: 495). The issue was finally resolved at the Fontainebleau summit in June 1984 when a rebate was agreed amounting to 66 per cent of the difference between Britain's value added tax (VAT) contributions to the budget and its receipts. The next chapter shows that the UK remains the second largest contributor to the EU budget, behind Germany.

The Fontainebleau agreement was important as it meant that EC leaders could lift their sights from interminable squabbles over the budget and begin to think strategically about the future of the Community. 'More generally, the resolution of this dispute meant that the Community could now press ahead with the enlargement [to Portugal and Spain] and with the Single Market measures which I wanted to see', as Thatcher put it (Thatcher, 1993: 545). The British government's preferences had been clearly stated in a paper, entitled 'Europe: The Future', circulated at the Fontainebleau summit (HM Government, 1984). The paper called for the attainment by 1990 of a single market within which goods, services, people

and capital could move freely. It very clearly reflected the deregulatory zeal that Thatcher brought to domestic politics. The legacy of these ideas about deregulation and liberalization have also been strongly felt in British government preferences towards European integration in the administrations that have come since Margaret Thatcher left office in 1990. Buller (2000) argues that the single market project was seen as a way of enshrining core Thatcherite principles at EC level. The fact that this Thatcherite vision of a liberalized, deregulated EC was not widely accepted by other member states can help explain the development of Conservative Euroscepticism in the late 1980s and through the 1990s.

There is another point here too. Thatcherism also changed the rules of the game of domestic economic and social policy and shifted ideas about the respective roles of the state and market. Even though they may not have been widely accepted at EU level they have had major effects on British domestic politics with implications that can be traced through to current dilemmas, such as New Labour's position on replacing the pound with the Euro.

### **1984-7: towards the single market**

In Britain Thatcher had sought to 'roll back the frontiers of the state' and allow free enterprise and market forces to flourish. Thatcherism embodied what has been characterized as the amalgam of the free economy and the strong state (Gamble, 1988). For Thatcherites the EC was a stultifying bureaucracy that could do with a dose of Thatcherite free market vigour, whether it liked it or not.

In order to secure the single market promoted in the Fontainebleau paper Britain needed allies amongst its EC partners. There were potential allies at both the national and supranational level, as shown below:

- 1 The two key member states, France and West Germany, were amenable to single market reforms. The French Socialist government elected in 1981 had abandoned its reflationary economic policies in 1983 (under the then Finance Minister, Jacques Delors), and the Christian Democrat-led coalition of Chancellor Kohl in West Germany supported the creation of a single market
- 2 The new Commission President, Jacques Delors, took office in 1985 and seized upon the single market as his 'big idea' to restart integration and shake off the 'Euroclerosis' of the 1970s and early 1980s.

The Commissioner responsible for the internal market, the former Conservative Cabinet minister, Lord Cockfield, assisted Delors in his ambitions.

A White Paper prepared by the Commission put forward 300 legislative proposals for the single market. These were later whittled down to 282. Heads of government at the Milan summit in June 1985 accepted the proposals. In the face of objections from the Danes, Greeks and British, an intergovernmental conference was convened to consider reform of the EC's decision-making process to accompany the single market plan.

Whilst Britain was hostile to strengthening Community institutions, France and West Germany asserted that attainment of the single market in fact necessitated increased powers for supranational institutions such as the European Parliament in order to ensure that decision-making efficiency and a measure of democratic accountability followed the transfer of authority to the supranational level. The British did not see it that way and thought the single market could be achieved without reform of the EC's institutions. In her memoirs, Thatcher recalled that, 'it would have been better if, as I had wanted originally, there had been no IGC [intergovernmental conference], no new treaty and just some limited practical arrangements'. The British government compromised on some issues such as increased use of qualified majority voting in order to secure more prized single market objectives. The resultant Single European Act (SEA) had three main features (the first of which was actively supported by the British government, while the latter two were not):

- 1 Establishment of a target date, the end of 1992, for completion of the internal market and attainment of the 'four freedoms': freedom of movement of people, goods, services and capital.
- 2 Strengthening of EC institutional structures, with qualified majority voting (QMV) introduced in the Council of Ministers to cover new policy areas relating to harmonization measures necessary to achieve the single market. Increased use of QMV ensured swifter decision-making. Unanimity was still required for fiscal policy, the free movement of persons and employees' rights legislation. The European Parliament's role was strengthened by introduction of the 'co-operation procedure', which gave power to suggest amendments to Community legislation. The Council retained the right to reject Parliament's amendments.
- 3 A new chapter of the Treaty was added covering 'Social and Economic Cohesion'.

The Thatcherite vision was of a limited 'regulatory' European state (as discussed in Chapter 3) within which the role of European institutions would be to police the single market without becoming involved in the core allocative and distributive questions that would remain largely the concern of national governments and market forces. The Commission's White Paper put forward by the Commission identified three kinds of barriers to trade that needed to come down if the single market was to be attained:

- physical barriers (mainly customs and border controls)
- fiscal barriers (indirect taxes vary in the Community and constitute a barrier to trade)
- technical barriers: these were very significant because member states had developed their own product standards which differed widely and formed a substantial barrier to free trade.

The single market programme and ideas about what it should involve provided a backdrop for Conservative Euroscepticism. For Thatcherites, the single market was an end in itself that could raise to a European stage the liberalizing and deregulatory elements of the Thatcherite project. For many other member states, the SEA was a means to an end, that end being deeper economic and political integration with the EC taking a bigger role in flanking areas such as social and regional policy, while also moving towards far more ambitious projects such as economic and monetary union. This gap between many other member states and the Thatcher governments centred on the respective roles of the state and market. This gap grew in the 1990s because of the acceptance among Eurosceptics that European integration would bring with it Brussels-imposed re-regulation of the UK economy.

### 1987-90: Thatcher's last hurrah

The final years of Margaret Thatcher's premiership were characterized by an almost incessant battle against spillover effects generated by the SEA. For the French and Germans, who had been key single market allies, adoption of a plan to complete the single market was a new beginning for integration. They sought to consolidate the success of the SEA by promoting integration in other areas. Plans were hatched for EMU and for Community social policies to ensure minimum rights for workers in the wake of the freedoms given to capital by the SEA.

Thatcher firmly set herself against the integrative consequences of the SEA. This was particularly evident in her response to questioning in the House of Commons following the Berlin summit meeting of EU heads of government in October 1990. During her responses, she departed from the pre-arranged and carefully worded text to launch into an attack on the integrative ambitions of other EC member states and the docility in front of this threat (as she saw it) of the opposition Labour Party. A section of Thatcher's response is cited below:

Yes, the Commission wants to increase its powers. Yes, it is a non-elected body and I do not want the Commission to increase its powers at the expense of the House, so of course we differ. The President of the Commission, Mr. Delors, said at a press conference the other day that he wanted the European Parliament to be the democratic body of the Community, he wanted the Commission to be the Executive and he wanted the Council of Ministers to be the Senate. No. No. No.

Perhaps the Labour party would give all those things up easily. Perhaps it would agree to a single currency and abolition of the pound sterling. Perhaps, being totally incompetent in monetary matters, it would be only too delighted to hand over full responsibility to a central bank, as it did to the IMF. The fact is that the Labour party has no competence on money and no competence on the economy – so, yes, the right hon. Gentleman [referring to opposition leader Neil Kinnock] would be glad to hand it all over. What is the point of trying to get elected to Parliament only to hand over sterling and the powers of this House to Europe? (*Hansard*, Vol. 178, Col. 869, 30 October 1990)

This statement exposed divisions within the Conservative Party and was the breaking point for the Leader of the House of Commons (as well as the ex-Chancellor of the Exchequer and Foreign Secretary), Sir Geoffrey Howe. Moreover, as the Conservatives languished in the opinion polls in 1990 and the disastrous 'poll tax' prompted massive civil disobedience across the country, many Conservative MPs began to see Margaret Thatcher as an electoral liability (Watkins, 1991). The final straw for Howe was Thatcher's response to questioning after the Berlin summit. He resigned from the cabinet and used his resignation statement to bitterly criticize her leadership style. Howe's speech was the beginning of the end for Thatcher's premiership. Howe (1995: 667) stated that 'the Prime Minister's perceived attitude towards Europe is running increasingly serious risks for the future of our nation. It risks minimizing

our influence and maximizing once again our chances of being once again shut out.' Howe's statement prompted the long-standing opponent of Thatcherism, Michael Heseltine, to launch a leadership challenge, although he was deeply unpopular amongst many Conservative MPs who remained attached to Thatcherite ideas, even if the lady herself had left office. This allowed John Major to come through the middle as the candidate who would maintain the Thatcher legacy while bringing a more enlivened style to government and international relations, or at least that was the thinking of many Conservative MPs. Major was perceived as the inheritor of the Thatcherite mantle, not least by Thatcher herself. Major had enjoyed a rapid ascent of the government hierarchy, including a remarkably brief stint as Foreign Secretary (July – October 1989), but his views on Europe were unclear. They remained so for much of his premiership.

### 1990–3: Major, the Exchange Rate Mechanism and Maastricht

Within the EC John Major adopted a more conciliatory tone than his predecessor and expressed the intention of placing Britain 'at the heart of Europe'. In particular there was an attempt to improve relations with Germany that had become frosty, not least because of a seminar organized by the Prime Minister at her country residence, Chequers, to 'analyse' the German character. In a summary of the meeting that was strongly disputed by many of the participants (see, for example, Urban, 1996), the following were identified in the minutes of the meeting as aspects of the German character: 'angst, aggressiveness, assertiveness, bullying, egotism, inferiority complex, sentimentality', accompanied by 'a capacity for excess' and 'a tendency to over-estimate their own strengths and capabilities' (Urban, 1996: 151). These conclusions, drafted by Thatcher's foreign policy adviser, Charles Powell, outraged many of those present who had actually focused during the meeting on the remarkable transformation and stability of the Federal Republic.

Much of the fear among Conservative Eurosceptics was based on the power of the German economy and reunified Germany's key role as the largest EU member state. This was the sub-text for development of the plan for EMU in the late 1980s. France, in particular, was a keen advocate of EMU because it was seen as securing Germany within the EU and thus, as Chancellor Kohl once put it, giving Germany a European roof rather than Europe a German one. The British Conservative government was deeply divided about the plan for EMU

and its forerunners, the European Monetary System (EMS) and the ERM. Thatcher was growing more sceptical about European integration and opposed EMU as a threat to national sovereignty, while her Foreign Secretary Howe and Chancellor Lawson supported ERM membership. At the June 1989 Madrid summit Thatcher was pressured by her Chancellor, Nigel Lawson, and her Foreign Secretary, Sir Geoffrey Howe, to set a date for ERM membership. She resisted, but was forced to set a series of conditions that were to be met if Britain was to sign up to ERM (although these were not met when the UK did join a year later). Chancellor Lawson saw ERM as strongly related to domestic anti-inflationary policy. As he put it in his resignation statement to the House of Commons on 31 October 1989:

Full UK membership of the EMS ... would signally enhance the credibility of our anti-inflationary resolve in general and the role of exchange rate discipline in particular ... there is also a vital political dimension ... I have little doubt that we [Britain] will not be able to exert ... influence effectively and successfully provide ... leadership, as long as we remain outside. (cited in Balls, 2002)

Lawson and Howe both left their high offices for reasons linked to these divisions over Britain and Europe, but their successors (Major in the Treasury and Douglas Hurd in the Foreign Office) were equally strong advocates of British participation in the ERM. By June 1990 Thatcher was forced to concede because, as she put it in her memoirs, 'I had too few allies left to resist and win the day' (Thatcher, 1993: 772). ERM membership tied sterling to the Deutschmark at a rate of £1 to DM2.95 and required market interventions to maintain exchange rate parities at levels 6 per cent below or above this central rate. A crucial reason for membership was the attainment of domestic economic objectives and to add external credibility to anti-inflationary policies. The downside was that it was far from clear that these external commitments would tally with the domestic economic situation. There was little direct evidence to suggest that the ERM would necessarily bring stability. Moreover, the enormous economic consequences of German reunification and subsequent high German interest rates could well place unsustainable pressure on sterling's ERM parities. While German interest rates remained high then so too would British interest rates, even though the UK economy was struggling to emerge from recession and required lower interest rates. Stephens (1996: 259) argues that the main mistake was 'the elevation of exchange rate parity into

a badge of pride ... ensuring that when defeat came it was devastating'. As will be discussed in Chapters 7 and 9, the ERM fiasco was to shatter the reputation of the Conservative Party for economic competence and impel Tory Eurosceptic rebellion (see Chapter 9).

Major also faced the issue of the IGCS convened to discuss deeper economic and political integration. Despite Major's softer style there were within the British government's negotiating position at Maastricht in December 1991 a number of continuities linking Thatcher and Major:

- 1 An opt-out from the Social Chapter. The Secretary of State for Employment, Michael Howard, had said that he would resign if the Social Chapter were accepted (Lamont, 1997: 133).
- 2 The right for the British Parliament to decide whether Britain would enter the third stage of the plan for EMU when a single currency would be introduced.
- 3 Promotion of the notion of subsidiarity which, in the eyes of the Conservative government, was a way of reinforcing national perspectives on Community decision-making.
- 4 Advocacy of intergovernmental co-operation rather than supranational integration as the basis of cohesion in foreign, defence and interior policy. Intergovernmental 'pillars' were incorporated into the Maastricht Treaty.

Unconstrained by high office, Thatcher remarked that she would never have signed the Maastricht Treaty. However, the treaty Major negotiated and signed could be seen as reflecting inherited policy preferences. In addition, Major also reaped the integrative whirlwind which Thatcher had helped initiate when she signed the SEA in 1986.

Major's deal at Maastricht temporarily assuaged Tory divisions over Europe and helped lay the foundations for his April 1992 general election victory. A conspicuous feature of the election campaign was lack of debate about Britain's place in the EU. Both Conservative and Labour Party managers knew their parties to be divided on the issue, and tacitly conspired to keep silent about it. Eurosceptics were thus not entirely unjustified in later complaining that the British people had not in fact endorsed Maastricht at the 1992 general election, and that they should therefore be allowed a referendum on the issue.

Safely returned to government, Conservative divisions over Europe could no longer be hidden and were to be exposed by a series of calamities in the summer and autumn of 1992 (analysed more fully in Chapter 9). An important point in relation to the Europe in Britain theme is that the

Major government was hamstrung by domestic divisions and unable to formulate either a clear or effective policy towards European integration. Major had to straddle the pro- and anti-EU wings of his Party and was unable to provide strong leadership. Thus while there were clear continuities in British preferences (intergovernmentalism and free trade with a Thatcherite twist) the capacity to achieve these preferences was chronically undermined by domestic political turmoil within the Conservative Party. Other member states became rather like rubberneckers observing a car accident: they would slow down and swerve to avoid the wreckage, but would continue with their own journey towards ambitious forms of economic and political integration. The Britain in Europe and Europe in Britain themes were connected by a rudderless government pre-occupied with domestic divisions, a series of sepiace confrontations (such as the Ioannina compromise) at which Major would draw a 'line in the sand' only to see it swiftly washed away, and Britain weakened in Europe because not only did it fail to articulate a clear line, but also because fundamental questions about British membership were being asked.

Chapter 9 discusses more fully the ways in which a determined band of Eurosceptics frequently defied the government by calling for a referendum on Maastricht and trying to block the passage of the Maastricht Bill through the House of Commons. Major was forced into a complex balancing act because he also had pro-European cabinet ministers such as Kenneth Clarke and Michael Heseltine in prominent government roles. The Eurosceptics' rebellion culminated in July 1993 when they contributed to a government defeat on a Labour amendment incorporating the Social Chapter into the Maastricht Treaty. This was a mischievous move by the Tory Euro-rebels who hated the Social Chapter, but loathed the Maastricht Treaty even more. Major's response was to 'go nuclear' and turn the issue of Maastricht into one of confidence in the government. In the face of near-certain defeat in a general election and the return of a pro-European Labour government, most of the Tory rebels returned to the party fold. This did little to ease divisions within the Conservative Party, which reached into the cabinet. For a participant's insight into the in-fighting, loathing, bitterness and acrimony that descended on the Conservative Party, see Gardiner (1999).

During the 1997 general election campaign, the deep divisions within the Conservative Party became all too evident. Even government ministers distanced themselves from the Party's policy to 'negotiate and decide' (more commonly known as 'wait and see') on EMU. Major felt powerless to dismiss the dissenting ministers because of the effects he feared such action would have on an already damaged Party (Geddes, 1997). In 1992,



after Major had left the Maastricht negotiating chamber, one of his advisers unwisely claimed 'game, set and match' for Britain. With hindsight, this appears a rather rash judgement. Instead, the Maastricht deal lit the blue touch paper beneath the Conservative Party, which ignited to cause civil war within the Party and played an important part in Labour's landslide victories of 1997 and 2001.

#### 'Modernization' under New Labour

Philip Stephens (2001: 67) has argued that while Tony Blair — 'the most instinctively pro-European Prime Minister since Edward Heath' — has been able to make Britain's case in Europe he has been unable to make the case for Europe in Britain. This remains a core dilemma for New Labour which is best represented by equivocation on the Euro.

In a speech delivered (in French) to the French National Assembly in October 1998, Blair noted that his first ever vote had been cast in favour of Britain's EC membership in the June 1975 referendum (although in 1983 he stood as a candidate for a Party committed to withdrawal). In government after 1997 Blair could expect far fewer EU-related problems than his predecessor because of his crushing parliamentary majority. To this advantage can be added the conversion to the merits of European integration experienced by many within the Labour Party and labour movement since 1983. Yet controversial and potentially divisive issues still linger, particularly on the question of the Euro. Moreover, a key victory for Euro-sceptic campaigning was to ensure that the debate on the Euro would not just be for MPs, but that any decision to join would depend on a referendum. This takes a key EU issue beyond the realm of the House of Commons and the grasp of the party managers and places it in the public arena with all the associated uncertainties that this can bring.

The key point with regards to Labour's position on the EU is the transition from outright advocacy of withdrawal in 1983 to its current, more pro-EU position. Labour fought the 1983 election on the basis of a manifesto that developed an Alternative Economic Strategy for the UK that would involve large scale state intervention and controls over the economy. These were incompatible with continued EC membership. By the end of the 1980s, it was possible to argue that Labour was the more pro-European of the two main parties. Two factors explain the shift, one ideological and the other strategic. In ideological terms Labour underwent a dramatic shift in its EU policy after the catastrophic 1983 defeat.

The new party leader, Neil Kinnock, had been a staunch and eloquent left-wing opponent of the EC throughout the 1970s. He was now to begin a personal and political odyssey that would see him advocate the 'modernization' of the Labour Party, endorse positive engagement with the EC, and conclude with him moving to Brussels to become a European Commissioner. Almost as soon as Kinnock became party leader the commitment to outright withdrawal was watered down to a commitment to withdraw if satisfactory renegotiated terms could not be secured.

By the 1989 European Parliament elections, Labour was advocating active engagement with the EC at a time when the Conservative Euro-scepticism was beginning to emerge in the late 1980s. The intellectual ballast for this pro-European ideology was provided by examples taken from other EU member states (particularly West Germany), whose economies and social welfare systems had performed better than the UK and who offered the prospect of a more consensual form of capitalism with a stronger emphasis on welfare and social protection. Labour's modernization in its early stages was thus linked to mainstream aspects of European social democracy. This domestic ideological shift was reinforced by supranational developments that saw the EC develop its 'social dimension'. No longer could the EC be passed off as a capitalist club that offered little to working people. Indeed, Thatcher's strong opposition to the social dimension sustained the left-wing view that perhaps Europe really could offer new opportunities for progressive politics (at least on the basis that my enemy's enemy is my friend). This was particularly so for the beleaguered trade unions that Thatcher labelled as the enemy within and that experienced a legislative onslaught through new employment legislation. European integration's opportunities for trade unions was a point made by the Commission President, Jacques Delors, in a 1988 speech to the TUC annual conference, much to Thatcher's annoyance as she was not happy to see the Commission President being so supportive of her opponents (Rosamond, 1998).

The second reason for Labour's shift to a more pro-European stance is linked to the strategic concerns of an opposition party facing a government that was becoming, as the 1980s progressed, more vocal in its opposition to European integration. The case for European integration had been a powerful feature of the political centre ground in British politics with a broad measure of agreement between centrist elements in all three main parties that Britain's place was within the EC. As the Conservatives appeared to abandon this centre ground then Labour could occupy it (facilitated by the ideological shifts outlined above) and portray themselves as a reinvented, moderate and mainstream party that

had ditched the extremist policies which had been damaging in 1983. To be European was to be modern and to be modern was to be European.

This reorientation would suggest that the New Labour government elected in 1997 and re-elected in 2001 with overwhelming majorities would be more positive in its European policies. There were early signs that it might be. Tony Blair announced a new era of constructive engagement, while *The Observer* newspaper felt moved to herald the New Labour approach to foreign policy with the headline 'Goodbye Xenophobia'. The Labour government announced that it would sign up to the Social Chapter while the negotiation of the Amsterdam Treaty in June 1997 indicated both a new and more open British government approach (certainly when compared to the disastrous final years of the Major administration). This was marked by acceptance of both legislative and institutional changes such as the addition of a new employment chapter to the Treaty, the inclusion of a new Article 13 within the Treaty that greatly extended the anti-discrimination measures, as well as agreement to increase the use of QMV and bolster the role of the European Parliament. On a personal level, Blair seemed much more comfortable with other European leaders than his two Conservative predecessors.

It is, however, also possible to detect some continuity in New Labour's EU policy. For instance, the Amsterdam negotiations saw the UK government maintain a consistent line with that pursued by its predecessors on border controls, CAP reform and the role of NATO (Hughes and Smith, 1998; Fella, 2002). New Labour also hedged its bets on the Euro. Furthermore, as New Labour's enthusiasm for the German model of social capitalism faded then that of Blair and Gordon Brown at the Treasury seemed to grow for US-style market liberalization. Divisions became apparent between Blair's 'third way' and European social democracy (Clift, 2000; Gamble and Kelly, 2000).

Elements of continuity are also apparent. The first is the preference for intergovernmentalism and the maintenance of links with the USA. New Labour expounds a vision of Europe that enshrines the central role of the nation state as the key building block of international politics. The fact that New Labour sees the EU as a union of sovereign states is consistent with the attitudes of previous British governments. This combines with a continued emphasis on transatlantic ties and the UK's self-positioning as the USA's closest ally in Europe. These Atlantic ties came under close scrutiny during and after the war in Iraq when a serious division emerged between Britain and France. The status of the USA as the world's only superpower, combined with the neo-conservative foreign policies of the Bush administration and fears of US

unilateralism, led to real tensions in the US-European alliance (Kagan, 2002). In a speech to the Foreign Office conference of British Ambassadors on 7 January 2003, Blair (2003) stated what the principles of British foreign policy should be:

First, we should remain the closest ally of the US, and as allies influence them to continue broadening their agenda. We are the ally of the US not because they are powerful, but because we share their values. I am not surprised by anti-Americanism; but it is a foolish indulgence. For all their faults and all nations have them, the US are a force for good; they have liberal and democratic traditions of which any nation can be proud... it is massively in our self-interest to remain close allies. Bluntly there are not many countries who wouldn't wish for the same relationship as we have with the US and that includes most of the ones most critical of it in public.

Blair then added that:

Britain must be at the centre of Europe. By 2004, the EU will consist of 25 nations. In time others including Turkey will join. It will be the largest market in the world. It will be the most integrated political union between nations. It will only grow in power. To separate ourselves from it would be madness. If we are in, we should be in whole-heartedly. That must include, provided the economic conditions are right, membership of the single currency. For 50 years we have hesitated over Europe. It has never profited us. And there is no greater error in international politics than to believe that strong in Europe means weaker with the US. The roles reinforce each other. What is more there can be no international consensus unless Europe and the US stand together. Whenever they are divided, the forces of progress, the values of liberty and democracy, the requirements of security and peace, suffer. We can indeed help to be a bridge between the US and Europe and such understanding is always needed. Europe should partner the US not be its rival.

This intention to be a bridge illustrates the ways in which British politics remains between Europe and the USA (Gamble, 2003). The gap between Europe and the USA became more difficult to bridge in the run-up to, and aftermath of, the invasion of Iraq when major divisions emerged between the UK and the French and German governments. Tony Blair showed himself to be at least, if not more, pro-US than any

of his post-war predecessors in Number 10 Downing Street, and this indicates strong transatlantic continuities in British foreign policy.

The second element of New Labour's approach to the EU is linked to the UK's socio-economic model and those in other EU member states (as well as the nascent EU approach). New Labour can be understood as 'open regionalists' (Baker, Gamble and Ludlam, 2002) in the sense that the majority of Labour MPs believe that economic and social objectives can best be attained within the framework of the EU and within a competitive and fair European economy. This reflects a re-evaluation of Party commitments undertaken when Kinnoch and John Smith were the Party leaders. But there is another, 'third way' element of open regionalism as 'part of the means by which the party claims to be navigating between the polar opposites of old-style social democratic collectivism and neo-liberalism' with key importance attached to market liberalization as the basis for British full-hearted participation (Heffernan, 2002). Europe needs to become a little more British if Britain is to become fully engaged with it. Thatcher believed that the EC required a healthy dose of Thatcherism, whether it liked it or not. The fact that other member states hauled at this prescription then became a basis for Conservative hostility to European integration. New Labour now argue that participation in deeper integration depends on other member states 'modernizing' their economies and social welfare systems. Without these changes then the chances of New Labour endorsing membership of the Euro recede. New Labour are leading advocates of a European economic reform agenda that seeks more flexible and dynamic labour markets (HM Treasury 2001). Moreover, the adoption of economic reforms that mirror those that have been introduced in the UK has become a core component of the Treasury's evaluation of whether adoption of the Euro would be in Britain's interests. New Labour's commitment to Europe is conditional in the sense that it requires adaptation by other EU member states, although (as was the case with Thatcher) it is not necessarily clear why British strictures will be accepted by other member states.

### **British pragmatism in Europe**

This chapter has examined the preferences and motivation of British governments, their capacity to attain these objectives and the reasons for the shifts in these preferences that have occurred over time. The chapter has sought to develop the 'Britain in Europe' theme through examination of Britain's relations with developing structures of EU governance while

also broaching the issue of 'Europe in Britain' and the ways in which European integration has been absorbed as part of the organizational and ideological logic of British politics (a theme which will be developed more fully in later chapters). It has been shown that there are strong elements of continuity marked by continued preference for intergovernmental co-operation, the view that the nation state should remain the central unit within the EU and that the Atlantic partnership should remain a core element of the UK's international identity.

There have also been important shifts too. The Conservatives went from being a pro-European integration party, albeit based on a pragmatic acceptance of the EC as good for business to a hostility towards European integration that was strongly based on the Thatcherite legacy. Labour also fundamentally re-evaluated its stance on European integration and moved from advocacy of outright withdrawal in the early 1980s to a pro-integration stance by the early 1990s. Yet even this apparent shift from Conservative hostility to Labour pro-Europeanism contains some elements of continuity. Thatcherite Euroscepticism was informed at least in part by dismay that other EC member states were unprepared to accept Thatcherite strictures and that, for these other member states, the single market was a means to an end (that end being deeper economic and political integration) rather than an end in itself (i.e., Thatcherite deregulation and liberalization). New Labour too – following a brief flirtation with European social democracy – have defined their relationship to core EU economic objectives around the attainment by the EU of certain economic reform prerequisites. If these are satisfied then New Labour is prepared to engage with important developments such as EMU. New Labour, then, has maintained a long-standing British preference for conditional engagement with the EU.