



# The PM has to hold his nerve if we are to end EU waste

Only by engaging with Europe and negotiating hard will we rein in the scandalous distortions of its budget



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David Owen



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The UK was not alone during the dispute about the EU budget last week. At one stage the Dutch prime minister, Mark Rutte, was demanding a further cut of 100 billion (Cameron was pitching for only a 50 billion reduction). Sweden was up for serious reductions; so were Denmark and Finland. Even more interestingly, Germany did not side with France. There is still even a chance that the Commission will be forced reluctantly to accept some reductions.

Excessive agricultural subsidies are the major distortion. This is unfortunately set to continue. It was not a good sign that under predominantly French pressure, the European Council President, Herman Van Rompuy, took money away from infrastructure projects and research spending to increase farm subsidies. For that reason, David Cameron's fight for the UK budget rebate was essential.

No UK government should allow any further reductions in the rebate unless and until the Common Agricultural Policy is significantly reformed. As Prime Minister, Tony Blair was wrong to concede reducing our UK rebate in 2005 when the French refused reforms of agriculture. Yet with 10 new countries coming into the EU, the British, as strong supporters of enlargement, had in all logic to accept spending more. Blair would have been wiser to ensure that the extra UK money went specifically to the new countries. In today's circumstances, any extra expenditure we eventually concede must go to capital projects that can help create jobs and improve productivity in the poorer parts of Europe.

Ed Miliband was correct to urge Labour MPs to vote with the Conservative rebels for a

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budget freeze. It was an essential marker, at the start of the negotiations, that the House of Commons wanted a very much reduced budget. But Miliband is realistic enough to know that we are just at the start of a far-reaching negotiation. He well understands that the European Union is a continuous negotiation in which countries give ground in one area while gaining ground in another. It is the shape, not just the size, of the final budget settlement that matters.

Negotiating objectives often takes years. I cut my teeth as a negotiator in what was then the European Community in 1976, as Minister for Europe, before becoming Foreign Secretary six months later. Our priority then, as now, was to reduce the UK budget contribution.

We decided to focus on high farm prices. We could not possibly get them down to zero in one year but by early 1979 we had the European Commission supporting the UK in demanding a zero settlement. We aimed to use this as a negotiating lever to obtain a rebate. The incoming Conservative government was advised to settle for a price increase that summer, undercutting the Commission's position. This left Margaret Thatcher with no bargaining counter on a rebate at the Dublin Summit a few months later. To her great credit, she held out and eventually won a UK rebate in 1984. That whole negotiation took, in effect, eight years across two governments. I tell this tale as a warning.

The British interest in international negotiations, and especially in the EU, is best maintained where Parliament drops partisan party politics and works across party political lines in developing a British strategy. By 2015, or even before, if the Coalition breaks apart, it may well be Ed Miliband in the negotiating seat in Brussels, needing broad support from the Conservative opposition.

Miliband is showing welcome signs of not being a soft touch on Europe but both the main parties — Conservative and Labour — have to recognise that they are a long way away from speaking for Britain. Until they do, UKIP will continue to grow: it is poised to be a major challenger in the European elections in 2014. It is hard to know whether the Liberal Democrats are rethinking their longstanding support of the euro and for ever greater integration.

Tony Blair is due, in a speech this Wednesday, to call for a "Grand Plan". We should remember that in 2003, his "Grand Plan" was, on the back of popular polling referred to in Downing Street as a "Baghdad Bounce", to hold a referendum to join the eurozone. In 2004, he pushed for European constitutional reform and promised us a referendum on it, only to withdraw his promise when France and Holland voted against in their referendums. He then got around this through the Lisbon Treaty. This ensured a deep-seated reaction against what many people saw as a threat to our own self-government. Public concern is not likely to go away with talk of the threat of a loss of global influence from a prime minister who presided over defeats in Iraq and Afghanistan.

No one can deny that Britain needs a new negotiating strategy — and it will not wait until after the 2015 general election. The German Chancellor, Angela Merkel, has made it crystal clear that after the German election in September 2013, she will present amendments to the European treaties providing for far greater political and economic integration in the eurozone countries. A precursor of this are the present proposals for a European banking union, with its unacceptable implications for the City.

A British negotiating position must be to ensure a Europe-wide single market, at all costs. Norway and Iceland must be full participating members. Turkey, already in a customs union, should be invited to become part of that single market. If such a restructuring could be agreed, then the UK, within the provisions of the 2011 legislation, could allow through, without a prior referendum, the treaty amendments that eurozone countries want.

Of course, there would have to be a referendum in the UK on whether we wished to keep open our options on eventual membership of the eurozone — or close that option down. And such a fundamental restructuring could be forced on the EU by the eurozone crisis well before May 2015.

*Lord Owen was Foreign Secretary from 1977-79. He is the author of Europe Restructured: The Eurozone Crisis and its Aftermath.*

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