

The book cover features a dark blue background with a faint, light blue map of Europe. The title 'VOTE TO LEAVE' is prominently displayed in large, white, serif capital letters. Above it, the author's name 'DAVID OWEN' is in smaller, light blue, serif capital letters. Below the author's name, the words 'EUROPE' and 'RESTRUCTURED' are stacked in yellow, serif capital letters. In the bottom right corner, a red diagonal banner contains the text 'REVISED EDITION' in white, sans-serif capital letters.

DAVID OWEN

EUROPE
RESTRUCTURED

VOTE
TO
LEAVE

REVISED
EDITION

Europe Restructured: Vote to Leave

David Owen

Revised 2016 edition

Methuen

First published in Great Britain in 2012 by
Methuen & Co
35 Hospital Fields Road
York
YO10 4DZ

Revised editions 2015, 2016

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Cover design: BRILL

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A CIP catalogue record for this book is available from the British Library

ISBN 978-0-413-77798-0 (ebook)

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About the author

David Owen was in the House of Commons for 26 years and was Foreign Secretary in James Callaghan's government from 1977–79. Later he co-founded the Social Democratic Party in 1981 and was its leader from 1983–87. He was EU negotiator in the former Yugoslavia from September 1992 to May 1995 and co-author of the Vance–Owen Peace Plan for Bosnia & Herzegovina. He sits as an independent social democrat in the House of Lords and is a longstanding European, voting for entering the European Community as a Labour MP in 1971, resigning as an opposition defence spokesman in 1972 and campaigning for a 'Yes' vote in the 1975 UK referendum. As chairman of New Europe from 1999–2005 he successfully campaigned against Britain adopting the euro. He was also in business from 1965–2015: in the UK on the board of Coats Viyella (1965–2000) and as chairman of Middlesex Holdings plc, later GNE plc (1995–2006); in the USA he has been a non-executive director of Abbott Laboratories (1996–2011) and Hyperdynamics (2009–14); and in Russia as chairman of Yukos International (2002–05), chairman of Europe Steel, a subsidiary of Metalloinvest (2000–2015), and a consultant to Epion Holdings and Alisher Usmanov, chairman of USM Holdings, until December 2015.

In this book, first published in 2012 and now extensively revised, David Owen argues that in the forthcoming UK referendum it is time for Britain to leave the EU. The deep-seated flaws in the Eurozone design are still unresolved, and the European Union cannot make the substantive changes required to reflect the necessity for a more fully integrated Eurozone and a separate Non-Eurozone grouping. His is a positive argument to leave, made more in sorrow than in anger. He believes that the UK has a great future ahead, that London will remain a global centre for finance and that it is possible to revive the spirit of mercantile adventure which gave Britain its wealth and stature. There is nothing defeatist in his wish to leave the EU, just a recognition that the ill-fated euro has harmed Europe and the UK and we will be better and stronger leaving.

Key dates in the history of European integration

1950

9 May

Robert Schuman, the French Minister of Foreign Affairs, puts forward proposals based on the ideas of Jean Monnet, proposing that France and the Federal Republic of Germany pool their coal and steel resources in a new organisation which other European countries can join.

This date is regarded as the birth of the European Union and 9 May is now celebrated annually as Europe Day.

1951

18 April

In Paris, six countries — Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands — sign the treaty establishing the European Coal and Steel Community (ECSC).

1955

1–2 June

At a meeting in Messina, the foreign ministers of the six countries meet.

1957

25 March

In Rome, the six countries sign the treaties establishing the European Economic Community (EEC) and the European Atomic Energy Community (Euratom), coming into force on 1 January 1958.

1960

4 January

At the instigation of the United Kingdom, the Stockholm Convention establishes the European Free Trade Association (EFTA), comprising a number of European countries that are not part of the EEC.

1963

20 July

In Yaoundé, an association agreement is signed between the EEC and eighteen African countries.

1965

8 April

A treaty is signed merging the executive bodies of the three communities (the ECSC, the EEC and Euratom) and creating a single Council and a single Commission, coming into force on 1 July 1967.

1966

29 January

The 'Luxembourg Compromise'. Following a political crisis, France agrees to take part in Council meetings once again, in return for an agreement that the unanimity rule be maintained when 'vital national interests' are at stake.

1968

1 July

Customs duties between the member states on industrial goods are completely abolished, eighteen months ahead of schedule, and a common external tariff is introduced.

1972

22 January

In Brussels, treaties of accession to the European Communities are signed with Denmark, Ireland, Norway and the United Kingdom.

1973

1 January

Denmark, Ireland and the United Kingdom join the European Communities, bringing their membership to nine. Norway stays out, following a referendum in which a majority of people voted against membership.

1974

9–10 December

At a Paris summit, the political leaders of the nine member states decide to meet three times a year as the European Council. They also give the go-ahead for direct elections to the European Parliament, and agree to set up the European Regional Development Fund.

1975

28 February

In Lomé, a convention (Lomé I) is signed between the EEC and forty-six African, Caribbean and Pacific (ACP) countries.

22 July

A treaty is signed giving the European Parliament greater power over the budget and establishing the European Court of Auditors. It comes into force on 1 June 1977.

1979

7–10 June

The first direct elections to the 410-seat European Parliament.

1981

1 January

Greece joins the European Communities, bringing the number of members to ten.

1985

14 June

The Schengen Agreement is signed with the aim of abolishing checks at the borders between some member countries of the European Communities.

1986

1 January

Spain and Portugal join the European Communities, bringing membership to twelve.

17 and 28 February

The Single European Act is signed in Luxembourg and The Hague, coming into force on 1 July 1987.

1989

9 November

The fall of the Berlin Wall.

1990

3 October

German reunification.

1991

9–10 December

The Maastricht European Council adopts the Treaty on European Union, laying the foundation for a common foreign and security policy, closer co-operation on justice and home affairs and the creation of economic and monetary union, including a single currency.

1992

7 February

The Treaty on European Union is signed at Maastricht, coming into force on 1 November 1993.

1993

1 January

The Single Market is created.

1995

1 January

Austria, Finland and Sweden join the EU, bringing its membership to fifteen. Norway stays out again following a referendum in which a majority of people voted against membership.

27–28 November

The Euro-Mediterranean Conference in Barcelona launches a partnership between the EU and the countries on the southern shore of the Mediterranean.

1997

2 October

The Amsterdam Treaty is signed, coming into force on 1 May 1999.

1999

1 January

Start of the third stage of EMU: eleven EU countries adopt the euro, which is launched on the financial markets, replacing their currencies for non-cash transactions. The European Central Bank (ECB) takes on responsibility for monetary policy. The eleven countries are joined by Greece in 2001.

2000

23–24 March

The Lisbon European Council draws up a new strategy for boosting employment in the EU, modernising the economy and strengthening social cohesion in a knowledge-based Europe.

7–8 December

In Nice, the European Council reaches agreement on the text of a new treaty, coming into force on 1 February 2003. The presidents of the European Parliament, the European Council and the European Commission solemnly proclaim the Charter of Fundamental Rights of the European Union.

2001

14–15 December

Laeken European Council. A declaration on the future of the EU is agreed. This opens the way for the forthcoming major reform of the EU and for the creation of a convention to draft a European constitution.

2002

1 January

Euro notes and coins are introduced in the twelve euro-area countries.

13 December

The Copenhagen European Council agrees that ten of the candidate countries (Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia) can join the EU on 1 May 2004.

2003

10 July

The Convention on the Future of Europe completes its work on the draft European Constitution.

4 October

Start of the intergovernmental conference responsible for drawing up the Constitutional Treaty.

2004

29 October

The European Constitution is adopted in Rome (subject to ratification by member states).

2005

29 May and 1 June

Voters in France reject the Constitution in a referendum, followed three days later by voters in the Netherlands.

3 October

Accession negotiations begin with Turkey and Croatia.

2007

1 January

Bulgaria and Romania join the European Union. Slovenia adopts the euro.

2008

1 January

Cyprus and Malta adopt the euro.

12 December

Switzerland joins the Schengen area.

2009

1 January

Slovakia adopts the euro.

1 December

Lisbon Treaty comes into force, without the promised UK referendum.

2011

1 January

Estonia adopts the euro.

2012

2 March

Fiscal Compact Treaty signed by all EU member states except the Czech Republic, the United Kingdom and Croatia (subsequently acceding to the EU in July 2013). The Treaty entered into force on 1 January 2013.

8 October

The European Stability Mechanism (ESM) enters into force, having cleared all its legislative hurdles including the German Constitutional Court. It is the central part of the so-called ‘firewall’ aimed at ensuring financial stability in the euro area.

13 December

At the European Council, EU leaders take the first step towards implementing a banking union with the decision, in principle, to create a ‘single supervisory mechanism’ (SSM), allowing the European Central Bank to supervise large euro area banks directly.

2013

27–28 June

EU decides to open accession negotiations with Serbia.

1 July

Croatia joins the EU.

2014

1 January

Latvia adopts the euro.

26–27 June

Albania granted status of candidate country. Association agreements between the EU and Georgia, Moldova and Ukraine are signed.

1 November

New rules enter into force for voting in the Council of Ministers, as stipulated in the Treaty of Lisbon. In order to be adopted by qualified majority, a new law or other decision must now obtain a ‘double majority’ of both member states and population. This replaces the former system where each country had an allotted number of votes.

4 November

The SSM enters into force. The ECB takes on the role of ensuring that banks in the euro area operate in a safe and reliable way, working together with national authorities. This is part of the so-called ‘Banking Union’, which is meant to prevent the weaknesses in the banking system that precipitated the economic crisis in 2008.

2015

1 January

Lithuania adopts the euro.

22 June

Ambitious plans are revealed on how to deepen Economic and Monetary Union between 2015 and 2025. The report is prepared by European Commission President Jean-Claude

Juncker, together with the president of the Euro Summit, Donald Tusk, the president of the Eurogroup, Jeroen Dijsselbloem, the president of the ECB, Mario Draghi, and the president of the European Parliament, Martin Schulz.

November

Turkish membership of the EU is speeded up, while migration from Turkey continues into the Greek islands and the Schengen open borders start to close.

Dates sourced from http://europa.eu/abc/12lessons/key_dates/index_en.htm

EU terminology

European Union (EU) abbreviations and jargon are a terminology set that have developed as a form of shorthand, to quickly express a (formal) EU process, an (informal) institutional working practice, or an EU body, function or decision, and which are commonly understood among EU officials or external people who regularly deal with EU institutions.

EU institutions

ACP (African, Caribbean and Pacific countries)

The ACP countries are one of the groups of beneficiaries of the EDF.

Acquis Communautaire

The body of Community law, as well as all acts adopted under the second and third pillars of the EU and the common objectives laid down in the treaties.

COSAC (Conference of Community and European Affairs Committee)

COSAC was proposed by the French National Assembly and has met every six months since 1989. It consists of national parliament bodies specialising in European Community affairs and six MEPs, and is headed by two vice-presidents responsible for relations with the national parliaments. It discusses the major topics of European integration. COSAC is not a decision-making body.

Council of the European Union (Council of Ministers)

The Council of the European Union comprises the representatives of each of the twenty-seven member states at ministerial level, chaired by the President. The work of the council is prepared by the Committee of Permanent Representatives (Coreper II) and the Committee of Deputy Permanent Representatives (Coreper I). Their work is in turn prepared by various working groups, working parties and committees.

ECJ (Court of Justice of the European Union)

The ECJ ensures that EU law is interpreted and applied in the same way in all EU countries, and that the law is equal for everyone. For example, it provides a check that national courts do not give different rulings on the same issue. The court also ensures that EU member states

and institutions do what the law requires them to do. The court is located in Luxembourg and has one judge from each member country.

ECOFIN (Economic and Financial Affairs Council)

ECOFIN is composed of the economics and finance ministers of the twenty-seven EU member states, as well as budget ministers when budgetary issues are discussed.

ECSC (European Coal and Steel Community)

The ECSC was founded by the Treaty of Paris (1951). Its members were Belgium, France, Italy, Luxembourg, the Netherlands and West Germany, who pooled their steel and coal resources and created a common market for those products. It was the predecessor of the European Communities.

EDF (European Development Fund)

The EDF is the main instrument for European Community aid for development co-operation in the ACP countries, as well as the OCT lands.

EFC (Economic and Financial Committee)

The EFC was introduced with the Maastricht Treaty as part of EMU (Economic and Monetary Union), and is a committee of senior representatives of member states' finance ministries and central banks, plus representatives of the ECB and the Commission. The EFC prepares the work of ECOFIN, in particular regarding excessive deficit procedures and issues related to the euro.

Élysée Treaty

The Élysée Treaty, also known as the Treaty of Friendship, was concluded by Charles de Gaulle and Konrad Adenauer in 1963, and established a process of reconciliation for ending the rivalry between France and Germany.

European Commission

The European Commission is independent of national governments and its job is to represent and uphold the interests of the EU as a whole. It drafts proposals for new European laws, which it presents to the European Parliament and the Council.

It is also the EU's executive arm, responsible for implementing the decisions of the

Parliament and the Council, implementing its policies, running its programmes and spending its funds. Like the Parliament and Council, the European Commission was set up in the 1950s under the EU's founding treaties.

European Ombudsman

The European Ombudsman investigates complaints about maladministration in the institutions and bodies of the EU. The ombudsman is completely independent and impartial. The current ombudsman, Nikiforos Diamandouros, was elected by the European Parliament and has held office since 1 April 2003. The Parliament elected the first European Ombudsman in 1995.

European Parliament

The European Parliament is the only directly elected body of the EU. The present parliament, elected in June 2009, has 785 members from the twenty-eight EU countries. It is elected every five years by the people of Europe to represent their interests and to pass European laws. It shares this responsibility with the Council of the European Union, and the proposals for new laws come from the European Commission. The Parliament and the Council also share joint responsibility for approving the EU's €100 billion annual budget. The Parliament has the power to dismiss the European Commission.

The main meetings of the Parliament are held in Strasbourg, with others held in Brussels. The Parliament elects the European Ombudsman, who investigates citizens' complaints about maladministration by the EU institutions.

Fouchet Plan

The Fouchet Plan was drawn up by Christian Fouchet as Charles de Gaulle's unofficial spokesman for European affairs. The Fouchet Plan was aimed at restructuring the European Community into a voluntary union of member states with a new headquarters in Paris, and by subjecting EU law to national law. The rejection of the Fouchet Plan by the other five member states had far-reaching consequences, such as the vetoing of the UK's entry into the EU, the 'empty chair' crisis and the 'Luxembourg Compromise'.

Luxembourg Compromise

The Luxembourg Compromise was a compromise or nation state block (not formally recognised by the European Commission or the ECJ) that extended the lifespan of the

national veto beyond what was foreseen in the Treaty of Rome. It originated from the ‘empty chair crisis’ instigated by President de Gaulle, and its effect was that qualified majority voting was used for the Single Market a lot but very rarely for foreign policy or defence.

Merger Treaty

The Merger Treaty, signed in Brussels on 8 April 1965 and in force from 1 July 1967, provided for a single Commission and a single Council of the then three European Communities (the ECSC, the European Economic Community and the European Atomic Energy Community).

Messina Conference

The Messina Conference was held in Messina, Italy, in 1955 and discussed the subject of a customs union. The conference entrusted Paul-Henri Spaak with the creation of a report that eventually led to the creation of 1957 Treaty of Rome.

OCT (Overseas Countries and Territories)

Territories that have a special relationship with one of the EU member states. Along with the ACP countries, they are beneficiaries of the EDF.

Rome Treaty

The Treaty of Rome established the European Communities (EC), comprising the European Economic Community (EEC), the European Atomic Energy Community and the ECSC, and was signed in Rome on 25 March 1957 by the six founding members: Belgium, France, Italy, Luxembourg, the Netherlands and West Germany. It entered into force on 1 January 1958.

Safeguard clause

A rapid reaction measure which can be invoked by a member state whenever a new member state fails to live up to its obligations in the areas of the internal market or justice and home affairs.

Schengen Agreement

The Schengen Agreement, dealing with cross-border legal arrangements and the abolition of systematic border controls among the participating countries, was created independently of

the EU. However, the Treaty of Amsterdam incorporated the developments brought about by the agreement into the EU framework, effectively making the agreement part of the EU.

SEA (Single European Act)

The first major revision of the Treaty of Rome, aimed at creating the single European market by 31 December 1992.

Financial bodies

ECB (European Central Bank)

The ECB is the EU institution that administers the monetary policy of the seventeen Eurozone member states. It is thus one of the world's most important central banks. The bank was established by the Treaty of Amsterdam in 1998, and is headquartered in Frankfurt. The primary objective of the ECB is to maintain price stability within the Eurozone, in other words to keep inflation low. On 9 May 2010, the twenty-seven member states of the EU agreed to incorporate the European Financial Stability Facility, whose mandate is to safeguard financial stability in Europe by providing financial assistance to Eurozone member states.

EMS (European Monetary System)

The EMS was an arrangement established in 1979 where most nations in the European Economic Community linked their currencies to prevent large fluctuations relative to one another.

Werner Plan

At the European summit in The Hague in 1969, the heads of state and government of the European Communities agreed to prepare a plan for the creation of an economic and monetary union. In October 1970 the Werner Report was presented, drawn up by a working group chaired by Luxembourg's President and Minister for the Treasury, Pierre Werner.

Common Foreign and Security Policy

CSDP (Common Security and Defence Policy)

The CSDP, formerly the European Security and Defence Policy, is an element of the Common Foreign and Security Policy pillar of the EU. The CSDP is the successor to the

European Security and Defence Identity under NATO, but differs in that it falls under the jurisdiction of the EU itself, including countries with no ties to NATO.

EDC (European Defence Community)

The EDC was a plan proposed in 1950 by René Pleven, the French Prime Minister, in response to the American call for the rearmament of West Germany. The intention was to form a pan-European defence force as an alternative to Germany's proposed accession to NATO, meant to harness its military potential in case of conflict with the Soviet bloc. The EDC was to include West Germany, France, Italy and the Benelux countries. A treaty was signed on 27 May 1952, but the plan never went into effect.

EUMC (European Union Military Committee)

The EUMC is a department of military officials under the High Representative for the Common Foreign and Security Policy and the PSC. The EUMC gives military advice to the PSC and the High Representative. It also oversees the EUMS. (Not to be confused with the former racism monitoring centre, also EUMC, now subsumed into the Fundamental Rights Agency.)

EUMS (European Union Military Staff)

The EUMS is responsible for supervising operations within the realm of the CSDP. It is directly attached to the private office of the High Representative for the Common Foreign and Security Policy.

GAERC (General Affairs and External Relations Council)

The GAERC is composed of one representative at ministerial level from each member state, and the council members are politically accountable to their national parliaments.

Pleven Plan

The Pleven Plan was a plan proposed in 1950 by the French premier at the time, René Pleven, to create a supranational European army as part of a European Defence Community.

PSC (Political and Security Committee)

The PSC monitors the international situation in the areas covered by the Common Foreign and Security Policy and contributes by delivering opinions to the Council of the European

Union, either at its request or its own initiative, and also monitors the implementation of agreed policies.

Police and judicial co-operation in criminal matters

Eurojust

Eurojust is an EU agency dealing with judicial co-operation in criminal matters. The seat of Eurojust is in The Hague. Eurojust has no powers to investigate or prosecute crimes on its own. Its task is to improve the co-ordination of investigations and prosecutions among the competent judicial authorities of the EU member states when they deal with serious cross-border and organised crime, in particular by facilitating the execution of international mutual legal assistance and the implementation of extradition requests. Eurojust was set up in 2002 by the Council of the European Union and went through a significant revision in 2009. Eurojust is composed of twenty-eight national members, one from each EU member state, who form the College of Eurojust. The Treaty on the Functioning of the European Union foresees that in order to combat crimes affecting the financial interests of the Union, the Council may establish a European Public Prosecutor's Office from Eurojust.

Europol (European Police Office)

Europol is the EU's criminal intelligence agency. It became fully operational on 1 July 1999. The establishment of Europol was agreed to in the Maastricht Treaty, which came into effect in November 1993. The agency started limited operations on 3 January 1994, as the Europol Drugs Unit. In 1998 the Europol Convention was ratified by all the member states and Europol commenced its full activities on 1 July 1999. Europol allocates its resources from its headquarters in The Hague. The size of Europol belies the fact that it is in constant liaison with hundreds of different law enforcement organisations, each with its own individual or group seconded to assist Europol's activities. As of 2007, Europol covers all twenty-seven member states of the EU and co-operates with a number of third countries and organisations. Europol was reformed as a full EU agency on 1 January 2010. This gave it increased powers to collect criminal information and allowed the European Parliament more control over its activities and budget.

International relations

Council of Europe

The Council of Europe (CoE) is not related to the EU. The CoE is the oldest international organisation working towards European integration, being founded in 1949. It has a particular emphasis on legal standards, human rights, democratic development, the rule of law and cultural co-operation.

EEA (European Economic Area)

The EEA was established on 1 January 1994 following an agreement between the member states of EFTA and the European Community. Specifically, it allows Iceland, Liechtenstein and Norway to participate in the EU's internal market without a conventional EU membership. In exchange, they are obliged to adopt all EU legislation related to the Single Market, except laws on agriculture and fisheries. They have no voting rights. One EFTA member, Switzerland, has not joined the EEA.

EFTA (European Free Trade Association)

EFTA is a European trade bloc which was established on 3 May 1960 as an alternative for European states who were either unable to, or chose not to, join the then-European Economic Community (now the EU). Today only Iceland, Norway, Switzerland, and Liechtenstein remain members of EFTA (of which only Norway and Switzerland are founding members).

The Nordic Council

An advisory body to the Nordic parliaments and governments, established in 1953, dealing with economic, legislative, social, cultural, environmental and communication policies.

OSCE (Organization for Security and Co-operation in Europe)

The OSCE is the world's largest security-oriented intergovernmental organisation. Its mandate includes issues such as arms control, human rights, freedom of the press and fair elections. The OSCE is an ad hoc organisation under the United Nations Charter. The EU is not strictly speaking a member of the OSCE, although the then Commission President, Jacques Delors, signed the Charter of Paris for a New Europe (1990), which is the origin of the OSCE.

Much of the information above was retrieved from the Wikipedia page ‘European Union acronyms, jargon and working practices’ but with additional material added.

Europe 2016

NATO

1949

Belgium
Canada
Denmark
France
Iceland
Italy
Luxembourg
Netherlands
Norway
Portugal
United Kingdom
United States

1952

Greece
Turkey

1955

West Germany

1982

Spain

1990

(East Germany following
reunification)

1999

Czech Republic

Hungary

Poland

2004

Bulgaria

Estonia

Latvia

Lithuania

Romania

Slovakia

Slovenia

2009

Albania

Croatia

Aspirant countries

participating in Membership

Action Plan

Bosnia & Herzegovina

Macedonia

Montenegro

EEA

1994

Austria
Belgium
Denmark
Finland
France
Germany
Greece
Iceland
Ireland
Italy
Liechtenstein
Luxembourg
Netherlands
Norway
Portugal
Spain
Sweden
United Kingdom

2004

Cyprus

Czech Republic

Estonia

Hungary

Latvia

Lithuania

Malta

Poland

Slovakia

Slovenia

2007

Bulgaria

Romania

2013

Croatia

EEC/EU

1957

Belgium
France
Italy
Luxembourg
Netherlands
West Germany
1973
Denmark
Ireland
United Kingdom
1981
Greece
1986
Portugal
Spain
1990
(East Germany following
reunification)

1995

Austria

Finland

Sweden

2004

Cyprus

Czech Republic

Estonia

Hungary

Latvia

Lithuania

Malta

Poland

Slovakia

Slovenia

2007

Bulgaria

Romania

2013

Croatia

Candidate countries

Turkey

Iceland

Macedonia

Montenegro

Serbia

Potential candidates

Albania

Bosnia & Herzegovina

Eurozone

As of February 2016

Austria
Belgium
Cyprus
Estonia
Finland
France
Germany
Greece
Ireland
Italy
Latvia
Lithuania
Luxembourg
Malta
Netherlands
Portugal
Slovakia
Slovenia
Spain

Microstates using the euro

Andorra

Monaco

San Marino

Vatican City

Adopted euro unilaterally

(with no representation in

Euro Group)

Kosovo

Montenegro

Preface

The vision of a European Common Market was a good one when in 1962 membership was first envisaged for the UK. Nevertheless, we were rightly warned even then by the leader of the Labour Party, Hugh Gaitskell, that a federal Europe lurked in the background. As far back as 1971 Edward Heath's White Paper on entry misleadingly promised 'no erosion of essential sovereignty'. That was untrue then and it is blatantly obvious that it is untrue today. European law does override British law and David Cameron has failed to achieve any Treaty amendment to change this.

What we have contrived in the EU is the pretension that you can be partly a country and partly not a country. The overt crack in the edifice started at Maastricht in 1990 with the single currency, the euro. Today, in 2016, disillusionment in the present EU can be found in varying degrees in every country within it, and it has stretched to breaking point the wishes of a large part of the population of the UK.

Should we really continue to place our faith in an institution that has condemned many of its members to years of stagnation? The inherent structural flaws of the currency are there to be seen: a broken-backed euro, high youth unemployment in countries unable to devalue; continued austerity and structural inertia within an EU that resists change, particularly any treaty change. In my view the advantage of David Cameron's negotiation is that it has shown up why it is now too late to reform the EU from within in any significant way. To do so requires a federal state of Europe, because it is, in essence, the only way to make a single currency work. Even so it will take many years.

The Euro-enthusiasts, and there are many still in powerful positions in the UK, are biding their time. I should know since I fought many of them between 1999 and 2005 as chairman of New Europe with Business for Sterling. Tony Blair would have held a referendum on Britain joining the euro in 2003 if the invasion of Iraq had been a success. He campaigned after he was removed from 10 Downing Street in 2007 to become President of the European Council on the back of his Quartet appointment to deal with the Palestinian economy. As leaked emails attest, he was trying to engender support for his candidacy, as he saw it, for President of Europe from Hillary Clinton and President Obama. Blair would as President have pushed for UK entry into the Eurozone.

Some Euro-enthusiasts now say that we in the UK will never join the single currency. That is not their private hope; they are just content to concede that this will probably remain

the reality for perhaps a decade or even two. Eventually, if the UK remains in the EU for another generation, and as a result of voting to remain, we will inevitably succumb to the ratchet effect and join the Eurozone.

Of course the UK has had influence within the EU since 1973 but this should not be overplayed. We entered the club after many of the rules were set. Thankfully the UK achieved opt-outs – most notably involving sterling – but despite much talk Cameron has not obtained any treaty language to recognize a non-Eurozone grouping as a distinct entity.

We now have to recognise that Europe has moved away from us. Its elite chose a different path long ago and it is not a path the UK ever wished to follow. It was that federal model that the Labour Cabinet comprehensively and formally rejected in the summer of 1977 under Jim Callaghan. The directly elected European Parliament, created in 1979, was unfortunately accepted within the 1975 referendum negotiation but it was a long-term federalist measure which has stoked tensions between Brussels and national parliaments ever since. The UK would have been better served by some MPs from the Commons continuing to attend both parliaments.

On separate occasions at key moments Tony Blair and David Cameron offered referendums after the proposed European Constitutional Treaty in 2005 which could have blocked the federalist creep within the 2010 Lisbon Treaty but they both subsequently withdrew the offers. The UK has had to live with the wording of ‘common defence’ and ‘common foreign and security policy’ ever since within EU treaties with all the ambiguities of language and intention that surround its pretension. It is easy to forget that within the original grouping of six founding nations a European army was rejected by President de Gaulle, but it never left the federalists’ agenda. Today, even when it is clearly damaging NATO, many go on pushing it forward.

Today we have an EU of twenty-eight countries with different languages, cultures, religions and historical alliances. How is it possible to achieve coherence, the federalists ask? We have a democratic deficit, they claim with some justice; so they allow Cameron a little playing around with so-called red cards for national parliaments, while they pursue their real agenda item: namely direct elections by citizens across the whole of the EU for the President of the Commission and if they can get it, President of the European Council as well. These proposals are due to be unveiled in early 2017 by the President of the Commission and the four other Presidents, based on the Five Presidents’ Report, issued in June 2015, which argues for a deeper, more integrated Union. The proposals have yet to be endorsed by European Council governments – they may even resist for a little longer – but it is another

indication of the direction of travel for the EU. On this issue of electing Presidents they have the strong support of many heads of government hitherto including Chancellor Angela Merkel.

Now the British people face a choice in a referendum wrung out of reluctant politicians in all parties by the strength of feeling in the country. The vast majority of the people have never been members of any political party. The negotiations just masterminded by the Prime Minister were based on a scant agenda – either through fear of being rebuffed or because privately he had tried and failed to achieve any substantive changes from other member states. They have turned out, somewhat surprisingly, to have been a hurried affair with David Cameron needlessly imposing a deadline on himself when the referendum was originally promised to take place before the end of 2017.

It is hard for most people to comprehend why the Prime Minister has been in such a rush. But that is because most people are unaware of the Presidents' proposals for further integration. This is the reason why Cameron was keen to get the UK referendum done and dusted six months before the proposals for directly electing the two Presidents emerge.

Voting to remain in the EU in June 2016 has never been a vote for the status quo. In effect it is to vote for what can be negotiated between the Eurozone countries – a more integrated model on which the UK has little influence to halt or even slow the pace is the most likely result. A vote to remain will be presented within the EU, if it were to happen, as them having called David Cameron's bluff. To vote to remain will be sending a message to the rest of the EU that we in the UK reluctantly accept further integration. To vote to leave, however, is to stop further integration for the UK and to return to self-government.

To remain in the EU is in my judgement a more dangerous option for British security in its deepest sense – economic, political, military and social – than is being admitted or even discussed in the wake of Cameron's failed negotiations. I have developed the arguments in more detail in the seven chapters of this book and outline them briefly below.

Economically, there is the all-important total absence of any agreed treaty changes to restructure and reform the Eurozone and no timetable for changes, though serious people mention 2023 at the earliest, or 2025, perhaps even longer. The lengthy, unpredictable route of an intergovernmental conference carries no guarantee of the necessary unanimity in all twenty-eight countries. The measures set out by the Constitutional Intergovernmental Conference were rejected by the Dutch and the French in referendums but then in large part introduced by government treaties anyhow. Lodging an agreement with the UN for instance cannot override a nation's constitutional commitment to hold a referendum or bind member

states' successor governments.

Politically, there has been no substantive movement on the problems of the compulsory right of free movement of labour between EU member states, which many believe is not strictly needed for the successful operation of a single market but is needed within the Eurozone. By not negotiating for such a change in the EEA not just the UK but the EU lost the opportunity of offering Turkey now, and eventually other states from the wider Europe, full voting membership of the EEA without freedom of movement of labour.

Recently all the member states, including the UK, have compounded that political failure by inexplicably speeding up the entry into the EU of Turkey, a country of more than seventy-five million citizens, complete with free movement of people and labour. Cynically, the EU governments may later intend to slow Turkish entry down when the appalling Syrian crisis is over. But that will have serious geopolitical consequences and could even lead to Turkey leaving NATO.

Militarily, the EU persists in trying to create a 'common defence' organisation not just within the EU but in a wider definition of Europe, involving for example Ukraine. In the process it is damaging NATO while most EU countries are still failing to meet their two-year-old pledge to spend 2 per cent of GDP on defence. The wording of the EU association agreement with Ukraine was ill thought out and damaging and in itself it triggered the dangerous conflict in eastern Ukraine. Of course Russia was wrong to exploit this and to annex Crimea but the EU should not have been so foolish as to give it the opportunity. No wonder the Dutch people are calling that EU–Ukraine agreement into question in a referendum in April 2016.

Socially, not many people for instance care to admit even within the Labour Party that the destruction in England of the NHS, which was introduced by the Attlee government throughout the UK in 1948, now owes much under successive governments since 2002 to EU market and competition rules.

This UK referendum is, like all previous referendums, a once-in-a-generation opportunity. There are many positive aspects to leaving the EU. We will make our own laws again in our own parliament. We will rediscover the skills of blue-water diplomacy and rise to the challenge of global markets. It could be the spark we need to re-energise our nation. The pre-eminent need will be to become more productive and competitive, something driven by investing in research and training and through welcoming immigration from people from different countries who can contribute most to our economy and to our quality of life. These are changes that have a cost attached to them but they are necessary in or out of the EU. They

have been largely ducked by political leaders in all parties in recent years .They cannot be ducked any longer if we decide to leave. That in a nutshell is the case for leaving: **a challenge and an opportunity.**

To take this step we must mobilise a new spirit of courage and conviction. We must leave in a spirit of confidence, ready if need be to accept some discomfort and some temporary difficulties. Very rarely in life do changes come without paying some price or experiencing some pain. But regaining a greater measure of self-government and full control over who comes into this country are significant gains, and the UK would once again be doing things its way and accepting that when the electoral pendulum shifts inside our country real changes can be made that make a difference to people's lives and aspirations.

The fact that the Prime Minister has put this choice in a referendum to the British public must mean he accepts the choice is more evenly balanced than some of his recent fear rhetoric would imply. If not, then it is irresponsible to have even posed it. The referendum question is rightly concise and specific: to remain or leave?

A referendum is very different from a general election for there are no manifestos from competing parties to become the government, since the government has announced it intends to stay in power whatever the result. All we the British public are being asked to do as individual citizens is to choose our direction of travel in relation to the EU, not to pre-empt the government negotiations that will follow. The public has no power to mandate the government on what steps to take subsequently in terms of specific legislative action or any other measures after the referendum.

The Prime Minister promised quite reasonably to stay in office for the best part of four more years in a fixed-term parliament, irrespective of the referendum result. He knows solutions are available to him to cover the inevitable disruption and negotiation during any two-year transition period following UK legislation to repeal the powers removed from the Westminster parliament by law and treaty in January 1973. To present all this as a massive problem is neither helpful nor true – or again, if it is true, the option should never have been presented in this way.

The idea that vindictive action by the EU against such a large European trading nation as Britain will triumph over mutual interest deserves to be laughed away. Can you believe that France would damage sales of cheese or champagne to Britain? In 2014 the trading deficit between the UK and the other EU member states stood at £79 billion.* There are many

* *Whitaker's 2016* (London: Bloomsbury, 2015).

different options on trade arrangements with other international trade bodies. The present government will handle the World Trade Organization (WTO), the European Economic Area (EEA) and, if they judge necessary, the North Atlantic Free Trade Area (NAFTA) and then bring forward proposals to Parliament. Trade deals are negotiated on the basis of mutual advantage, as is being done, for example, by the US and Canada with the EU on the mixed trade and regulation agreements TTIP and CETA. They have proved controversial, largely because they encroach on our NHS, but we now know that neither will be ratified during President Obama's term in office. Both will be discussed with the UK, within or outside the EU, well into 2017 and possibly beyond. There may be mutually agreed changes to existing texts on trade but there may also – in fact frequently will be – none. Why, in a world economy already facing uncertainty, change something that works?

The same pattern will be adopted in government to talks in many other areas of international law and co-operation covering security, policing, safety of goods, food and medicines, fishing and agriculture to name but a few. The UK parliament handled most of this up to 1973 and parliaments in many other countries such as Canada and Australia are at present doing likewise. This is what self-government is about and it is something which many people in Britain want and feel deeply attached to. The City of London's relations with the EU are important but it competes globally, as more and more businesses are doing from the UK with success.

Outside the EU the UK will, I believe, continue to agree across the political parties to spend over 0.7 per cent of GDP on overseas aid and 2 per cent on NATO. It will remain one of the five permanent members of the Security Council.

Leaving the EU is risking no more than remaining in the EU. Leaving the EU is a better-known quantity, in that we will be less likely to be dragged down by the Eurozone. Like everyone else with only one vote I need to carefully consider the balance of advantage and the most positive outcome, and my decision is a confident one: now is the time to vote to leave the EU.

Chapter 1

The case for leaving the EU

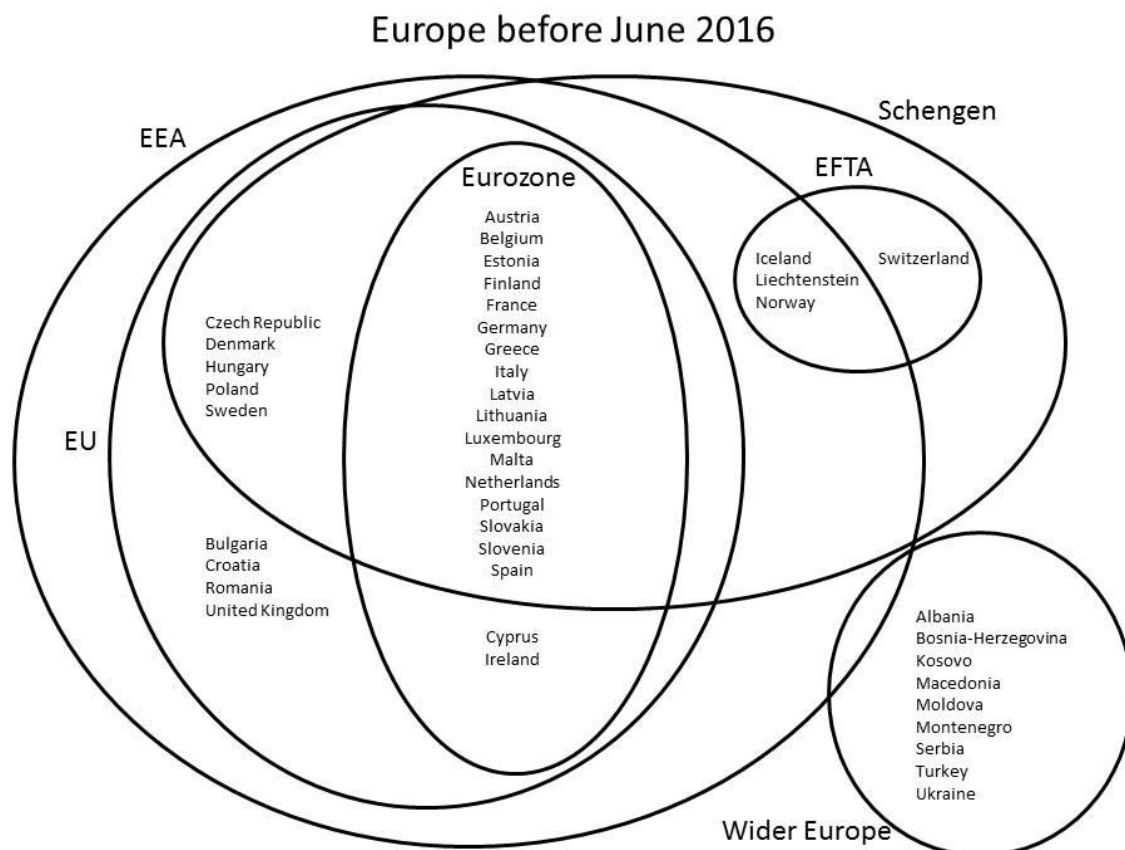
The European Union continues to pretend that it can avoid or delay making the structural changes in the Eurozone that it urgently needs to convince the rest of the world that it can overcome the formidable problems that it now faces. Six years on the Eurozone is still in the midst of an economic crisis. Greece's problems are not resolved. The French and Italian economies are still not grappling with their need for radical change and there are weaknesses in other Eurozone economies. Geopolitically, in the east of Europe the EU-Ukraine Association Agreement triggered fighting in eastern Ukraine and the annexation of Crimea by the Russian Federation, a situation in which diplomacy has produced little progress. In the north there are now serious military tensions developing on the Russian Federation's borders with the three Baltic states, Estonia, Latvia and Lithuania; and in the south there is uncontrolled economic migration into the EU from Turkey through Greece, greatly exacerbated by the years of civil war in Syria and the situation in Iraq, where conflict is reigniting. Meanwhile Islamic State is now operating in both those countries, and is threatening Turkey. The EU remains on the diplomatic sidelines as the five permanent members of the United Nations Security Council at last start working for a negotiated settlement. The Russian military intervention, had it been geared to peace and holding a balance, might have been useful. But it went from ensuring communications between Damascus and the Mediterranean coast were maintained to building up Assad's military strength with only occasional attacks on ISIS. This tilting of the balance has provoked both Turkey and Saudi Arabia to military intervention. And a regional conflict with Russia in the thick of it looms ominously.

Economic restructuring

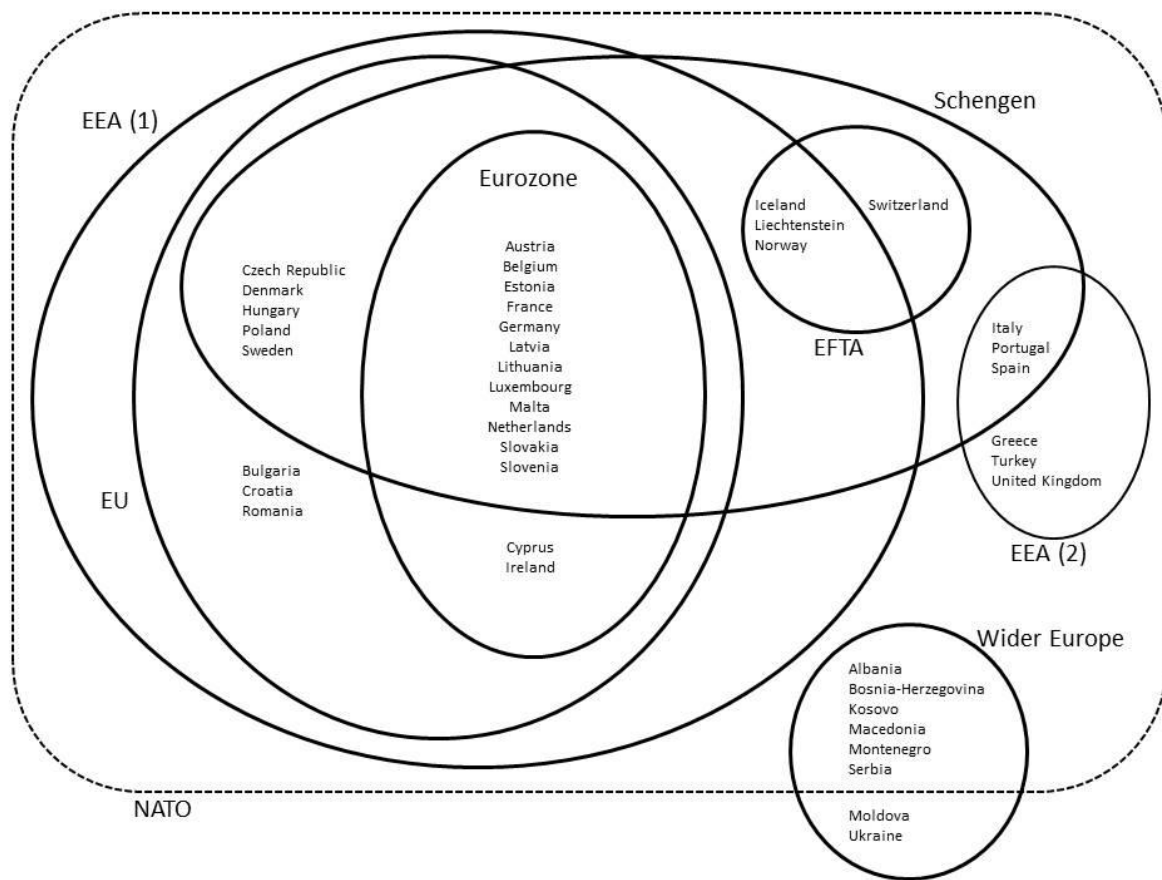
The negotiation of a restructured Europe would not have been a massive task for Britain with the help of other member states. Its variable geometry had been evolving ever since the Maastricht Treaty negotiations ended in December 1990. There should have been two distinct elements agreed with David Cameron: a Eurozone grouping and a Non-Eurozone grouping, together with a Single Market comprising the existing European Economic Area (EEA – all EU member states plus Norway, Iceland and Liechtenstein) plus some new countries from the wider Europe. The non-EU countries in the EEA do not at present have full voting rights,

but they along with all new members of the Single Market should have been given these rights under qualified majority voting (QMV). But new member states could not have freedom of movement of labour. An opportunity for this substantive reform has been missed. It may now best come after Britain leaves, particularly if the British economy becomes ever more dynamic.

This book is about how the economic problems of the Eurozone and the geopolitical problems of the wider Europe are inextricably linked to the referendum now due on 23 June 2016 following David Cameron's failure to renegotiate essential safeguards for the UK. The EU in its paltry response to David Cameron appears to be ready to face the real prospect of the UK leaving. This would not be damaging if they see an opportunity in Britain leaving to find a pathway that facilitates not just Greece but others in the Eurozone opting to leave in good order. A profound rethink would focus on providing an opportunity for Greece, Italy, Portugal and Spain to leave the Eurozone and if need be the EU but stay in a redesigned EEA with Britain. This moment is one of great significance, a matter not just for the British. The outcome if Britain votes to leave, as I believe it should, will offer a challenge but also a solution: create a smaller Eurozone of countries which can accept its disciplines.



Europe after June 2019?



It is very uncertain whether Schengen will still be in existence in 2019 but I have assumed it will be.
 Whether Italy, Spain and Portugal will choose to leave the Eurozone is their choice. I have assumed they might.
 Whether Turkey will be offered EEA membership as a full voting partner (but without freedom of movement of labour) is uncertain, but I have assumed it will be.

A wider Europe membership, starting with invitations to Switzerland and Turkey, the latter already an associate EU member, would have offered the advantages and obligations of full EEA membership except that such countries would not be offered the freedom of movement within the EU of people and labour, which is not a necessity for the effective working of a Single Market but is necessary for membership of a more integrated Eurozone. Such an opt-out from free movement of people and labour should have been available for EU countries like the UK that have no intention of joining the Eurozone and already control their own borders, not being part of the Schengen open border grouping within the EU. Sadly no such renegotiation was attempted by David Cameron.

The only option in the UK referendum on what is now a minimalist renegotiation, in

effect window dressing and a disguised status quo, is for the British people to vote to leave the EU, adopting what is called in shorthand terms Brexit. I write this more in sorrow than in anger. But it is the time for a bold decision.

Pretension is the besetting sin of the institutions that have throughout the last fifty years grown up around the present EU, from the creation of the European Economic Community (EEC) in 1957 to the European Community in 1993 and since 2009 the European Union. Margaret Thatcher described the Solemn Declaration on European Union, which she signed at the European Council at Stuttgart in 1983, as a ‘dreadful document’ but she was reassured that a Declaration was much less than an Act. It committed her to strengthening the European Monetary System but also to an ever-closer union – not just of the ‘peoples’ of Europe, as in the Treaty of Rome, but of member states of the European Union. Thatcher was told the Declaration had no legal force but it represented another step on the escalator of integration. The biggest step on that escalator was the Single European Act of 1986 and the person who spotted its dangers was Nigel Lawson as Chancellor of the Exchequer (see Chapter 3). The main success story during that period has been the emergence of the Single Market. That was endangered by the flawed design and failing operation of the Eurozone, which was set in place by the Single European Act of 1986, supported by all the political parties then represented in the House of Commons. I regret having supported it then as leader of the SDP.

The creation of today’s Europe did not start in 1957 with the six founding member states of the EEC negotiating in Messina over a common market, nor with the earlier coal and steel arrangements. Nor has the EU made the major contribution to peace in Europe. The peace process started in terms of *realpolitik* even before the end of the Second World War when Winston Churchill visited Joseph Stalin in Moscow on 9 October 1944. It resulted in two spheres of post-war influence emerging over Europe, the USSR on one side and the US and UK on the other. On a half-sheet of paper which was passed between the two men Greece was placed in the UK’s sphere of influence and in return, with Stalin’s big tick across the wording, Romania was placed under the USSR’s influence. The fact that Romania is now in the EU is a salutary lesson viewed from Putin’s Kremlin of how Russia’s influence had diminished by 2016 at the expense of the EU’s enlargement. Russia will not live with this continued marginalisation and it is ready to fight to stop it. That is the deeper issue underlying what is happening in Ukraine.

Discussion on the spheres of influence had begun even earlier than this when Roosevelt, Churchill and Stalin met in Tehran in 1943. They were further established at Yalta in February 1945 and finally at the Potsdam Conference in August the same year. By early

1946, it looked as if the US would draw back across the Atlantic. Had that happened Western Europe and the USSR would have faced each other, both economically weak but with Stalin still possessing a mighty war machine in the East that had played the critical part in outright victory over Hitler's forces.

It is salutary, given the continued focus on Greece in 2016, to note that seventy years earlier the very future of Greece as a viable nation was at risk. In 1946 at six weeks' notice the US took over the financial burden of supporting Greece from a UK driven by financial constraints to relinquish its leading role. The Truman Doctrine was thereby established and the President decided that the US would not withdraw militarily from Europe and would use its economic, and if need be military, power to step in to prevent further European countries coming under Soviet influence, starting with Greece.

The US then followed this decision with a new policy stemming from George Marshall's speech at Harvard University on 5 June 1947. It was Ernest Bevin, the British Foreign Secretary, who turned the words of the former general, by then American Secretary of State, into what he called 'a lifeline to sinking men' which 'seemed to bring hope where there was none'. Marshall, Roosevelt's former military commander, had learnt the fundamental lesson of the Paris Peace Conference of January–July 1919 and was determined that there should be no punitive peace enforced on Germany. He started a process through Marshall aid that pumped \$13 billion, the equivalent today of more than \$150 billion, into Europe over four years. It was Marshall aid that made possible today's European Union. Britain was the single biggest beneficiary with 26 per cent of the total. France received 18 per cent and West Germany 11 per cent; while Greece took less than 3 per cent, that sum represented 200 per cent of its national output. The Americans kept Greece as a Western European country because, as the historian Alan Bullock described it, her economy by 1948 was being 'wrecked by the sequence of invasion, occupation, resistance, reprisals and civil war. Eight per cent of the population of 7 million had been killed, ten times the death rate for the UK during the war. The Germans stripped the country of livestock and everything else that could be moved; railways, roads, bridges, ports had been destroyed.'

In the London conference of 1953 the US ensured that Germany was granted \$1.4 billion debt relief. In the words of the economic historian Albrecht Ritschl, 'the Marshall Plan had an outer shell, the European recovery programme, and an inner core, the economic reconstruction of Europe on the basis of debt forgiveness to and trade integration with Germany. The effects of its implementation were huge. While Western Europe in the 1950s struggled with debt/GDP ratios close to 200%, the new West German state enjoyed debt/GDP

ratios of less than 20%. This and its forced re-entry into Europe's markets was Germany's true benefit from the Marshall Plan.' It is also an inconvenient fact sixty-three years later that Greece was amongst the signatories in London from 27 February 1953 to the Agreement on German External Debts.

These facts provided no excuse for some Greeks in 2015 smearing Chancellor Angela Merkel's Germany with the Nazi brush, nor some Germans sneering at the Greek government of Prime Minister Alexis Tsipras. What these facts do, however, is make it a little more understandable why, when Germany paid no reparations or post-war compensation, Greeks, on the left and the right of the political spectrum, find it unacceptable that the German government still refuses in 2016 to even countenance debt forgiveness on Eurozone member states, which the International Monetary Fund (IMF) wants, particularly when Germany helped impose a debt haircut on Greece's private creditors in 2011. The newly appointed chief economist to the IMF, Maurice Obstfeld, previously an adviser to President Obama, has been outspoken on the 'trilemma' the Eurozone faces, namely that it cannot pursue cross-border financial integration and maintain stability while protecting national fiscal independence. He is very clear: 'Parallel moves towards political union are an essential complement in ensuring that national electorates accept the legitimacy of decisions made in the common interest.' The problem in the Eurozone now is that fewer and fewer national electorates in the prosperous countries like Germany are accepting that transferring money from their country to others less prosperous is in the common good of the Eurozone. The resistance over transferring to Greece did not just come up against public opinion in Germany; it was there vocally in Finland, Lithuania and Slovenia as well as the Netherlands and Belgium.

US politicians and officials should also be franker in owning up to how long it took to develop a single currency across the USA: that was a country, moreover, that had from its foundation chosen to have a single language. The Obama administration has pressed for a debt write-off for Greece and the Americans do understand the need to save Greece in 2016 just as they understood the importance of further helping post-war Germany. What some Americans, and in particular the US State Department, do not admit, is that the European Union that emerges from the Cameron renegotiation package will be one that remains on an escalator towards a position where new member countries do not just come eventually into the Eurozone, but eventually accept political integration in all EU policies, inevitably extending into foreign policy and defence. Not only is this unacceptable to the UK, but the US should ask itself with more realism than hitherto whether Brexit in these circumstances is

against US interests. It used to be rational to assume that the EU strengthened NATO but the reality, after the EU–Ukraine Association Agreement, is that this is no longer a safe assumption. The US, not without good grounds, believed until the emergence of the euro that the UK within the EU would ensure NATO’s interests were upheld. Tragically that position was eroded not just by the Eurozone but also by the draft Constitutional Treaty in 2005 and the ill-advised Treaty of Lisbon, on which the British people were denied a promised referendum by two Prime Ministers, Tony Blair and David Cameron.

The direction of travel in the EU is the fundamental issue behind and within the UK referendum. It is not surprising that those who have started to campaign to remain in the EU are often people who have supported Eurozone membership for the UK on all the past occasions it has been debated. Many of them wish to keep open the option for the future. The British people would be wise not to be lulled into acceptance of the present structures of the EU. Those structures are still essentially designed for a Eurozone EU and have not been adapted for a wider Europe in which states are free to opt for joining one of two entities, a Eurozone or a Non-Eurozone, in a restructured EEA Single Market where free movement of people and labour is for Eurozone countries or those aspiring to join it.

Twice I visited Athens before Greece entered the Eurozone for large conferences arranged by *The Economist* and argued there that Greece should not put its economy at risk by joining the euro. It did so with a dubious scheme designed by Goldman Sachs to get around the European Commission’s criteria for entry. The Commission, and after it was established the European Central Bank (ECB), did little publicly to warn Greek politicians as their country’s debt grew inside the euro. When the 2008 global crisis hit three Eurozone countries, the IMF lost much of its independence in acting with the Commission and the Eurozone finance ministers in the so-called ‘Troika’, which imposed debt haircuts on private creditors but exempted Eurozone governments’ debt. There could easily have been a Grexit in 2011 but the Troika suspended judgement on this, fearing contagion and its impact on Portugal, Spain, Ireland and Italy. There still could be a Grexit in the next few years. Despite being bludgeoned by the Eurozone and the IMF with further austerity and greater discipline the Greek people do not want an exit. However, the case for a Grexit may have to be revisited. It might be sensible to consider this issue in September 2016 and allow for measures to ease a transition out of the EU for Greece in the wake of any UK exit.

The European Central Bank (ECB) is not a normal central bank because it is the central bank of a half-baked currency union. Were the ECB a normal central bank, when Greece was facing a run on its banks it would have lent, and if it thought Greek banks insolvent it would

have had to recapitalise them and fund them through a properly constructed European stability mechanism. The fact that it has been inhibited from doing so at every turn in the Greek crisis is a reflection of the flawed nature of the legislation covering European Monetary Union (EMU). Reform of the ECB goes hand in hand with the as yet unanswered question about whether Germany, the Netherlands, Belgium and Finland, the prominent agnostics, are ready to integrate further and to develop the Eurozone as a transfer union, where financial resources move from richer regions and countries to poorer. But that issue also needs to be answered by the poorer regions and countries in the Eurozone. Are they ready to accept the disciplines associated with a transfer union, though not necessarily to the extent which Germany exacted on Greece? That question has all too often been avoided by Italy and France, the two countries most opposed to risking a Grexit. Germany may not bail them out.

It is also a very relevant factor in any UK referendum that we cannot afford to remain linked to an EU where the Eurozone does not reform because that affects our own economic performance and growth. We have to be freer to find other world markets. The grave danger of this fudged renegotiation is that the fundamental Eurozone reforms are going to be postponed yet again because the ‘paymaster’ countries, Germany, the Netherlands and Belgium, for a variety of reasons – finance, politics and anxiety over committing to treaty changes – have settled for continued tension and no real fiscal union in any timescale. If we vote to remain then we in the UK will have lost our one chance in decades of forcing real change for the better in our country but also through our country into the rest of the EU. There is another model for UK prosperity and we should adopt it. Sometimes in the EU waiting like Mr Micawber for something to turn up is a viable strategy, but this UK referendum in 2016 is a wake-up call, one which we dare not sleep through. We have a government with four years ahead of it before the next general election. It is well able to negotiate a successful transition, whatever our party political differences may be when we come to vote again in 2020. I cannot think of a better timing for a Brexit. We will not be simultaneously changing the government. We will be instructing the government to take back control of our borders, our currency and our foreign and defence policy. David Cameron has said that he will continue as Prime Minister whatever the result. That means he believes he can deliver change after a Brexit. His preference is to remain but he is ready to leave if that is our wish.

In 2012, in order hopefully to make the Eurozone work more effectively, twenty-five countries, comprising all those in the Eurozone and others aspiring to join, created new

financial and economic disciplines with a 'Fiscal Compact' Treaty outside the EU treaties, formally the Treaty on Stability, Coordination and Governance (TSCG), signed in the margins of the European Council held in March of that year. The UK's experience with this procedure was unfortunate: David Cameron misjudged the mood of the others in being ready to go outside the treaties and, along with only the Czech Republic, did not sign. Some of the countries, particularly Germany, are determined that further economic integration will only be accompanied by fiscal disciplines going well beyond the 'Fiscal Compact'.

The UK government divorced itself from the debate over the 'Fiscal Compact' design. Cameron was ill advised to withdraw from the ongoing debate. To do so in the EU rarely works – an 'empty seat' strategy did not even work in the EEC for General de Gaulle. But it was nevertheless a significant move towards Brexit and fed into Cameron's committing to a referendum, announced in the last parliament to be held in this parliament before the end of 2017. What is surprising is that Cameron has rushed his negotiations through and called the referendum while there are still eighteen months of negotiating time available until his own deadline runs out. Now the question is before us all – the logic is to leave and the risk is to remain.

The European Commission's flagrant attempt to go back on its 2012 commitment not to let the European Financial Stability Mechanism (EFSM) for the Eurozone be a cost to the Non-Eurozone now in 2016 carries a serious warning. It emphasises beyond any theory the practical imperative of treaty amendment. Failing to get any treaty amendment is Cameron's biggest error. We cannot rely on Commission assurances alone for Britain's renegotiation. This was a test of Cameron's resolve; he could and should have insisted that in this particular case, righting a wrong, treaty amendment under the Lisbon Treaty procedure was essential using the unanimity provision within the European Council. But he shied away.

On 22 June the Commission transmitted a proposal to the European Council with a brief explanatory memorandum. It says that 'adequate arrangements should be put in place so as to guarantee that non euro area Member States are fully compensated in the event that there is a non-payment under the EFSM facility which results in the use of resources within the EU Budget and/or the Commission making a demand for additional resources from the Non-Participating Member States'. On 30 July the Commission proposal was numbered as a Council document and transmitted to all member states under the urgent written procedure. Member states could object to the use of the written procedure, to not submitting it to COREPER, or to the adoption of the proposal. In the absence of objection it has been adopted by the Council, although it could still be amended at some future date by QMV. Before the

Nice Treaty it needed unanimity. We need no further assurances but a treaty amendment which ensures that this reneging on its word cannot be done by the Commission again. Lodging treaties with the UN does not change the rights of member states under EU law to refuse to ratify, either by their parliaments or in referendums. Assurances by one government in 2016 do not bind other governments in 2019, elected on a democratic programme which might run counter to the wishes of that government. It is dishonest to pretend otherwise. Only treaty changes are totally binding.

If or when an ever more integrated Eurozone emerges and starts to vote en bloc within the Single Market, it will become vital for a Non-Eurozone voting majority to have been established by treaty amendment with a QMV voting procedure and to work together to prevent Eurozone domination in a Single Market under the EEA Treaty. This is not a British veto but the Cameron negotiation never had a chance of achieving this. The extent to which the Eurozone moves to give more authority to parliamentary control depends on how ready Eurozone member states are to mirror the democratic procedures of a single country or, as some people already refer to it, a United States of Europe. There is, whatever may or may not be done about the democratic deficit in the Eurozone, a need to establish reciprocity. That was the test of the UK renegotiation. Making changes to the treaty architecture of the Single Market had to involve a spirit of give-and-take, a recognition that the Non-Eurozone members needed treaty changes with rights and responsibilities as well as the Eurozone members. That spirit was tested in the Cameron renegotiation and found wanting. There continued to be Eurozone take but no give. Amending the treaties' language was necessary since the Maastricht Treaty was written assuming that all EU countries would inexorably join the Eurozone. That was a sweeping and unjustified assumption in 1990. It was part of, yet again, the cardinal sin of EU legislative wording, pretension.

Pretending that no country could ever leave the Eurozone led the European Commission, at one stage, to warn Greece publicly it would have to leave the EU if it did so. The basis of such a law was unclear. Upholding a non-existent law was the start of a most distasteful bullying of Greece by other Eurozone countries. First Prime Minister Papandreou was told by Angela Merkel and Nicolas Sarkozy he could not call a referendum; subsequently Prime Minister Tsipras too was warned against calling a referendum, inciting some Eurozone ministers when he disregarded the warnings to remonstrate that a democratic mandate could not stem from voters in one country but stemmed from a majority in the Eurozone grouping of ministers. The democratic deficit is all too apparent in the present structure. It will remain after Cameron's renegotiation, not protected by 'red card' procedures

that Cameron had previously scoffed at.

The essence of integration within the EU is more qualified majority voting (QMV) where there are no national vetoes. But if QMV covers areas such as common defence and common foreign policy, as it will, the Eurozone will become in effect a federal union. QMV is a cross-national mechanism. Democracy is not a mechanism – it is an expression of the will of the governed, not the will of the governors. A democracy that is not an expression of the people is not a true democracy; it must be able to check or reject executive power in certain key areas. A consultative democracy can only guide executive decisions that are taken with others. This reality is at the root of why those who want a fully federal Europe with executive power in the European Commission and legislative power in the European Parliament are logical in their construct, but that construct is federal, something opposed by significant majorities in public opinion in many EU countries, not just the UK. The people want the democracy in their own country to have the right to limit, block and in the last analysis veto European legislation. But the surrender of that right of veto is a fundamental EU need that has not been changed by the Cameron negotiations.

Geopolitical restructuring

We must examine in some detail what happened in Kiev, the capital of Ukraine, and in other parts of that divided and deeply corrupt country. Ukraine is another area of EU pretension, in this case over the Common Foreign and Security Policy (CFSP). It was surely not beyond the capacity of the EU External Affairs Secretariat to warn their boss, the High Representative, that the Commission in drawing up the association agreement with Ukraine risked a serious confrontation with Russia. Did they not recognise that the Putin who returned as President of the Russian Federation in May 2012, after his initial two terms and following the presidency of Medvedev, was bound to be a very different political leader? Was it not obvious that he was poised to make his presence felt across the wider Europe in the light of the policies he had developed during the five-day Georgian war of August 2008? Russian armed forces after Georgia had already been set on a path of reform and re-equipment. Putin himself had clearly vowed that never again was he going to be treated with a superficial friendliness by a US President like George W. Bush, who said he had ‘looked the man in the eye’ while treating his country with what Putin considered to be contempt. We in the West often forget that Putin had made an unprecedented offer of friendship to the United States immediately after 9/11, reinforcing this offer with concrete measures such as the unilateral announcement of the closure of bases in Cuba and North Korea.

Russia, by 2012, as Putin saw it, was a BRIC country rich in oil, gas and minerals, confident that it was a rising power and determined to figure on the world stage, along with Brazil, India and China. Putin's generation of KGB officers had been, for the most part, Andropov-like reformers, and now they had watched with apprehension the march of liberal democracy and market reforms spreading rapidly through EU expansion. From May 2004 Poland, Hungary, the Czech Republic, Slovakia and Slovenia, the last mentioned formerly part of Tito's Yugoslavia, had come into the EU, as had the three Baltic states, Estonia, Latvia and Lithuania, a particular problem for Russia (see map). The old USSR believed that



after the signing of the Helsinki Final Act of 1975, as Andrei Gromyko had argued with me as Foreign Secretary in Moscow in 1977, the Western democracies had accepted the annexation of the Baltic states, undertaken by Stalin in 1942. In the Mediterranean, Cyprus and Malta had also joined the EU. Then in 2007 there was a further expansion of the EU to include Bulgaria and Romania, in part a reward for refusing the rights of Russian planes to overfly their countries at the time of the Kosovo war in 1990. In 2013 Croatia also joined the EU. Putin, however, despite all this still did not give up even when rebuffed by President George W. Bush, and when Barack Obama came into office he was still calling for a greater

Europe from Lisbon to Vladivostok and even offered the US a strategic partnership in a speech in Berlin in 2010.

We do not yet know the ins and outs or what private pressure was fed into the EU's CFSP team in Brussels by the CIA and/or the US State Department to push security issues over Ukraine. Nor do we know the full extent of the Polish influence in Brussels, or exactly what Poland's then foreign minister, Radosław Sikorski, was advocating. It is possible, however, to make a relatively well-informed guess. Certainly everything went badly wrong politically in the EU before Putin responded militarily. Since then there has been an understandable reluctance to probe fully the Brussels side of the negotiations at the early stages of the Ukraine crisis to find out how the European Commission and the external affairs machinery together came up with the exact wording of the association agreement. For some in Brussels the agreement was seen as another 'hour of Europe' moment, a chance for the EU, not NATO, to lead in Europe. It was meant to have been signed at the Vilnius summit of the Eastern Partnership in late November 2013.

What soon became very clear when the wording of the agreement began to leak out was that very few senior EU politicians in their capitals could have even bothered to have read the detailed wording. No political alarm bells apparently rang. The Commission document went through in Brussels. In London nothing stirred the Foreign Secretary, William Hague, who was already becoming somewhat semi-detached or sensed that the German, French and Polish diplomatic efforts were already doomed. He seemed content to wait on the sidelines. His big and important task had been the European Act 2011, which meant a referendum before any further British sovereignty could be conceded to the EU, and establishing formally that EU foreign policy decisions are also legally decisions of the member states. In this case the political problems should have been flagged up in the Foreign Office. The words are by any standard inflammatory for any recent Russian leaders – not just Putin, but Gorbachev, Yeltsin and Medvedev too. This was not just carelessness, it was folly.

In the agreement, Article 4.1 contained the following words: 'Political dialogue of all areas of mutual interest shall be further developed and strengthened between the Parties. This will promote gradual convergence on foreign and security matters with the aim of Ukraine's ever deeper involvement into the European security area.' This was reiterated in Article 7.1, which called for convergence in foreign affairs, security and defence. Article 10.3 mentioned 'conflict prevention, crisis management and military-technological cooperation' and went on, 'The European Defence Agency (EDA) will establish close contact to discuss military capability improvement, including technological issues.'

In Moscow, not unreasonably from Putin's point of view, those words 'military capability' were seen as provocative. The Russian way is often not to waste time protesting but to put in place counter-measures ready for action. Putin's apprehension was that President Obama was following in the path established first by President Clinton and then President Bush Jr of ignoring the confidence-building assurances given to Gorbachev and Yeltsin by President Bush Sr that they would not take NATO up to every part of the Russian Federation's new borders in Europe.

It should have been no surprise in Brussels by the end of 2013 that the democratically elected President Viktor Yanukovych, whose electoral strength lay in the Russian-speaking parts of Ukraine, was starting to shy away from the EU's association agreement. Why was he, as the elected President, apparently given no amelioration, no changes in wording? Instead, under pressure from Russia, Yanukovych tried to establish closer ties with the Russian Federation's plans for a trade and economic agreement with countries that had been formally in the Soviet sphere of influence. This was the more prudent alternative for him personally and that part of Ukraine more comfortable with Russia. A wave of demonstration and civil unrest in Ukraine against Yanukovych, called the 'Euromaidan' protests, then began as the pro-European parts of the Ukraine and some out-and-out nationalists sensed Yanukovych's change of attitude. These escalated in January 2014 when Yanukovych's government came forward with new anti-protest laws aimed at consolidating his grip on power. Violence and riots followed, starting on 18 February, with ninety-eight dead, many missing and thousands injured.

This was accompanied by what some called EU diplomacy. But was it really? It consisted of the German, French and Polish foreign ministers going to Kiev to negotiate with Yanukovych's government and all signing a document on 21 February with Yanukovych and opposition leaders. The extent of the involvement of the CFSP and the External Affairs Secretariat is not yet very clear in this initiative but on 19 February the High Representative, then Catherine Ashton, did ask Sikorski to begin a diplomatic mission to Kiev. But on whose authority? Was it the Council of Ministers? Neither the US nor the UK, signatories to the 1994 Budapest Memorandum with Ukraine and the Russian Federation, were represented. Whether this was by deliberate omission on their part, or because they had not been asked, is also unclear. President Obama did speak to President Putin to press on him the need for a Russian presence and a helpful Russian too who could work with the EU negotiating team. The ink was barely dry on the EU-brokered agreement when Yanukovych felt forced to flee from the capital and on 22 February 2014 members of parliament found him unable to fulfil

his duties.

On the night of 22–23 February Putin discussed the extrication of the deposed President and with his security team began the policy of returning Crimea to Russia. On 23 February pro-Russian demonstrations were held in the city of Sevastopol and by 27 February Russian troops without insignia took over the Supreme Council of Crimea. European and American sanctions against the indefensible annexation of Crimea followed and fighting started to break out in eastern Ukraine. We have been lucky that this confrontational situation did not deteriorate even further, as it well might have.

Yanukovych's period in office had been marked by corruption but the manner of his leaving was like a bell tolling for democracy in Ukraine. In 1994 President Leonid Kravchuk had resigned. His successor, Leonid Kuchma, served two five-year terms. Then he flagrantly rigged the election result in 2004 in favour of the candidate he backed, the then former Prime Minister Yanukovych, against the opposition's candidate, Viktor Yushchenko. After mass protests in Maidan Square known as the Orange Revolution new elections were held which were won by Yushchenko, who had been poisoned on the eve of the election. He was seriously ill for a time and in office was not a success. In the subsequent 2010 election Yanukovych became President after what observers considered was a fairly conducted election. Ukrainian MPs, after Yanukovych fled, in effect having been forced out, set an election for 25 May to select a replacement.

Over time the fighting that erupted in eastern Ukraine led to numerous high-profile diplomatic meetings and telephone calls involving Putin, Chancellor Merkel and President Hollande amongst many other heads of government. Again it is not clear how much involvement came from the EU High Representative and officials from External Affairs. A potentially important agreement between the parties to the dispute was signed on 5 September 2014 but it proved useless. Merkel and Hollande met with Putin in Minsk on 11 February 2015 and a form of ceasefire was achieved. Yet by the summer of 2015 a civil war was raging in the east, although the rest of Ukraine was peaceful if tense. Meanwhile, Putin was still riding high in the polls in Russia and though the economy was hurt by economic sanctions, the public was in no mood for a settlement, any more than the newly elected President of Ukraine, Petro Poroshenko, was able to persuade Ukrainians to compromise. His standing with his people was one of great weakness in relation to Putin. The shooting down of a civilian aircraft overflying Ukraine from Amsterdam to Kuala Lumpur on 17 July the previous year had for months shocked and soured the international atmosphere. The Dutch government, however, with many of their people killed, had wisely adopted a tough legal

position and correctly wanted to be clear on the evidence. If, as some expect, the evidence points to the shooting down of the aircraft having been caused by pro-Russian separatists then the Netherlands are likely to take the whole issue to the International Court of Justice, which is empowered to award heavy damages as it did on the US over the Iranian plane which they mistakenly shot down.

What was surprising in all this bilateral diplomacy was how little detailed follow-through there appeared to be, and the nature of the EU's foreign and defence decision-making was exposed as dangerously dysfunctional. Proposals came eventually from the German side for a major devolution of power for eastern Ukraine that Germany, with its own federal *Länder* system, was well equipped to provide. Yet the EU established no high profile diplomatic mission to keep open a continuous dialogue with the combatants. It is hard to avoid concluding that by August 2015 the EU diplomatic effort had fizzled out. Perhaps that will change but so far one fact is clear: that it was the EU–Ukraine agreement that triggered the conflict, and we have witnessed a very dangerous failure in the working of the EU CFSP. Yet very few people are ready to acknowledge it. Most people are completely unaware of its serious implications for the future. The risks of continuing with this set-up are profound. It is all highly relevant to the UK referendum because we do not need this CFSP structure. NATO is the only defence organisation in Europe.

The Budapest Memorandum

Compressing such complex historical issues cannot do justice to the centuries of Russian–Ukrainian relations but one issue from the past must not be forgotten in the UK and the US, the 1994 Budapest Memorandum. The signatories – the US, the UK and Russia – reaffirmed ‘their obligation to refrain from the threat or use of force against the territorial integrity or political independence of Ukraine’. Even as recently as 4 December 2009 the US and Russia confirmed these assurances and recorded them at a meeting. The memorandum had been issued from Budapest in order to help Ukrainian public opinion accept that more than 4,000 strategic and tactical nuclear weapons should be transferred from the Ukraine to Russia, in addition to 1,900 strategic nuclear warheads, a larger arsenal than Britain, France and China combined. Also included were 130 SS-19 ICBMs, 46 SS-24 ICBMs and 44 strategic bombers with hundreds of air-launched cruise missiles.* The annexation of Crimea will be held by

* David S. Yost, ‘The Budapest Memorandum and Russia’s intervention in Ukraine’, *International Affairs* 91:3 (2015), pp. 505–38.

many sensible Ukrainians for decades to come and cited elsewhere in the world as the vindication for those who believe ‘if you have nuclear weapons never give them up and if you have not got nuclear weapons find a way of getting some’. It is, therefore, vital that the legal position of Crimea remains on the international agenda.

There should be no formal recognition, implicit or explicit, and instead a negotiated resolution must be sought, perhaps in the context of Transnistria being given up by the Russian Federation. Crimea’s annexation is a test of international law as practised within the UN Charter. NATO action over Kosovo was the start of big countries like the US, UK and France – all permanent members of the Security Council – acting outside the UN Charter’s formal wording. Crimea was the Russian reply. It is a fact that some EU countries still refuse to recognise the legal case for the humanitarian military intervention over Kosovo. Crimea’s annexation will not be reversed, nor will it be recognised as a *fait accompli*. It can and should be retrospectively settled by the UN. The only forum for settling it is the P5+1 forum used so successfully in July 2015 after years of dialogue over the Iranian nuclear issue.

Why should Russia negotiate? There is one strong reason for doing so. Russia could achieve by negotiation a UN-endorsed agreement where NATO and the EU recognise the prescient wisdom of the American diplomat George Kennan. In an interview with Thomas L. Friedman of the *New York Times* on 2 May 1998, he denounced the form of NATO expansion that had just been agreed by the US Senate:

I think it is the beginning of a new Cold War. I think the Russians will gradually react quite adversely and it will affect their policies. I think it is a tragic mistake. There was no reason for this whatever. No one was threatening anybody else. This expansion would make the founding fathers of this country turn in their graves. We have signed up to protect a whole series of countries, even though we have neither the resources nor the intention to do so in any serious way. [The NATO expansion debate] was simply a lighthearted action by a Senate that has no real interest in foreign affairs.

I was particularly bothered by the references to Russia as a country dying to attack Western Europe. Don’t people understand? Our differences in the Cold War were with the Soviet Communist regime. And now we are turning our backs on the very people who mounted the greatest bloodless revolution in history to remove that Soviet regime.

Kennan predicted that the NATO expanders would say to the sort of Russian reaction he predicted ‘We always told you that is how the Russians are – but this is just wrong’. Kennan has been proven right in every particular. A settlement of both eastern Ukraine and Crimea could take years, but hopefully it will not. But before that can happen the P5+1 must agree terms of reference and decide whether, as I believe, it should go wider than Ukraine and include Georgia.

There was an additional warning of how Russia was likely to act in Ukraine that was ignored over Georgia, and it affects NATO as much as the EU. In 2006 the US and most of NATO wanted to admit Georgia but Germany did not rally to this consensus and very wisely and courageously Chancellor Merkel blocked the initiative. Had she not done so in 2008, when Georgia was the scene of a direct military clash with Russian troops, NATO would have been obliged under Article 5 to defend Georgia. President Medvedev was in charge of Russian foreign policy but Putin was Prime Minister and heavily involved. Initially there was an attempt in some Western democracies to go along with the Georgian claim that they had been attacked by Russia but this claim became ever harder to support and later an official EU investigation concluded it was wrong. In summary form there were two conclusions. Firstly, the Georgian President had ordered his forces to fire first; secondly, the Russians had made a disproportionate response when coming through the tunnel on 8 August from North Ossetia to South Ossetia where they remain today, as well as in Abkhazia. There would have been no readiness within NATO, even if Georgia had been a member, to fulfil in the first few days the Article 5 guarantee to come in militarily in defence of Georgia’s territorial integrity. The reason the Article would have been very unlikely to be invoked is not just because of concerns over who fired first, nor questions over the stance of the then President of Georgia, but because of an innate sense within NATO governments that this was not a situation where public opinion would have supported war.

In truth too Article 5 would have been difficult to invoke if Ukraine had been in NATO over Crimea. But – and it is a big ‘but’ – Putin must be convinced now in 2016 that Article 5 will be invoked if any Baltic state was to be subjected to similar tactical military incursions as happened and are still happening in Ukraine, and if Turkey was to be attacked. This time in Europe we are sleepwalking, in relation not just to the Eurozone but to a potential war.

There is no shadow of doubt that all European NATO member states should now in 2016 increase their defence budgets as agreed in their Newport meeting to 2 per cent of their GDP. Sadly, there is little chance that they all will, but at least the UK has committed itself in 2016 to do so. There must also in future be less talk about military matters in EU documents

such as the EU–Ukraine Agreement, less talk about EU common defence as argued in Chapter 5 of this book, and greater commitment to NATO politically, not just in words. Complacency must stop, or we will find ourselves in another war.

Any such war will not be like the Cold War certainties in Europe because there are no longer such clear frontiers, nor is there the same clash of ideology with Soviet communism. Our situation is nearer that of the early part of the 20th century with military challenges to the map of Europe, talk of encirclement and many uncertainties. In this climate on 4 August 2015 Sergei Shoigu, the Defence Minister of the Russian Federation, announced a \$60 billion reorganisation of its armed forces, focused on the S-400 surface-to-air missile with a range of 250 miles and the new S-500, designed to intercept intercontinental missiles, to defend Russia from the US and NATO. Russia is also taking significant steps to improve its navy.

All this demonstrates that in the light of the Budapest Memorandum the UK and the US must live up to their responsibilities and take an initiative for peace to settle disputed boundaries in Ukraine, Moldova and Georgia, involving Russia and France but also China as permanent members of the Security Council and Germany as the country already most heavily involved in the diplomacy of Ukraine. US and EU economic sanctions will have to stay in place but even though they have had an effect on the Russian economy they have had none on its policy towards eastern Ukraine and will not of themselves change anything over Crimea. The model for any such negotiation is that which was successfully concluded with Iran in 2015.

It is extremely troubling to read that there are many geopolitical experts in the United States and Europe who seem unconcerned about the future relationship of Turkey with both NATO and the EU. A leader article on 3 April 2015 in the *Financial Times* wrote that Turkey had become ‘an increasingly unreliable partner for its allies in NATO and the EU’. An article published in May 2015, entitled ‘Turkey’s isolated stance: an ally no more, or just the usual turbulence?’, concluded that ‘at present it is hard to find grounds for optimism’.*

Europe has got itself into a tangle over Turkey. In 2015 Angela Merkel decided in effect to unilaterally open up the prospect of Turkey becoming a full member of the EU much earlier than planned, hoping this could lead to Turkish co-operation over migrants leaving the south of the country for the nearby Greek islands. Her decision has huge implications, as does the torrential influx of migrants to Germany after Merkel, again unilaterally, changed the

* Bill Park, ‘Turkey’s Isolated Stance: An Ally No More, or Just the Usual Turbulence?’, *International Affairs* 91:3 (2015), pp. 581–600.

Dublin EU rules for processing applicants in the country of arrival. No leaders within the EU are prepared to admit frankly that Turkish entry to the EU cannot take place with the present rules on free movement of people and labour. Yet many of them know that public opinion in their countries has ruled out such freedom of movement for any new member states for the foreseeable future. The offer that would have made sense was for Turkey to have full EEA membership with full voting rights as part of the European Single Market, and to demonstrate that this offer had substance full voting rights would have been offered simultaneously to the existing non-EU countries within the EEA, Norway, Iceland and Liechtenstein, but there would have been no free movement of labour.

Why was there not enough geopolitical wisdom amongst EU leaders to take such a step? Instead they chose to grandstand, to pretend they were offering the early prospect of EU entry. This will lead inexorably to disillusionment in Turkey when early entry is attacked by public opinion in EU member states fearful of over 75 million Turks being eligible for free entry. Letting Turkey, a large democratic Muslim state, drift away from Europe to end up solely a Middle Eastern power would be a tragic lost opportunity when it has so much to contribute. Look at Syria, to name one major issue for the EU, and IS. The EU has already been urging three predominantly Muslim countries to work slowly but steadily towards membership – Bosnia & Herzegovina, Albania and Kosovo – and there are, as we know, large Muslim communities within many existing EU countries. Centuries ago, in Spain, it became evident that Muslims would play an important role in Europe's development and a purely Christian Europe has never been a credible proposition. Turkey wants and deserves to be treated with respect and have a position in European decision-making, consistent with its position in G20.

Chapter 2

The path to the 1975 referendum on the EEC

Those who argue that signing the Treaty of Rome in 1957 by the original six nations^{*} meant only one thing, an eventual European state, overestimate the direction of travel on which the Common Market was embarked until 1990. Then its very nature did change, with the decision to have a European currency, the euro, and its direction of travel became federal and supranational.

General Charles de Gaulle, returning to power in France in 1959, two years after the Treaty of Rome was signed, once he had dealt with Algerian independence never showed the slightest inhibition that France's signature to the Treaty of Rome constrained him from pursuing his own ideas on the future of Europe. Not for nothing did Harold Macmillan remark of de Gaulle, 'He talks of Europe and means France.' As de Gaulle's biographer, Jean Lacouture, makes clear, while de Gaulle saw the Treaty of Rome as an ideal framework for the economic development of his country, he would never have agreed to a supranational framework for a political union. European leaders like Konrad Adenauer, the West German Chancellor, and Jean Monnet, the influential French architect of institutional Europe, were under no illusions at the time that de Gaulle was ever going to take the supranational route to a United States of Europe. They also accepted that there was nothing in the Treaty of Rome to bind him to do so. This is worth emphasising since in 2003, in the run-up to the Intergovernmental Conference on the Future of the Union, political integrationists argued that those who sought to establish defined limits to prevent a United States of Europe emerging were defying the meaning of the treaties which their countries had signed (in the case of the UK only in 1972). It was the Netherlands and France, original signatory countries, who voted against that Constitutional Treaty in the 2004 referendums. It is also a reminder to those who despair of making changes in the nature of the EU and who simply want the UK to leave that there is a French precedent for the UK to reject becoming part of a full federal integrationist model, and if necessary to exercise our veto power to block it.

Interestingly, Adenauer and Monnet saw de Gaulle in the early 1960s as an ally in the immediate task of building up the Common Market even while he was expressing his vision of a Europe with no supranationality in its political governance. They knew only too well that there was an undefined ambiguity as to the destination of Europe and they were prepared to

^{*} Belgium, France, Italy, Luxembourg, the Netherlands and West Germany.

wait, believing that moods change and that all they had to do was foster a mood that integration was inevitable. Jean Monnet was quite open that he could only have ever persuaded the Six to sign up for the Treaty of Rome if that ambiguity existed. In his memoirs he wrote that ‘political Europe will be created by men, when the moment comes, based on realities’.*

On 10 February 1961, just over three years after the Treaty of Rome came into effect, de Gaulle called the other five heads of government together in Paris to try to delimit integration by building a European political identity and demonstrating that Europeanism and integrationism were not one and the same thing. He asked Christian Fouchet, a trusted aide, to define an ‘*Europe des états*’. Many people forget that Adenauer gave his approval to the essentially intergovernmental preparatory committee chaired by Fouchet because he saw it as a way for de Gaulle to come around to at least a confederation for Europe. In those negotiations, which started on 31 October 1961, Adenauer supported the French concept because he wanted above all else to strengthen Franco-German co-operation. Opposition to a ‘Europe of states’ came initially only from the Dutch, later to be joined by the Belgians, while the Italians were mistrustful of French ideas but wanted to be part of the ‘Big Three’ countries. Fouchet was the head of the French delegation and also chairman of the body set up by heads of government of the Six to lay the foundations of a new structure which they saw as adding a political dimension. He and his colleagues were later asked to draw up statutes for a political union characterised as a ‘Union of Peoples’ in an attempt to overcome the clash exposed during the preliminary talks between those who wanted more supranationalism and those who wanted less. The word ‘peoples’ as distinct from ‘states’ in the present European treaties has a long history within the debate about European integration, which started even before the Messina Conference of 1955. There was initially no wording, as in the American Constitution, which asserted the existence of ‘one people’ because such a commitment was too far for public opinion even in the original six states.

For the UK, joining the Common Market of the Six was not conceived of as an option by any substantial grouping in the House of Commons and there were formidable groups against in the two main parties. Even the Liberal Party then had a small element opposing entry. The reasons for this were multiple and complex. The simplest was a reflection of human nature. That post-war generation of ministers in government – first Attlee, Bevin and Morrison, then Churchill, Eden and Butler – had seen the growth of fascism in the 1930s,

* Jean Monnet, *Mémoires* (Paris: Fayard, 1976), pp. 505–6.

anxiously watching the virtually unopposed rise of Hitler and Mussolini. These were popular regimes at the time, not just violent and manipulative dictatorships. Britain's defiance despite the military collapse of Belgium, Holland and then France in the 1940s and the miraculous escape of the British Expeditionary Force at Dunkirk had been a triumph of national will. These leaders had expected and waited for Britain to be invaded. They knew how few planes and pilots we had to win the Battle of Britain in the air and how close a shave that victory was. They knew how delicate in US domestic politics had been President Roosevelt's almost clandestine support until Japan struck at Pearl Harbor, how critical had been the outcome of the Battle of the Atlantic as our Merchant Navy had to avoid being sunk by German submarines if it was to bring sufficient food into Britain. They had held their breath before and during the Battle of El Alamein in north Africa and then as British troops, with the Americans, fought up through Italy. They had weighed the risks together with the US of the Allied D-Day invasion across the Channel.

They found themselves unable to relax militarily even after the war. While Britain was by then a greatly weakened world power, it emerged with the pre-war Empire still intact but, in a very different world, ready to accept independence for India. Three powers were present at Potsdam: the United States, the Soviet Union and Britain. But appearances were very deceptive. The UK had massive external debts and much-reduced gold and dollar reserves. In retrospect it may seem obvious that in the late 1940s and early 1950s, a fundamental reappraisal of Britain's role in the world should have taken place to take account of the changes in the international system triggered by World War II. But relief at having emerged victorious was apparent in those British leaders' minds, coupled with a belief that the Commonwealth offered a way forward distinct from the two superpowers and the eclipse of Europe. The process of decolonisation had hesitatingly begun and, very slowly, Britain began to adapt to the role of a medium-sized European power. This transition was accepted as part of a period of painful and profound adjustment. But the existence of garrisons in Hong Kong, Singapore, Aden, Egypt and the Gulf, Cyprus and Malta, together with the large British Army of the Rhine, encouraged the assumption that Britain could continue to play a world role. British leaders felt they had no choice but to assume with the US the burden of maintaining forces in Germany as the Cold War developed. There was no-one else to whom the American government could turn to help stand against Soviet communism. Germany and Japan were then, by definition, excluded. France was weak and divided. It seemed only right and natural that Britain should play a leading role in the creation of a new Atlanticist international order for the post-war world.

The UK made a major contribution to the setting up of the United Nations during and immediately after the Second World War. We helped shape the International Monetary Fund (IMF), the World Bank and the North Atlantic Treaty Organization (NATO). The purpose of these international institutions and mechanisms was to make impossible a return to the Great Slump of the 1930s. The Foreign Secretary, Ernest Bevin, was largely responsible for Europe's enthusiastic response to the European Recovery Programme, better known as the Marshall Plan, and for setting up the mechanism for administering it in the form of the Organisation for European Economic Co-operation. Similarly, Britain's role was central in the running of NATO after 1949, seeing that if western Europe failed to respond promptly either to the American offer of Marshall aid or to the urgent need to build a system of collective security based on the North Atlantic, the United States might withdraw from the region and the European-American relationship revert to the distanced one of the 1920s and 1930s. Built into Britain's firm support for the Marshall Plan and the North Atlantic Treaty was the recognition that without America's assistance western Europe was unable either to rebuild its economy quickly enough or to guarantee its security.

This enormous co-operative endeavour, first of all during the Second World War following Pearl Harbor in December 1941 and then in the reconstruction of western Europe into the 1950s, was the cement of the relationship between Britain and the United States. To the old ties of language and culture something more substantial was added: a perceived common interest in, and shared responsibility for, the preservation in European countries occupied by the Nazis of a free, democratic way of life in conditions of international peace and prosperity. The more they got together, the better for everyone, but it was felt they had to build that unity as part of the continent of Europe, they had to make the bricks and cement them together.

Clement Attlee and Ernest Bevin were ready to ask the Cabinet to face the difficulties and the dangers of sustaining and defending Berlin against the Soviet Union. They accepted that the UK had to contribute forces, nominally under the UN but in reality under US command, to defend South Korea. But over and above those commitments, to expect that generation of Labour and Conservative leaders, still governing a Britain that was paying a heavy economic price and still carrying a disproportionate defence burden draining its resources, to join and lead a supranational European organisation was more than human flesh and blood could deliver. Entry to the European Coal and Steel Community (ECSC) was rejected by Attlee and Bevin in government and Churchill and Eden in opposition. Joining the EEC was rejected initially by Churchill and then Eden as Prime Minister, and by Hugh

Gaitskell and Aneurin Bevan in opposition. There was never any significant political counter-pressure to these leaders' judgement in the House of Commons at the time. Messina was twenty years too soon for the British people, as was demonstrated by Britain needing to wait until the referendum in 1975 for the full-hearted consent of the British people to being part of the European Community.

Those who wish to misinterpret Winston Churchill's Europeanism sometimes recall his somewhat quixotic suggestion, to a France in 1940 at the point of suing for peace with Germany, of a union between France and Britain. In truth this was an emotional response to a particular and dire crisis. It cannot be invoked to disguise the fact that everything that Churchill stood for in British politics indicates that he was wedded to Britain remaining a self-governing nation. No myth has been more assiduously peddled by the European integrationists in the UK than that Winston Churchill in a series of speeches after the end of the war, particularly in Zurich in 1947, was in favour of Britain joining a 'United States of Europe'. It is true he used that expression but he did so while making it crystal clear that such a 'United States' was for continental Europe. Europe would form one of his three circles of power and influence outside the Soviet empire – the other two circles being the United States of America and Britain with its Commonwealth. That the board of governors of the BBC should in 2000 have had to be forced to publicly contradict its programme makers for implying Churchill was in favour of a United States of Europe to include Britain shows how hard it had become to counter such propaganda. Then some wished to distort Churchill's true record and pray him in aid not just for European integration but to support their wish for Britain to join the single currency. By an historic standard of objectivity it is highly improbable that Churchill, who as Chancellor of the Exchequer disastrously returned Britain to the gold standard and was then subjected to a withering attack by Maynard Keynes in a best-selling pamphlet, 'The Economic Consequences of Mr Churchill', would have supported British membership of the Eurozone. He would have been more than usually wary of repeating anything like that mistake again. It is all too easy to rerun the 'ifs of history' without investigating how people thought at the time and setting their judgements against their immediate experience.

The commitment in the preamble to the 1957 Treaty of Rome to 'lay the foundations for an ever closer union among the peoples of Europe' has never been a commitment to a United States of Europe. The Rome treaty contained a formal indication that belonging to the

union, in the words of an eminent European lawyer,^{*} ‘in no way casts doubt on Members’ continued existence as States, in the fullest acceptance of that slippery notion’. It is seen today in Article 6(3) of the Treaty on European Union, which says that the ‘Union shall respect the national identities of its Member States’. That treaty provides a further oblique indication that members’ survival as states in the full sense is a basic assumption of the constitutional order since the unification aimed at is one of *peoples* and not of states;[†] and, while there is a process, that process is viewed as of an indefinite nature. What we have in the treaties is a formulation that European unity is cultural, social, economic and political, but strictly speaking the treaties carry within them no preconception as to the allocation of governmental powers, except that decisions must be taken as close as possible to the people, something which is not lived up to. While the design of the EU is still one of intergovernmental and supranational decision-making, the direction of travel has steadily been towards greater integration, too slowly for some, too fast for others.

In the preamble to the Fouchet plan, however, and in its eighteen articles it was specifically stated that it concerned a ‘union of states’. No attempt, however, was made to disown existing commitments. So the then European Coal and Steel Community (ECSC), European Economic Community (EEC) and European Confederation of Agriculture were accepted as continuing ‘in their respective domains’. In Article 1 it talked about the proposed union as respecting the ‘personality’ of the ‘peoples and member states’. Article 2 defined the scope of co-operation: namely diplomacy, defence and culture. Articles 5, 6 and 7 described the Council, the Assembly and the Political Commission. The Council, which was to be made up of heads of government or foreign ministers, was normally to meet three times a year and its decisions were to be made by unanimity. The Assembly was to be made up of delegates from the existing national parliaments with largely consultative powers. The European Political Commission was to be composed of civil servants and to be based in Paris. As discussions went on into the winter of 1961 Harold Macmillan, then the British Prime Minister, made it clear that the UK wished to be involved in the Fouchet discussions and that he viewed the concept favourably. The Dutch tried to get the UK involved, which only incited General de Gaulle to question, not unreasonably, how the Dutch could both be in favour of more supranationalism and British entry into the Common Market.

In early 1962 de Gaulle, annoyed that French diplomats had been too compromising,

^{*} Alan Dashwood, ‘States in the European Union’, *European Law Review*, vol. 23, no. 3 (1998), p. 203.

[†] Ibid.

added in his own hand what a French diplomat – in a magnificent understatement – called ‘two or three touches’ to the draft Fouchet plan. These ‘touches’ were designed to be a considerable hardening of the French position and had the effect of blowing the plan completely out of the political water. De Gaulle made the Political Commission’s decisions non-binding, he removed any obligation of trust and put a line straight through the cleverly crafted words covering defence which talked about ‘strengthening the Atlantic Alliance’. He also added that the new Council would have economic powers which would have, in effect, given any member government the power to override the EEC. By April 1962 the five other countries tabled counter-proposals to the French which for the first time used the expression ‘European Union’. Though never taken up then, the word ‘Union’ re-emerged years later in the 1990 negotiations and became part of the Treaty of Maastricht. The Dutch demand that defence be developed ‘within the NATO framework’ was another form of words that was to return to future treaty drafting sessions, particularly those surrounding the Treaty of Lisbon. The Dutch and Belgians were adamant that a precondition to any Fouchet plan was the admission of Britain to the Common Market. De Gaulle conceded references to the Atlantic Alliance but the new chairman of the ministerial committee, who had replaced Fouchet, could obtain no substantive agreement and the meeting held in April 1962 was the last. The negotiations had by then completely run out of political steam. Paul-Henri Spaak, the Belgian Foreign Minister, was not convinced that the plan represented a European advance, while Joseph Luns, his Dutch counterpart, thought the time was not ripe for a political union of the Six; Luns wanted the UK to join, having all along argued that a Europe of only six was not really Europe.

This breakdown in negotiations some saw in Britain as helping our application because everything had been left loose and indeterminate on political union and the UK did not have to accept an already defined confederal structure. Others, by contrast, felt that by failing to establish definite limits to the supranational areas of European activity and also not making clear the key political areas that were to be reserved for intergovernmentalism, an historic opportunity was lost to halt creeping integration in the future. Had de Gaulle been less stubborn and had something like the Fouchet plan been established it would have helped settle a major recurring UK fear over the years of Community membership: namely, that by adopting sensible measures of integration we only created a rod for our own back when, as was inevitable, we felt we had to resist those measures of integration that threatened taking the UK across a threshold for remaining a self-governing nation. Any British government would have found a specifically confederal model much easier to sell to public opinion from

1962 onwards than the one on offer, which left us with this potentially momentous issue open on whether or not the eventual destination was a single state. It was always going to be, however, very difficult to agree wording that would effectively close that issue down. The UK was saddled with constructive or destructive ambiguity depending on how one looked at the issue.

European integration after the Second World War did not begin, as argued in the Introduction, with the Marshall Plan in 1947. A customs union between Belgium, the Netherlands and Luxembourg (Benelux) started in January 1948. The foundations for this union were laid during the war with a monetary agreement in 1943 and a customs union treaty signed by the three governments in exile in London in 1944. The French, after the war, wanted to link with Benelux but not at that stage with Germany. However, in 1949 the Dutch declared their refusal to countenance a wider customs union unless it involved the new state of West Germany.

The building of post-war Europe and today's EU received a boost with the European Coal and Steel Community (ECSC), whose obvious purpose was to bind together the belt of coal and steel production that ran across the Franco-German frontier so that never again could the two countries fight each other by rearming to destroy each other. The French were very concerned by German reindustrialisation and felt threatened by excess German steel capacity and having to pay higher prices for German coal. French planners believed that if a supranational organisation could control German industry it could also be used to control German rearmaments. The plan, which was revealed publicly on 9 May 1950, was deliberately prepared without consulting or informing the British. The process had been given a significant push, however, in November 1949 by Dean Acheson, the US Secretary of State, when meeting his French and British counterparts, Robert Schuman and Ernest Bevin, in Paris. He argued that unless Germany could become part of western Europe it would inevitably develop along nationalistic lines.* Bevin wanted the continent to unite but like Winston Churchill saw it as a European project from which Britain would stand aside and he was not at all keen on British membership of the ECSC. Public opinion in Britain was also not ready for membership; neither the coal and steel industrial leaders nor their trade union leaders wanted membership. To pretend that there was a real choice over the ECSC which our then political leaders failed is abstract theory and a distorted reading of the realities of the post-war political decision-making environment.

* Alan Bullock, *Ernest Bevin: Foreign Secretary* (London: Heinemann, 1983), p. 739.

The ECSC had been designed by Jean Monnet's staff in the French Planning Commission and came into effect in July 1952. It was controlled by the High Authority, a supranational body with far more sovereign authority than the European Commission has ever been able to acquire. The ECSC Treaty also explicitly laid down a federal aim, something not included later in the Treaty of Rome. Following major retrenchments in both the steel and coal industries it has had less and less to do and its few residual activities were taken into the European Community in 2002.

The ECSC has, however, undoubtedly been the most important single factor in building the Franco-German alliance as the motor of European unity. It has bedded the two countries' civil servants into a habit of working together at every level of government and it can fairly claim along with the creation of NATO in 1949 to have had the major responsibility for making war again between these two countries virtually inconceivable.

Somewhat surprisingly, it was the invasion of South Korea on 25 June 1950 which proved to be the most important single factor in promoting the cause of European unity because it created the political climate which overcame resistance to the full involvement of Germany with the countries it had occupied. President Truman began to openly advocate in September 1950 that Europe should increase its land forces and suggested ten West German divisions. The French Prime Minister, René Pleven, said in October 1950 that France would only accept German rearmament in the context of a European army under the control of a single minister of defence. He also made ratification of the ECSC a precondition for rearmament. All this followed a motion passed in the Council of Europe on 11 August formally proposed by Winston Churchill, then leader of the opposition in Britain, calling for a continental European army under a European minister of defence. But as with all Churchill's post-war European initiatives his calls for European unity specifically excluded British participation.

What was initially called the Pleven Plan was approved by the French National Assembly by 348 votes to 224. However, the difficulties inherent in creating a European Defence Community (EDC) soon became obvious. First, it was necessary to establish some common ground between the newly established American-dominated NATO and the proposed EDC. Second, a defence community faced the problem of West Germany's relationship to the occupying powers. Fundamental changes in the Occupation Statute would have been necessary in order for West Germany to be able to participate. It is interesting that America was still an occupying power following Roosevelt's statement in Yalta that the 'United States would take all reasonable steps to preserve peace, but not at the expense of

keeping a large army indefinitely in Europe, 3,000 miles away from home'. Initially the American occupation after the Second World War was limited to two years. It was Churchill who championed France being given an occupation zone and being a full member of the Allied Control Commission.^{*} It was these three – the US, UK and France – which had to respond to the Soviet blockade of the western sectors of Berlin on 24 June 1948. Bevin was in favour of firm action from the start. He led the Western response and demanded an airlift from the military. He welcomed the US sending to Europe B-29s capable of dropping atomic bombs and agreed that some might be stationed in Britain.

Berlin was my first real memory of an international crisis. At the age of ten I watched the airlift begin on the Pathé news at our local cinema. It was a very formative experience. We were helping the Germans; our enemy was now Soviet communism.

Before the EDC could be established, the all-important question had to be answered of how to develop financial and political control mechanisms which would effectively integrate a grouping of national armies. The early 1950s was a time when the idealism lying behind the concept of a united continental Europe was openly and frankly stated. European integration was not subjected to the critical scrutiny and scepticism developed later in France under General de Gaulle. At the EDC conference held in Paris on 15 February, 1951, the climate was such that Robert Schuman reminded the conference that nations once deeply divided were meeting round the same table, forgetting their past struggles in an 'attempt to substitute for the very instrument of these struggles – national armies – a common army that will be able to act only in defence of their common civilisation'.[†] These were fine sentiments, particularly coming from the French, who still had bitter memories of two world wars fought on their territory. They were, however, the language of a political elite that was becoming increasingly out of touch with French opinion. The EDC did not initially arouse profound resentment, but slowly the critics gained in strength. In France, there were genuine fears of German rearmament and the opposition became particularly bitter. Some prominent French Europeans opposed the EDC on the grounds that military integration should not precede political integration, and there was also disappointment that the EDC did not embrace the whole of Europe and particularly Britain.

On 5 June 1954, General de Gaulle, out of office since 1947 and waiting in his home at

^{*} Martin Gilbert, *Winston S. Churchill, vol. 8: Never Despair, 1945–1965* (London: Heinemann, 1988), p. 1180.

[†] F. Roy Willis, *France, Germany and the New Europe, 1945–1967* (London: Oxford University Press, 1968), p. 134.

Colombey-les-Deux-Églises to rescue his country once again, gave one of his rare but influential press conferences. He bitterly attacked the EDC concept. De Gaulle was still a crucial influence on the party he had formed, and on a significant wider section of French opinion. Michel Debré, speaking in the National Assembly in 1953, voiced the Gaullist arguments against the EDC Treaty, which were to become the dominant theme of French foreign policy throughout the 1960s. 'It is necessary to tell all the theologians of little Europe point blank: Europe is not a nation; it is an aggregate of nations. Europe is not a state; it is a grouping of states. To create Europe, this reality must be taken into account.'^{*} It was the French National Assembly which in effect rejected the EDC Treaty when it eventually came up for ratification on 30 August 1954. The rejection was of fundamental importance for it challenged both the assumption that institution-building was the only way to build European unity and, even more important, that there is no inherent difference between economics and defence policy-making.

After 1954 the advocates of European integration put foreign and defence policy to one side and concentrated on building the institutional framework for trade within a common market. This they did with great single-mindedness but the dream of the institution builders like Jean Monnet remained. Monnet wrote in the winter of 1962–3: 'European unity is the most important event in the West since the war, not because it is a new great power, but because the institutional method it introduces is permanently modifying relations between nations and men.'[†] This institutional method, by then called the 'community method', was still being invoked by the Commission in 2001 as the only way to proceed into the future.[‡]

Mistakes were made in the 1950s and 1960s but they were not mainly over Europe. France and the UK made a clandestine agreement with the Israelis in October 1956 whereby Israel would attack Egypt in Sinai, then British and French forces would come in posing as an independent intervention force to safeguard the Suez Canal. This was international deceit on a grand scale and denounced by the then US President, Dwight Eisenhower. Many of my generation felt ashamed that Britain and France broke the UN Charter so irresponsibly and let the Soviet Union days later escape world censure over its invasion of Hungary. The consequences of the Franco-British military debacle over the Suez Canal intervention and the lessons of military overstretch were only fully learnt when the UK withdrew from military

^{*} France, *Conseils de la République, Débats parlementaires*, 27 October 1953, pp. 1640–47.

[†] Jean Monnet, 'A Ferment of Change', *Journal of Common Market Studies*, vol. 1, no. 3 (1963), pp. 204, 211.

[‡] Commission of the European Communities, *European Governance: A White Paper*, COM(2001) 428 Final, 25 July 2001.

bases east of Suez following the devaluation of 1967.

In the aftermath of the failed Suez invasion there were choices to be made. The French from their point of view chose wisely to put their weight behind the newly established European Community. The British, from the point of view of a Europe still facing Soviet communism, wisely chose to repair their relationship with the United States of America. The French saw the European Community as the means of challenging what they called the hegemonic powers of America. The British strove to balance the commitment to the Anglo-American relationship epitomised by NATO with their application for membership of the European Community. The brick wall was not just de Gaulle but the relationship between France and Britain. Stacked with history and full of ambivalence it continues to this day to reflect different European and world perceptions and priorities. Germany was bent on securing its partnership with France. Britain, by 1973, was focused on the European Community and on strengthening Europe–US relations. The policy has had its ups and its downs. Its biggest up was the first Iraq War of 1991. Its greatest down was the second Iraq War of 2003 to 2010. Interestingly, neither had anything to do with either the EU or NATO.

Many of my generation across the political divide in Britain were, by the early 1960s, starting to look with favour on the ideal of the United Kingdom joining the Common Market. The Common Market was not seen by our generation as a way of ending Franco-German enmity, for that had been achieved through the European Coal and Steel Community and NATO. We saw the Common Market primarily as providing the means of giving Britain and Europe greater economic strength to confront the Soviet Union and prosper in the wider world. Also, we saw political cohesion in Europe as helping the United States through NATO to stretch and counter the Warsaw Pact's military might while eroding through détente the ideological basis of Soviet communism. That all this might lead to the break-up of the Soviet empire was a hoped-for, but not widely envisaged, outcome.

The British application to join the Common Market would never have been contemplated by the then Conservative Party, let alone steered through the Cabinet, had it not been for Harold Macmillan. After much wringing of hands and political hesitation, he put the full weight of his leadership behind joining. Interestingly, it was the young, intelligent and somewhat laid-back President of the Board of Trade, Reginald Maudling, later an expansionist Chancellor of the Exchequer, who was the only Cabinet minister to oppose entry into the Common Market. He strongly preferred that Britain should remain one of the seven EFTA countries and even publicly was warning: 'We should apply to accede only on the basis that we want some amendments of the basic principles and objectives to meet our

special requirements.’ When Macmillan met President de Gaulle in the Château de Champs in June 1962, de Gaulle very explicitly repeated his preference for a Six without Britain, and there were other warning signs of a lack of enthusiasm coming from France.

Meanwhile the Labour leader, Hugh Gaitskell, according to his official biographer, Philip Williams,^{*} finally decided on his course of opposing European federalism and linking this to joining the Common Market between mid-July and mid-September 1962, heavily influenced by clashes with the powerful Dutch socialist and federalist Paul Henri Spaak, and reflecting the content of another earlier meeting in April with Jean Monnet. Both had a strong federalist vision and disliked Gaitskell stressing that nobody in Britain was advocating moves to early federation and his refusal to go further than the exact wording of the Treaty of Rome.

On 21 September Gaitskell replied to Macmillan’s broadcast the previous day, asking rhetorically if Macmillan wanted to enter a European federation. He warned that if so, ‘it means the end of Britain as an independent nation; we become no more than “Texas” or “California” in the United States of Europe. It means the end of a thousand years of history; it means the end of the Commonwealth, to become just a province of Europe.’ Gaitskell’s warning against a United States of Europe then and his stress on the need for vigilance about it emerging by default has remained with me as a guiding principle ever since. It is easy to forget that the debate from 1961 to 1962 surrounding the Fouchet Plan amongst continental Europeans in the run-up to our own UK debate in summer 1962 made it perfectly valid for these concerns about the future of the Common Market to be championed domestically in our debate about joining. The view claimed by and large by supporters in the UK of joining was that the future was at most that of a European confederation of member states. The view claimed by those opposed outright to joining, was that it would lead to a federal United States of Europe. Echoes of this can be heard in the debate on leaving or remaining in the EU in the referendum of 2016.

I was too busy as a junior hospital doctor to attend the Labour Party conference in Brighton but I read Gaitskell’s speech delivered on 8 October in the following day’s newspapers with enthusiasm. I was, however, totally unaware of the effect it had on three people who would later be for some years my political friends and fellow founders of the SDP: Roy Jenkins, Shirley Williams and Bill Rodgers. At that stage in my life I had never met them. But I would have read Anthony Howard in the *New Statesman* a few days after

^{*} Philip M. Williams, *Hugh Gaitskell: A Political Biography* (London: Jonathan Cape, 1979), Chapter 25: ‘The Common Market’.

Gaitskell's speech asking: 'Why did the Labour Party leader decide to go as far – sparing the feelings of none of his former associates in the process? ... The proof of it was to be seen in the well-known faces which could be noticed primly sitting down on the ex-officio benches as the rest of the conference rose to give Hugh Gaitskell the greatest ovation of his career. Men like Jack Diamond and Bill Rodgers (Roy Jenkins had the sense to stand up and make a brave shot at making the best of it) certainly looked angry but they also looked beaten and betrayed.'

They believed that many of the 'ifs' in Gaitskell's speech were not negotiable. 'If we carry the Commonwealth with us, safeguarded, flourishing, prosperous, if we could safeguard our agriculture, and our EFTA friends were all in it, if we were secure in our employment policy, and if we were able to maintain our independent foreign policy yet have this wider looser association with Europe, it would indeed be a great ideal. But if this should not prove to be possible, if the Six will not give it to us, if the British government will not even ask for it, then we must stand firm by what we believe.'

In 1962 the Liberal leader, Jo Grimond, a cavalier and engaging politician amongst post-war party leaders, was always open about what federalism eventually required – a European President, directly elected or indirectly by the European Parliament, and a European Cabinet or Commission to make the key decisions in economic, foreign and defence policy. The Cabinet or Commission would be controlled primarily by the European Parliament and also now by the European Council, forming a second chamber of the directly elected European Parliament. This was something very close to what Angela Merkel proposed in 2012.

Harold Macmillan, at his own party conference in 1962, felt confident enough to tease Gaitskell, depicting him as a poor creature, without any real breadth of view or sense of values, with an old song: 'She didn't say yes, she didn't say no, | She didn't say stay, she didn't say go, | She wanted to climb, but she dreaded to fall | So she bided her time and clung to the wall.'

The truth is that Gaitskell has been largely proven correct and Macmillan and those Prime Ministers who largely shared his views wrong. It says much for Macmillan's political skills within his own party that by 11 October 1962 an anti-Common Market amendment at the Conservative Party conference was defeated by 4,000 votes to 50. So enthusiastic were the Conservatives that even Edward Heath, their negotiator, feared that it might give the six

* Alistair Horne, *Macmillan, vol. II: 1957–1986* (London: Macmillan, 1989), p. 334.

countries already in the Common Market the impression that the UK would join at any price and thereby weaken his negotiating position.

On 15 December 1962, Macmillan travelled to Rambouillet for another meeting with General de Gaulle. This meeting was disastrous. Macmillan's official biographer describes how de Gaulle became increasingly discouraging about the British application to join the Six* and Macmillan recorded that 'our talk became something of a wrangle. This is very unusual in our relationship.' Reverting, 'rather ungraciously', to the difficulties at Brussels, de Gaulle declared that within the Six 'France could say "no" against even the Germans; she could stop policies with which she disagreed, because of the strength of her position. Once Britain and all the rest joined the organisation things would be different.' Realising that the chips were down, Macmillan let his anger take control and said with indignation that what de Gaulle had now put forward 'was a fundamental objection in principle to Britain's application. If that was really the French view, it ought to have been made clear at the start. It was not fair to have a year's negotiation and then bring forward an objection of principle. De Gaulle seemed rather shaken,' he added. Concealing his disillusionment with de Gaulle, Macmillan pretended on his return that our application was still on the rails.

De Gaulle, however, was far from shaken; his political party had won an absolute majority in the November elections and he felt free to reject Britain's application regardless of the other five countries. On 14 January 1963, he held a press conference at the Élysée Palace and made public what he had expressed in private at Rambouillet. He spoke from a long-considered view of the British nation. Over the decades what runs through his speeches and his writing was a continuous strand of ambivalence about England, hovering between outright admiration and scarcely concealed animosity. De Gaulle knew France had to have one big nation as a partner within the European Community without which it would not be strong enough economically. For that all-important partnership he chose Germany because he believed that France could henceforth always remain Germany's equal and on foreign policy he assumed France would always be in the driving seat. That judgement, upheld by successive French Presidents, has been challenged in major ways ever since the fall of the Berlin Wall.

The German Chancellor, Konrad Adenauer, who was musing about Britain being only an associate member of the Community, was more than ready to go only with France's decisions. To demonstrate that, he had signed the Franco-German Treaty of Co-operation and

* Horne, *Macmillan*, vol. II, p. 431.

Friendship at the very moment of de Gaulle's veto.

There was much truth in de Gaulle's brutal dismissal of Britain's application when he said: 'Britain is insular, maritime, bound up by her trade, her markets, her food supplies, with the most varied and often the most distant countries. Her activity is essentially industrial and commercial, not agricultural. She has in all her work very special, very original habits and traditions. In short, the nature, structure, circumstances peculiar to England are very different from those of the other continentals. How can Britain, in the way that she lives, produces, trades, be incorporated in the Common Market as it has been conceived and as it functions?' Fifty years later there are still recognisable characteristics from his description. But de Gaulle always saw Britain from Paris even when he was living during the war in London. As a supreme nationalist he was still striving in the 1960s to redeem France from the ignominy of Marshal Pétain's decision to surrender to the Nazis.

A glimpse of the complexity and the driving forces behind de Gaulle as a leader of France is evident from a vignette of the time. Paul Reynaud, a former Prime Minister and President of France, wrote critically about the French veto of Britain's application in *Le Monde* on 24 January 1963. 'France isolated, the Entente Cordiale ridiculed, disorder in the Atlantic Alliance, the irritation, if not the enmity of the United States towards us, when it is their presence in Europe that guarantees our liberty, the Common Market, the motive force of our expansion, threatened with splits. And why?' Two weeks later Reynaud received a letter and the address on the envelope he recognised as being handwritten by de Gaulle. Inside there was absolutely nothing but on the back of the envelope was written dramatically: 'If absent, forward to Agincourt or Waterloo.' When de Gaulle was asked to address both Houses of Parliament as President he insisted that the ceremony should be in Westminster Hall, refusing to speak in the Queen's Gallery flanked by large paintings of the Battle of Trafalgar and the Battle of Waterloo.

Harold Macmillan spoke to President Kennedy by telephone five days after the French veto. 'President de Gaulle', Macmillan said, 'is crazy. He's simply inventing any means whatever to knock us out and the real simple thing is he wants to be the cock on a small dunghill instead of having two cocks on a larger one.' Macmillan by then had reason to be grateful to Kennedy for salvaging his political reputation in the UK by agreeing earlier at their meeting in Nassau on 19 December to sell US Polaris submarine missiles to replace the US airborne missile Skybolt, which Kennedy had cancelled days before. President de Gaulle simply had no intention, on grounds of French national interest, of allowing Britain's application to proceed and indeed had told the Council of Ministers on 19 December about

his earlier private rejection of Macmillan's pleas. 'I couldn't give the poor man anything and he looked so sad, so downcast, that I wanted to put my hand on his shoulder and say, as Edith Piaf does in her song, "*Ne pleurez pas, milord*"!'

On 14 February 1963, Harold Wilson was elected leader of the Labour Party, Gaitskell having tragically died at the peak of his political power on 18 January. On 18 October 1963, Macmillan retired on medical grounds and was succeeded by Sir Alec Douglas-Home, who gave up his hereditary title. On being derided by Wilson as the 14th Earl of Home, he smiled and said one could equally describe the Labour leader as the 14th Mr Wilson.

The 1964 general election was not focused on Europe. In Torrington, where I was the Labour candidate, the Devon dairy farmers were very hostile to another attempt to join the Six and the Conservative MP for the constituency, himself a farmer, was adamantly against the Common Agricultural Policy. The enthusiasm of Mark Bonham Carter, the Liberal candidate, for the Common Market began to wilt. I was comfortable with Labour's policy on the Common Market under Harold Wilson. If anything I became cautiously the most open minded of the three candidates about the Common Market, content to wait while expecting that we would most likely eventually join. It was Douglas-Home's laid-back style which won back support for the Conservatives, not much harmed by likening his approach to economics as 'counting matchsticks'. The Conservatives, surprisingly, ran Labour very close in 1964. Nevertheless Labour, after thirteen years out of government, was back in power but without a working majority. This they won with a landslide in 1966.

Harold Wilson and Edward Heath, as respectively leaders of the Labour and Conservative parties, dominated British politics for the next twelve years. As Prime Ministers and leaders of the opposition from 1964 to 1976, they also developed a barely disguised contempt for each other, the origin of which lay in the European issue. Yet they share the responsibility, the credit or the odium, though in very different ways, for Britain eventually joining the European Community. Their mutual animosity was on display following de Gaulle's announcement that France would withdraw from the integrated command structure of NATO at a Western European Union meeting held in London during the 1966 general election. A French representative had used delphic words about France moving towards supporting an enlarged European Community and his speech was welcomed by Heath, then in opposition. Wilson infuriated Heath in a speech in Bristol by saying of him: 'One encouraging gesture from the French government and he rolls on his back like a spaniel,' to

* Jean Lacouture, *De Gaulle 3: Le Souverain* (Paris: France Loisirs, 1987), p. 357.

which Heath replied: ‘Lies, stooping to abuse, revolting, poisonous lies, deplorable, personal hostility, nauseating, filthy insinuation – absolutely filthy. God it’s a filthy speech.’ Political emotions over Europe in Britain have run high ever since.

In 1965, French ministers, under de Gaulle, had refused to attend Council meetings, and forced on the Community the Luxembourg Compromise, never formally part of the treaties, but which established the right to uphold an informal veto if a vital national interest was imperilled. The wise European Commissioners under the Luxembourg Compromise henceforth began to consult with governments where they knew vital interests might be involved before adopting any important proposal. In this way, while retaining the Commission’s right of initiative within the treaties, they kept the balance within the treaty language. As a matter of practice, if any member state felt its vital interests to be at stake even on issues that had hitherto been governed by majority voting, such commissioners would continue discussion until unanimity had been achieved or would drop the proposal altogether. In May 1982 the UK did invoke the compromise over agricultural price-fixing but France voted against. The Luxembourg Compromise was last used by Germany with French connivance in 1985 over cereal prices. It became fashionable to claim that the compromise has since lapsed because it has no treaty basis. But in 1992, when President Mitterrand was having to obtain the agreement of the French Assembly to the Maastricht Treaty and was rightly concerned about his chance of winning the referendum, which he eventually won only by the narrowest of margins, Prime Minister Pierre Bérégovoy made a specific statement to the Assembly asserting that the Luxembourg Compromise still stood as the ultimate safeguard of French sovereignty.*

After the 1966 election Harold Wilson, with a massive majority of Labour MPs, of which I was but one, began to probe the terms that could be acceptable for both the UK and the Six. To his credit Edward Heath gave him full support as leader of the opposition. Wilson’s Foreign Secretary was George Brown, who had been moved from Secretary of State for Economic Affairs after the collapse of economic growth and with it the National Plan in July 1966.

It is fair to say that most of the political debate in the UK in the run-up to the 1967 application took the confederal structure of the Common Market as the acceptable reality. There was little evocation of Gaitskell’s stance, if for no other reason than most believed that de Gaulle had fought and won the battle over federalism. Little did we understand then that

* Prime Minister Bérégovoy speaking in the French National Assembly, May 1992.

the price of maintaining the structure of a community of self-governing states was eternal vigilance and that the community method was already eroding the frontiers of the state and was not recognising any limits.

Wilson and Brown made exploratory visits in 1967 to the European capitals but somehow it never looked very serious. Eventually de Gaulle vetoed this second application on 27 November 1967. It was felt that the British had embarked on an ill-judged diplomatic venture and de Gaulle's renewed veto caused little sense of shock or surprise on the Continent. Even in the UK it seemed inevitable. If Wilson's initiative had any benefit it was in preparing opinion inside the Labour Party for the referendum on staying in the Community in 1975, rather as Macmillan's initiative in 1962 had prepared the Conservative Party for entry under Edward Heath in 1973.

In government with the support of Jim Callaghan as Foreign Secretary in the 1975 referendum, continued British membership of the European Community was the crucial factor for Wilson and the renegotiated terms were peripheral, but neither man ever accepted an integrationist agenda and they were very careful at all times to protect the self-governing nature of the UK and would have lived with a 'No' vote. Callaghan was arguing in the event of a 'No' vote still on 14 May 1975: 'We should have to begin to act immediately e.g. on European Communities Act 1972 to restore supremacy of UK sovereignty.'^{*} From February 1975 until polling day the 'Yes' vote was in the lead with +8 initially and +34 by the end of May. On 5 June, on a turnout of 64.5 per cent, 67.2 per cent voted 'Yes' and 32.8 per cent voted 'No'.

Harold Wilson retired as Prime Minister in 1976 having won three elections. He had very little of real substance in his record to match his 1963 rhetoric about forging a modern Britain but at least he settled the question of British membership of the Community for over forty years, until the 2016 referendum. Historians will judge that he achieved the full-hearted consent for Europe from the British people that had eluded Edward Heath. Heath, however, had had the nerve to force entry into the Community through a very reluctant Parliament but Wilson in the referendum campaign in 1975 invited the electorate to vote to retain the status quo of continued membership. He thereby justified his opportunistic support for a referendum in 1972 to help maintain the unity of the Labour Party, a unity that was lost in the 1980s, but regained with great enthusiasm from 1990 until 2010.

^{*} Stephen Wall, *The Official History of Britain and the European Community, vol. 2: From Rejection to Referendum, 1963–1975* (Abingdon: Routledge, 2013), p. 588.

Edward Heath's victory in 1970 came as a shock to most people. The opinion polls had predicted a 12 per cent lead for Labour and the bookmakers at one stage even had Labour 20:1 on to win. So confident were we of victory the week before polling day that at a late dinner at my home in Plymouth with Roy Jenkins, then Chancellor of the Exchequer, Roy said that following talks with Harold Wilson he would be Foreign Secretary. He had told Wilson that he would only take the job if he, Wilson, was fully committed to Britain entering the EEC. 'Not just committed, dedicated' came Wilson's reply and he was apparently dismissive of any difficulty over the terms in the negotiations.

In June 1970, when the UK, Ireland, Denmark and Norway were literally just about to apply, the European Commission had agreed in principle that all fish in western European waters should become 'a common European resource'. This had but one purpose, to prise out of the new applicants 90 per cent of the fish which lay in their waters. The Commission's statement had no authority from the treaties but it was assumed in Brussels that this Common Fisheries Policy (CFP) would now become part of the *acquis communautaire*, the body of existing EU law that all new applicants are expected to uphold. Britain should have disputed this vigorously immediately the action was taken and it would have had the full support of all the applicant countries and some of the existing members. Sadly, once again the softly-softly approach to negotiating favoured by the Foreign Office won the day. Europe was the loser, for it meant that Norway said 'No' in its referendum and still remains outside the EU. Norway, rich because of North Sea and Arctic oil and gas, is the most generous nation in terms of overseas aid.

The all-important political atmosphere, particularly in France, over considering the UK's application had been transformed by the new President of France, Georges Pompidou. Formerly a banker with Rothschild and General de Gaulle's special envoy to Algeria, and then Prime Minister, he had become French President after de Gaulle's resignation following his defeat in the 1969 referendum. This referendum de Gaulle had called somewhat quixotically on the relatively minor issue of regional government. Immediately President Pompidou put the 'empty chair' crisis behind France and did not fear the opposition of dissatisfied Gaullists.

At an EEC meeting in The Hague on 1–2 December 1969, the first after de Gaulle had stepped down, agreements were concluded on financing the CAP and to open enlargement negotiations to include the UK. The Werner Plan, the product of a committee sitting in 1969 and chaired by Pierre Werner, the Prime Minister of Luxembourg, on monetary union was published one year later. The feeling inside the Community of Six was again more

integrationist and the mood for major reform seemed back, with anything looking possible including a European currency. In London the Treasury made its first assessment of monetary union in 1971, telling ministers privately: 'It should be noted that this has revolutionary long term implications, both economic and political. It could imply the ultimate creation of a European federal state with a single currency.' The Treasury went on to say: 'There must be no mistake about the final objective. The process of change is irreversible and the implications, economic and political, must be accepted from the outset.' There was no attempt to hide from ministers that 'at the ultimate stage, economic sovereignty would to all intents and purposes disappear at national level and the Community would be master of overall economic policy' and the Treasury predicted that the economies of the members of EMU would be 'as interlocked as the states of the United States'. Little of this emerged in public, for the reason that Heath had one priority – to win over a hostile public, and he had no wish to frighten the voters with federalism, let alone a European currency. But Heath's action, while politically prudent, was based on not telling the full truth and eliding the facts. The British people never trusted Heath on Europe, and never gave him the 'full-hearted support' he asked for.

In Paris, in 1971, Pompidou stressed that what was needed was an historic change in the British attitude. In his autobiography Heath describes Pompidou as regarding his own country and Britain as the only two countries with what he termed a 'world vocation' and saying quite explicitly that, if the political and intellectual prestige of Britain were added to those of the Six, the Community would be greatly enriched. For Edward Heath his own task was to convince Pompidou that this was also what we wanted to see. By the end it was Pompidou who said to a surprised press: '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 to divert it from its objectives. Many people also thought that France was ready to use every pretext to place in the end a fresh veto on Britain's entry. Well, ladies and gentlemen, you see before you tonight two men who are convinced of the contrary.'

The most difficult question in the negotiations was to estimate how much the UK would be paying into the Community Budget, how much we would get back and the all-important balance. Some in the Treasury feared the imbalance would be unsustainable and so it proved. At least Britain won a let-out clause in the negotiations stating that if unacceptable situations should arise 'the very survival of the Community would demand that the institutions find equitable solutions'. This was used by Harold Wilson in his somewhat limited renegotiations in 1975 and again more importantly in the negotiations over the refund

begun under James Callaghan in 1978 and brought to a successful conclusion by Margaret Thatcher as Prime Minister in 1984.

By the spring of 1971 the Heath government had become unpopular. As economic growth fell, high unemployment figures began to build up along with unrestrained price rises. The government refused at this time to intervene to help industry and the famous U-turn on industrial policy was only to come a year later. The government also began to face a serious revolt amongst some of its own MPs on entry to the European Community. It began to appear credible that even with the support of the Liberal Party it would not be able to carry the House of Commons for the principle of entry and, embarrassingly for me, it became ever clearer that the votes of some of us on the Labour benches who supported entry might be needed if the British application was not to be rejected by Parliament.

It was clear that a significant section of the Labour Party led by Callaghan was now preparing to shift its ground on Europe. This represented a deep threat to Harold Wilson's leadership for it contained many of the people, middle-of-the-road trade unionist MPs, who had turned against Wilson over trade union reform. Four days after the Heath-Pompidou breakthrough meeting in May 1971 in Paris, Callaghan spoke in Southampton in what was irreverently labelled the '*Non, merci beaucoup*' speech. It followed on Pompidou's reference to French being the language of Europe and Callaghan said, tongue in cheek: 'Millions of people in Britain have been surprised to hear that the language of Chaucer, Shakespeare and Milton must in future be regarded as an American import from which we must protect ourselves if we are to build a new Europe.' It is an interesting side issue to that speech that forty-five years later there is no doubt that within the EU English is destined to be the language of Europe, due largely to its acceptance worldwide.

Callaghan in that same speech drew on his experience as Chancellor of the Exchequer and began to explore whether the Werner Report's advocacy of a single currency would mean a federalist Europe. This was at a time when Heath was still able to claim that decisions on this subject would have to be taken unanimously with a veto retained. Callaghan challenged the logic, saying: 'I understand there is to be a confederation of member states whose ministers will retain full powers of decision. That is to say, they can disagree with decisions taken by other countries and so can prevent action by the EEC countries. This is a contradictory position for, if there is to be a successful economic and monetary union, then member states will have to subordinate their own fiscal, taxation and monetary policies to a central governing body.' These were prophetic words anticipating not only the eventual structure of an autonomous European central bank that was to emerge in the Maastricht

Treaty, but the design flaws in that treaty and the crisis in the Eurozone that began in 2009 and is still with us in 2016. Only in the light of the various failed experiments with currency stabilisation, such as the European Monetary System (EMS) and its all-important Exchange Rate Mechanism (ERM), were the French ready, at Maastricht, to concede to the German Bundesbank that independent bankers should control the Eurozone's interest rate and thereby its exchange rate and ultimately its unemployment rate. Yet it is this very issue of the European Central Bank to which the French returned in the 2012 presidential debate between Nicolas Sarkozy and François Hollande.

The political impact of Callaghan's speech on Harold Wilson was profound since he recognised that it was a direct challenge to his leadership of the Labour Party. Wilson acted quickly to put himself in line with the changed party mood. The political correspondent of the *Financial Times*, David Watt, had earlier anticipated this switch, writing: 'If the leader of the Labour Party starts at this late stage to discover a sudden burning indignation on behalf of the Caribbean sugar producers, Scottish fishermen and New Zealand farmers, many of us will be quietly sick, but quite a lot of the Parliamentary Labour Party may find it convincing.' In his wind-up speech at a special Labour Party conference on Europe in London, Wilson did rediscover New Zealand farmers and came out against the terms of entry. Some Labour MPs including myself felt very sick but many more of my parliamentary colleagues were highly relieved to that they now had a green light to take the political gloves off and oppose the Conservatives outright on the terms of entry into the Community.

Eventually in the autumn, when Heath knew he could not win with his own votes, he conceded a free vote but by then it was too late for us in the Labour Party. The majority of the Labour shadow Cabinet and of Labour MPs were now determined to have a three-line whip. Defying that whip along with sixty-eight other Labour MPs I voted on 28 October to support entry. There was a cross-party majority of 112. Yet on the detailed legislation, four months later, in February 1972, the majority had fallen to eight. Had every Labour MP joined the thirty-nine Conservative and Ulster Unionist MPs who voted against the principle of entry, Britain would not have been able to sign the Treaty of Accession in Brussels on 22 January 1972.

Much has been written about the legitimacy of the parliamentary process that took us into the Community without a referendum. Yet no fair-minded reading of the six-day House of Commons debate finishing on 26 October can support that there was a conspiracy of silence on the issues involved. Every aspect of the loss of sovereignty was explored and the deficiencies in the terms exposed. The significant shift in legislative procedure whereby

Community regulations automatically had legislative effect in our country without passing through our parliamentary procedures was strongly criticised and many MPs personally anguished over this aspect. The issue of whether the European Community was becoming a federation or represented a confederation was also discussed without much light being shed on the exact meaning of the words, but again no fair-minded person can deny the majority 'Yes' vote was made up with most MPs favouring a confederation. In 1970 I had belatedly become a student of American history, having recently married a US citizen. I read then the famous 'Federalist Papers', a series of articles promoting the ratification of the US Constitution, for the first time and the abiding impression I was left with was how different the history and evolution of the United States of America is from that of the nation states that make up the European Community. Also worthy of note is how long it took for the US to move to its present federal structure with a single currency and powerful Federal Reserve bank. For the first 150 years after the 1788 Constitution called for monetary union the country 'was wracked by bitter regional disputes over monetary policies and institutions'.^{*} Americans were not even ready to become the 'single people' called for in their Constitution until after the Civil War ended in 1865. In 1861, when the Civil War began, the United States was divided into three currency areas: Demand Notes or 'greenbacks' in the north-east, Confederate dollars in the south and gold in California. In 1900 the US firmly committed itself to the gold standard. In 1913, after the 1907 banking panic, the Federal Reserve system was established with regional banks each issuing their own currency, the dollar having a different value in shops separated by the state boundary.

In the 1971 parliamentary debates there was a tendency for speakers in favour of entering the Community, such as myself, while highlighting the safeguard of the veto and intergovernmental authority, to pay too little attention to the underlying risk of a momentum building up to demand more majority decision-making and greater integration. But in fairness that momentum was only beginning to restart after being repulsed for more than ten years by de Gaulle.

The case for a referendum had been made by Tony Benn for some time, first in general and then in May 1970 specifically for entry into the Community. But it never took off in terms of the public demanding it of their political leaders. The Labour Party appeared by the spring of 1972 to be resigned to Britain's membership despite the tortured hours of debate

^{*} Hugh Rockoff, 'How Long Did It Take the United States to Become an Optimal Currency Area?', City University Business School Conference on Monetary Unions, 14 May 1999.

with very small majorities on the legislation. Most of the sixty-nine Labour MPs who had rebelled, including myself, were now voting against the government's legislation despite feeling a deep sense of shame in doing so. Shabby party political advantage had reasserted itself and I felt pretty miserable voting against.

Suddenly the question of a referendum burst unexpectedly on the political scene. It came over whether the Labour Party should support a Conservative backbench amendment to the European Communities Bill supporting a consultative referendum prior to entry. The Labour Party conference had voted against a somewhat similar referendum motion at Brighton the previous year. At the Shadow Cabinet on 15 March there were only four votes in favour of voting for the Conservative amendment and Harold Wilson spoke against a referendum. Fatefully, next day President Pompidou announced there would be a referendum in France on the question of enlarging the Community to include Britain. The Labour Party National Executive Committee (NEC) then voted on 22 March to support Tony Benn's initiative in favour of a referendum. On 24 March in an example of crazy political timing Edward Heath unexpectedly announced that for the first time ever, the UK would admit the principle of periodic referendums in Northern Ireland on the issue of union with the South.

When the Shadow Cabinet met on 29 March the political climate had changed and a combination of political opportunism and some quiet manoeuvring meant that they reversed their position of only a fortnight before, voting for the Parliamentary Labour Party to support a consultative referendum. Roy Jenkins was immediately determined to resign as deputy leader. I put a memorandum* to him looking in some depth at the case for the pro-EEC Labour MPs accepting voting for a referendum and listing the conditions necessary for its fair conduct. These included allowing MPs to campaign on either side of the issue, which was one of the conditions which came into effect in the actual referendum of 1975. Privately, Jenkins argued, with immense passion, that the referendum amendment might well pass. He felt it would be more difficult to win a referendum when we were still out of the Community and that a 'Yes' vote would have to endorse the unknown. Also he warned that whatever people's intentions at the start of any referendum campaign, the mood of antagonism in the Labour Party to those of us who were continuing to argue for entry could reach such a pitch that we would run a substantial risk of being expelled from the party. If, however, a referendum was held after a general election, he argued, the 'Yes' vote could be won for it would be to stay in the Community and voters would have already experienced membership.

* David Owen, *Time to Declare: Second Innings* (London: Politico's, 2009), p. 124.

This meant that winning public opinion over would be much easier. My supportive views on a referendum notwithstanding, these were fairly compelling arguments and I was determined that Jenkins should not be left alone and isolated on this issue. I was in sufficient doubt as to a referendum's advisability to be content to accept his judgement and resign with him. Rarely is there a right time to resign. In this case I resigned primarily because I was beginning to despise myself for hiding behind a few brave Labour MPs who had ensured, by abstaining or occasionally voting for the government, that the legislation which I favoured for Britain to enter the Community went on to the statute book.

As for Harold Wilson, he had been subjected, as he saw it, in pursuit of party unity, itself a not ignoble priority for any party leader, to vitriolic personal attacks. An example was a *Times* newspaper leader, 'What can one say of such a man, save that he should never be Prime Minister again?' All this was deeply wounding to someone with a strong patriotic streak and who already suffered from a syndrome prevalent amongst politicians of 'press paranoia'. To Wilson it was he who had had to withstand the 'mud, filthy mud' while we pro-marketeters in the Labour Party were lauded by much of the Tory press as people of principle and probity. In fairness, it must have been galling for him. He was bent on personal survival as leader of the party, but also on keeping the party together. Roy Jenkins had come to represent more of a threat to his leadership than Jim Callaghan, with some attacking speeches on domestic policy issues, and so Wilson moved quickly, as he had done with Callaghan the year before, to face down his deputy's challenge. This was the explanation for Wilson's change of mind on the referendum in the shadow Cabinet in a matter of weeks. He knew that by switching to supporting a referendum he was isolating Jenkins in the Labour Party. Having, hitherto, been ready to see Jenkins as his successor he was now in effect forcing his resignation. Wilson also instinctively knew, as I had argued in my own memorandum on a referendum, that the time for this constitutional innovation had come and that, Heath having breached the principle over Northern Ireland, constitutional referendums were now in the UK to stay. In his advocacy of the referendum Tony Benn, as so often, had anticipated the Labour Party's mood change. He had launched what Callaghan had called 'a little yellow life raft on which many of us would be glad to clamber'. In terms of Labour politics the promise of a referendum had become the only way to hold the party together during the forthcoming general election. It was also an essential glue in its aftermath when, to the surprise of many Labour MPs, particularly some pro-marketeters, Labour came into government again in 1974.

A referendum was also the device which John Major attempted to use as Prime Minister to keep the Conservative Party civil war within bounds over the euro before the

1997 general election. He was only able to force it through his own Cabinet, against the opposition of his deputy Prime Minister, Michael Heseltine, and his Chancellor of the Exchequer, Kenneth Clarke, in the immediate run-up to the 1997 general election because public opinion was so strongly against the single currency, resulting, in large part, from the creation of the Referendum Party by the rich businessman James Goldsmith. The same commitment to a referendum was then reluctantly made by Tony Blair and by the leader of the Liberal Democrats, Paddy Ashdown, so keeping the question of joining the euro largely out of the 1997 general election.

Looking back, Edward Heath's calling of a general election in the midst of the miners' industrial action in early 1974 was a foolish response to the power shortages and the three-day week. His campaign theme was 'Who governs Britain?' but this only served to invite the judgement 'You don't'. Within weeks the miners' strike had been settled by Wilson and forgotten by a public only too glad to get back to watching television uninterrupted by power cuts. Voters, by a very narrow majority, were content to return an older, greyer, and perhaps wiser, Harold Wilson to sort out membership of the European Community as Prime Minister, with Jim Callaghan as Foreign Secretary. The two men solemnly went through an exercise labelled 'renegotiation' while cleverly reserving their position on the merits of entry. They then recommended acceptance from a position of apparent objectivity on what they called the new terms, which were little different from those agreed more than three years earlier. The country, somewhat bemusedly, then voted overwhelmingly to stay within the Community.

Referendums must be conducted with scrupulous fairness and must not be open to manipulation otherwise they can become a device for achieving governmental policy through bypassing parliament and democracy. This is because they involve a cancellation of the independent judgement of parliamentarians through the acceptance of a structure that, in effect, compels them to enact the people's wishes in legislation, regardless of how they themselves voted. Correctly applied referendums can enhance parliamentary democracy. Abused they hold the seeds of its destruction.

This forthcoming referendum is most like the 1975 referendum on the European Community. Not because the subject – Europe – is the same, but because the politics behind the calling of these two referendums are remarkably similar. In both cases the governments, Labour and Conservative respectively, promised a referendum on a renegotiation during the previous general election. Both parties had within the ranks of their MPs deep differences on the desirability of continuing to be members of, respectively, the Common Market and the EU. In 1974 and 2016 both governments knew that the British electorate were divided across

party political lines, within families, within the workplace and within regions of the country. However, the roots of the 'Leave' campaign go far, far deeper in 2016 than ever they did in 1975, for no one can doubt the failures of the Eurozone. To compare rationally the two referendums is to recognise the differences. Of course, fear of the unknown in the shape of a Brexit will become the driving force of the 'Remain' campaign, hopeful of replicating the fear factor in the Scottish referendum, but again one only has to compare rationally the two referendums to conclude that the Scottish one was very different. The SNP election claim of economic independence based on North Sea oil revenues was based on seriously over-optimistic assumptions exposed as such within months by the fall in world oil prices. The 'Leave' vote will have in it businesspeople and politicians who have long warned about the flaws in the Eurozone and their judgement on that will give their criticism considerable credibility, when compared to the glib claims of the *Financial Times*, banks and businesses for the supposed virtues of abandoning the pound in favour of the euro ever since the late 1980s.

It is a fact, but a rarely stated one, that the 1975 referendum was not won by the enthusiastic 'Yes' campaign of pro-marketeers but by the capacity of these two streetwise middle-of-the-road Labour leaders to convince mainstream Labour voters. The European Community was presented under the old adage 'Better the devil you know than the devil you don't', which was posed against an unstated but widely held fear that withdrawal from the Community would be very uncomfortable for an economically weak Britain. The polls, which had been strongly against in 1974, in 1975 turned in favour of staying in the EEC before the referendum was called and then barely shifted during the campaign. A largely pro-Europe press had by April characterised the somewhat fanatical, freakish approach of the 'No' campaign, with Ian Paisley, Hugh Scanlon and Michael Foot, so that it gave an image of xenophobia and of fighting hard-left battles. The polarisation added to the impression that the campaign had mattered, but what had really mattered was the Labour Party machine shifting its position to favour staying in the EEC. The new Conservative Party leader, Margaret Thatcher, campaigned for a 'Yes' vote, as did Jeremy Thorpe, the Liberal Party leader, so all three party leaders favoured entry in 1975 and may again before December 2017.

Another feature was the political pragmatism displayed by the European Community and Commission during the run-up to the referendum, something not usually associated with Brussels. Helmut Schmidt, the wise German Social Democrat Chancellor, also went out of his way to play up publicly the significance of the renegotiations even though the process stuck in his gullet and he was disparaging in private. Schmidt wooed the special Labour Party

conference in April, showing humour and solidarity, and greatly reducing a latent but waning anti-German feeling among older voters. Hours after it Wilson told Callaghan he wanted a free vote of Cabinet members. Guidelines for ministers issued on 3 April tried to rule out direct confrontation. All this manoeuvring was greatly helped by a cyclical change in world food prices, whereby for the referendum period food prices fell and were not exploitable by those arguing for a 'No' vote.

The 1975 European referendum proved a successful constitutional innovation, convincing many that on major constitutional questions it should be used in future, particularly when there was controversy crossing party political lines. Eight years later the Labour Party's call in the 1983 general election to come out of the Community without a referendum, one of the main reasons for forming the SDP, was seen as illegitimate. The belief that each parliament was sovereign had been changed by the 1975 referendum; the people, having once been given the choice in a referendum, were not about to surrender it and let only Parliament decide this issue. After the 1997 general election endorsed a referendum on the euro to replace the pound, pledges were given by all political leaders in the next four general elections. By 2015 the conventional wisdom was woe betide in the shape of UKIP any party that tries to opt out of a referendum on entry to the euro. Ed Miliband lost seats refusing a referendum.

Chapter 3

The path to the disastrous Eurozone

In September 1976 I moved from being Health Minister to the Foreign Office, dealing with Europe. Then I began to realise that the country's problems, let alone the Labour Party's, with the European Community were not solved and were just about to start again. As I absorbed the detail it became ever clearer to me that we really did have a lousy deal. Not only because of the CAP, which we had always known worked against British interests, but because the Community finances were out of control with big surpluses building up in milk products, olive oil and wine. Even worse, the projection of the UK budgetary contribution was due to rise at a pace which was unacceptable. We would soon find the UK making the largest contribution to the Community. It was clear that Britain faced a grinding acrimonious debate to recoup lost ground. Yet talking to Foreign Office officials, with some notable exceptions, I found those senior diplomats who had been involved in the negotiations dismissive, even light hearted, about these economic realities. It was as if they could not criticise their own handiwork and as if the past negotiations were sacrosanct and not to be disinterred. This is one of the many reasons why Britain's negotiating team in Brussels should not be dominated by the diplomatic service and why we need a cross-fertilisation in leadership from the civil service, albeit usually best led politically by the Foreign Secretary provided that person broadly shares the Prime Minister's views on Europe. Pulling all of these complex issues into 10 Downing Street, as was done under Tony Blair from 2001 onwards, led to the chaos of the 2004 Constitutional Treaty, the messy and far too integrationist Lisbon Treaty of 2007, and Cameron's debacle over the 'Fiscal Compact' in 2012.

On 21 February 1977, I became Foreign Secretary after the tragic death in office of Tony Crosland. Now I had the necessary authority to define a tough new negotiating strategy where we would over a period of years reduce the budgetary imbalance. My problems with the senior Foreign Office diplomats were never over southern Africa, Israel or any of the world's flashpoints. They overwhelmingly concerned the European Community.

There is nothing wrong in a genuine clash of opinion between ministers and officials; indeed it is often healthy. The problem arises if there is resistance to implementing what ministers, after discussion, determine. Too many of the senior diplomats then serving in European capitals were already battle scarred from the previous sixteen years of on-off

negotiations and as a consequence were reluctant to embark on any course which put Britain at serious loggerheads with a majority of the Community member states.

Diplomacy should represent far more than just splitting the difference. It involves knowing when to hold firm, when to build alliances and when to trade off support for seemingly unrelated negotiating objectives. The tragedy for the British Foreign Office is how it has been bypassed from 1982 to 2016 by the trend for ever stronger involvement of UK Prime Ministers in the working of the EU, with too many decisions being made in the hothouse atmosphere of No. 10.

At the end of July 1977, an all-day special Cabinet meeting on Labour's European strategy was held. Callaghan asked me to supervise the writing of the papers personally and not leave them to the Foreign Office. Looking back over the last thirty-nine years it is salutary to read the papers produced. They were firmly pro-European, but anti-federalist, and made points about the democratic and political arguments for enlargement of the Community to include Greece, emerging from a junta of military leaders, and Portugal and Spain, from the fascist leaderships of Salazar and Franco respectively.

Tony Benn accurately describes in his diaries what then happened 'at one of the most remarkable Cabinets he had ever attended'.^{*} That Labour Cabinet defined the position on the European Community which has in broad terms been followed by every succeeding government, whether Labour, Conservative or Conservative–Liberal Democrat coalition: 'Yes' to Britain's continued and constructive membership, specifically 'No' to the integrationist wish eventually for a single state, a United States of Europe. It should have been possible to look back and say 1977 was the point when the UK began to stop the drip-drip of continuous integration but even under the Prime Ministership of Margaret Thatcher the true record was of slow but unchecked further integration.

Margaret Thatcher won the general election on 4 May 1979, and in its first few months the new Conservative government, in marked contrast to what was to follow in subsequent years, initially developed a heady pro-European stance under Peter Carrington, the new Foreign Secretary. Most unwisely they agreed to lift the carefully organised zero-increase farm price settlement which the Labour government, with the support of the European Commission, had left behind in the early summer of 1979 and accepted the exact farm price increase which I had rejected out of hand only a few weeks before. No doubt the same Foreign Office diplomats persuaded the government using the same arguments we had

^{*} Tony Benn, *Conflicts of Interest: Diaries 1977–80* (London: Hutchinson, 1990), pp. 201–6.

refused. Under the conventions these same diplomats were allowed but not obliged to reveal to incoming ministers that this was the lever by which the previous government had hoped to prise open a budgetary agreement at the European Council meeting in Dublin.

By October 1979 Margaret Thatcher, still in ‘be nice to the Community’ mode, found herself bargaining at Dublin with no leverage on farm prices. She was totally rebuffed as a consequence on the British budgetary contribution and her mood and attitude to the Community changed almost overnight. She then had to rely on tough words alone for some months while the other Community member states adjusted to the political necessity of moving their negotiating position in the face of legitimate obduracy from a head of government determined to defend a vital national interest. At Dublin Margaret Thatcher would not use the Community language of ‘own resources’, saying, ‘I am only talking about our money, no-one else’s; there should be a cash refund of our money to bring our receipts up to the average level of receipts in the Community.’ The next European Council was not until April 1980 in Luxembourg and the British started threatening to withhold contributions to the Community Budget. The problem with this lever was that it was illegal whereas vetoing the farm price review, a tactic which had been used by other countries in the past, was not. Despite some help from the Italian Prime Minister, Francesco Cossiga, Britain was only offered initially a one-year solution, later increased to two. On 25 June 1984 in Fontainebleau a 66 per cent rebate was, however, agreed, to last as long as the Community’s own resources lasted, and it could be changed only by unanimity.

For Margaret Thatcher her ‘my money’ stance was best summed up in Rudyard Kipling’s poem ‘Norman and Saxon’:

The Saxon is not like us Normans. His manners are not so polite.
But he never means anything serious till he talks about justice and right.
When he stands like an ox in the furrow with his sullen set eyes on your own,
And grumbles, ‘This isn’t fair dealing,’ my son, leave the Saxon alone.

It can be seen in retrospect that it was Thatcher’s budgetary settlement in 1984, not the referendum in 1975, that allowed Britain’s actual membership of the European Community to become a settled issue with public opinion. That was after Labour had been heavily defeated in the 1983 general election and started to come to terms with reality. The rebate issue corrected an injustice; the budgetary issue recurred but it never again reached the same intense level of dissension, in part because as the British economy improved it became more

understandable why our contribution was higher than that of most other member states. It was undoubtedly a ‘Thatcher triumph’ but as so often in diplomacy the ground had been laid over many years, in this case over six years, and it had taken three Prime Ministers, Harold Wilson, Jim Callaghan and Margaret Thatcher, with their different manners and their different negotiating styles, to convince our European partners that this issue had to be resolved. Agreement was eventually reached, not just because of the fuss we were causing, but because the long-running disagreement was destroying the unity of the Community. Heads of government know that in practice unity cannot be built against a background of perceived unfairness. Yet the issue occasionally resurfaces with talk of ending the British rebate. That demand had been heightened by Tony Blair’s readiness to give up that part of the rebate calculation in December 2005 which related to expenditure on new accession states. A £7.1 billion concession over seven years was claimed by No. 10 at the time as being approximately £1 billion off the British rebate each year. This was because of the complicated way in which the rebate was calculated; it meant even after the concession the rebate would still rise in value in gross terms in the years ahead. Blair used the argument, with some justification, in 2005, that Britain being the country pushing hardest for further enlargement, he could not refuse providing some money to pay for it.* But it meant once again conceding ground on a principled British position that before serious reform of the CAP budget could take place no rebate changes were acceptable.

In June 1984 a pamphlet calling for a Single Market, *Europe – the Future*, was circulated by Margaret Thatcher to the Heads of Government at Fontainebleau as a contribution for discussion. Within it were these words: ‘The progress that has been made towards “an ever closer union of the peoples of Europe” of which the Treaty of Rome speaks in its first paragraph is unlikely to be reversed.’

The British have through the centuries been keener on economic liberalism than their continental neighbours. Adam Smith’s *An Inquiry into the Nature and Causes of the Wealth of Nations* was published in 1776, the same year as the American Declaration of Independence. It has had a profound influence in the UK as well as in the US but it has not markedly influenced continental Europe. Meanwhile, European monetary union has a long history from which there are many lessons to learn, going back to Emperor Charlemagne. One place to start learning is 1922, when at the Genoa Conference the gold exchange

* Anthony Seldon, *Blair Unbound* (London: Simon & Schuster, 2007), pp. 410–14.

standard was discussed. Britain returned the pound to the gold standard at a high fixed rate in 1925 until it finally crumbled in 1931. The British experience with the gold standard vindicated John Maynard Keynes. His view was that we in Britain should be able to choose our own inflation targets, enjoy interest rate autonomy and retain control of our own national monetary policy. At the Bretton Woods conference in 1944, the UK was one of the few nations present that saw internationalism as a constraint on employment policies and in part as a consequence the eventual agreement was firmly intergovernmental. Keynes was even doubtful that Britain should ratify and so influential was he that we might never have ratified had the Americans not made acceptance of Bretton Woods a condition of their 1946 loan to the UK.

The Labour government's reluctance to even contemplate devaluation immediately after the Second World War was maintained under Clement Attlee and his Chancellors of the Exchequer, Hugh Dalton and Stafford Cripps, for too long. Eventually devaluation took place, on 18 September 1949. It had been championed by Hugh Gaitskell and had been agreed on 29 July by the Cabinet, overcoming a totally misplaced belief that the UK could maintain the existing rate indefinitely. Under the terms of the Bretton Woods agreement there was provision for the British government to readjust. However, rather than readjust politicians began to vest in the value of the pound emotions and patriotic feelings, in order to deflect market sentiment, that are wholly inappropriate to rational adjustment and objective data. As early as the spring of 1952 Rab Butler as Chancellor of the Exchequer in the new Conservative government favoured a Bank of England scheme for floating the pound, blocking the accumulated sterling balances but making sterling freely convertible and letting the exchange rate rather than the reserves take the strain.* Churchill favoured 'setting the pound free' but Eden opposed the change and it was only twenty years later that we floated the pound. Had Butler had his way I believe the British economy would never have gone through such a long period of relative decline as it did.

I watched as a new MP the Labour government refusing to devalue under Harold Wilson. It was widely believed that had the Conservatives won in 1964, Reginald Maudling, their Chancellor of the Exchequer, would have immediately devalued. It is something Labour should certainly have done following its decisive win in the 1966 election.

The seamen's strike of that year also damaged confidence in the British economy. According to Harold Wilson's famous description the strike was run by 'a tightly knit group

* Roy Jenkins, *Churchill: A Biography* (New York: Farrar, Straus and Giroux, 2001), pp. 851–2.

of politically motivated men'. Though it ended on 1 July, the day the Steel Nationalisation Bill was published, the economic press was still full of reports about a fall in international confidence affecting sterling. On 13 July Harold Wilson announced that steps were being taken to reduce demand at home and to cut back spending overseas. The currency markets thought that the long-postponed devaluation of sterling was imminent and speculation started. Soon a dramatic run on the pound developed and in Labour circles there was much talk of 'the gnomes of Zurich'. For the first time since coming into government in 1964 devaluation was again discussed by the Cabinet only to be once again rejected.

On 20 July Harold Wilson announced a deflationary package and the stop-go cycle of the British economy which I, as a Labour candidate, had often criticised before the 1964 election under the slogan 'Thirteen years of wasted Tory misrule' was back, this time with a massive stop. A six-month statutory standstill in wages and dividends was announced, which would be followed by another period of restraint and a twelve-month price freeze. Public expenditure was to be cut back.

With two other Labour MPs I wrote a pamphlet, 'Change Gear', in September 1967 advocating devaluation, only to be accused 'of selling Britain short'. In Cabinet the word 'devaluation' was not one to be uttered. For Harold Wilson advocacy of devaluation was the equivalent of hauling down the Union Jack. Nevertheless the economic storm clouds were gathering. In November 1967 there was much talk about Britain being about to be granted a new international loan. The October trade figures showed a trade gap of £107 million, the highest then in our history. Speculation followed and the Bank of England lost as much as £90 million in one day defending the then £1/\$2.80 parity.

The Bank of England was the only one buying sterling and it could not stop a massive run on the pound. Devaluation followed and the new sterling exchange rate against the dollar was set at \$2.40 to the pound. The Labour government after devaluation did not have the same authority and in particular the Prime Minister, Harold Wilson, was never allowed to forget his explanatory statement that 'it does not, of course, mean that the pound here in Britain, in your pocket or purse, or in your bank, has been devalued'.

The new Conservative government, elected in 1970, appeared as if it would reverse the trend towards inflation and rising levels of unemployment. But Edward Heath was soon facing the same problems that had bedevilled the economy through the 1960s. The doctors gained an inflationary award by arbitration and then the power workers through a court of inquiry were awarded a 15 per cent increase. Unemployment was rising and in March 1971 Anthony Barber, Chancellor of the Exchequer, spoke about the exchange rate. 'The lesson of

the international balance of payments upsets of the last few years is that it is neither necessary nor desirable to distort domestic economies to an unacceptable level in order to maintain unrealistic exchange rates, whether they are too high or too low.’ This seemingly more open-minded approach to fixing the exchange rate reflected these international upheavals and helped convince some experts that European monetary union was now going to be set aside. But this was not to be. The European Council decided to adopt the Werner Report and as a Stage 1 to hold exchange rate fluctuations amongst Community countries with narrower margins than those in force for the dollar. Then on 9 May, before this European arrangement could be brought in, Germany floated the deutschmark. On 15 August President Nixon declared the dollar no longer convertible to gold and thereby compelled all the world’s currencies to float. Exchange rates were, however, refixed under the Smithsonian agreement in December 1971 with widened margins of permissible fluctuation against a currency’s parity or central rate. After this the EEC thought it possible to restart the Werner proposal and the ‘snake in the tunnel’ entered into force on 10 April 1972 with the original Six.

The British government, somewhat surprisingly, in view of the Chancellor’s earlier statement, decided for European political reasons, rather than those of economic management, to join the ‘snake’ in May 1972. This had established a maximum permitted margin of fluctuation between any two participating currencies of 2.25 per cent. Within a mere six weeks of market pressure on the pound, because there was so little confidence in the government’s strategy, sterling was thrown off the ‘snake’ and on 23 June the pound floated. The Chancellor told the House of Commons that sterling would float ‘as a temporary measure’. In the event that temporary measure lasted for eighteen years until Britain entered the Exchange Rate Mechanism in October 1990. Those still within the ‘snake’ floated as a group, but even among the original six countries it started to fall apart relatively fast. Italy left the ‘snake’ in February 1973 and the French suspended their participation in January 1974, letting the franc float. The ‘snake’ was now seen as only an informal grouping of Benelux, Germany, Denmark and two non-EEC countries, Sweden and Norway. In September 1974 the French proposed a *relance monétaire européenne* but it was rejected by members of the ‘snake’ because of its technical complexity and because they did not believe that the margins with the unit of account and the level of the dollar could be both effective and kept secret.

Against that short history of international monetary chaos and disagreements it was wholly in tune with the mood of the time that in the first national referendum of June 1975

the document sent out on behalf of the 'Yes' grouping, led by Roy Jenkins and Edward Heath, set the tone for a campaign in which the threat of European monetary union reappearing was dismissed out of hand. The exact words were in the 'Money and Jobs' section: 'There was a threat to employment from the movement in the Common Market towards an Economic and Monetary Union. This could have forced us to accept fixed exchange rates for the pound, restricting industrial growth and so putting jobs at risk. This threat has been removed.' Wilson made no mention of agreeing to EMU in December 1974 in Paris.

EMU was dead. Yet as so often over Europe where further integration is concerned, just when one battle, in this instance implementing the Werner Report, appeared to be over, another one flared up. On 10 July 1975 the French came back into the 'snake' and announced that France regarded it as a Community mechanism and wished to strengthen the mechanisms so as to prepare for economic and monetary union, which was openly stated as their motive. When France tried to get the IMF executive board to welcome its decision rather than note it, as was the usual practice, the French minister complained to Community colleagues because not all member states supported it. The franc then came under pressure in the exchange markets since inflation in France had been double that of Germany. France not wanting to exhaust its reserves, under President Giscard d'Estaing on 15 March 1976 the franc left the 'snake' for good.

In the UK the most significant happening was Jim Callaghan's first speech as Prime Minister to the Labour Party annual conference. On 28 September 1976 he dramatically changed the economic prospects for the UK, saying that we could no longer spend our way out of recession. 'I tell you in all candour that option no longer exists and in so far as it ever did exist, it only worked on each occasion since the war by injecting a bigger dose of inflation into the economy followed by a higher level of unemployment as the next step.' The next day Callaghan rang President Gerald Ford and warned him that the UK would need a stand-by loan from the IMF and a safety net for sterling. It was the beginning of twenty-six years of monetary discipline and the fact that this discipline was accepted first by Labour made it easier for successive Conservative governments to apply similar disciplines. I was as Foreign Secretary a member of an informal grouping, almost a seminar, which the Prime Minister had created to discuss UK monetary policy and which included the Governor and Deputy Governor of the Bank of England. It proved a fascinating and educational experience, as did membership of the Cabinet Economic Committee.

Over dinner with the other heads of government at the European Council meeting in

Copenhagen on 7 April 1978, Helmut Schmidt and Valéry Giscard d'Estaing developed ideas for a new monetary system for Europe. But what surprised Callaghan and in particular the Treasury official who had come to Denmark specifically for this issue was the boldness of the actual proposals. It soon became clear that Schmidt and Giscard d'Estaing's scheme was capable of developing into far more than just a deutschmark zone. While Callaghan wanted currency stability, he was more worried about the dollar and felt that concentrating on the European currencies was too narrow a focus. Ironically, in these early days Margaret Thatcher, in opposition, was giving the impression of being in favour of the European Monetary System (EMS).

At the G7 summit in Bonn President Carter was less enthusiastic towards the EMS than we had anticipated. Agreement on a co-ordinated worldwide package was, with difficulty, reached by the Seven, with Schmidt, despite Bundesbank opposition, conceding a higher target for German growth than at one time looked likely. Whether this co-ordinated economic expansion programme could have achieved its objectives will never be known because it was dealt a massive blow by the oil price rise in early 1979. Probably all G7 summits on global economic management have tended to exaggerate the capacity of governments to do more than create a climate for a different approach. By the start of the twenty-first century month-by-month practical co-operation between the G7's finance ministers and the heads of the US Federal Reserve, the European Central Bank, the Bank of Japan, the Bank of England and the Bank of Canada provided a useful but modest mechanism but the early enthusiasm for international monetary interventionism had waned considerably. That is, until Britain was hit by the collapse of Northern Rock in 2007, a precursor to the full-blown global crisis that was developing by 2008, whereupon Gordon Brown skilfully succeeded in mobilising a G20 meeting in London into co-ordinated action.

All through 1978 British officials were involved in discussions about the development of the EMS, even though Callaghan had made it clear to Schmidt and Giscard d'Estaing that he was not going to join. On Thursday 21 September I had lunch with Callaghan at the Athenaeum to discuss our joint trip to Kano in Nigeria. Walking back through St James's Park he brought up the issue of the EMS, slightly concerned about the attitude of Denis Healey, the Chancellor of the Exchequer, who had made different speeches on the subject recently. Callaghan reiterated his view that the Labour Party would not wear entry to any exchange mechanism and that consideration would have to wait until after the election. I then suggested the possibility of formally joining the EMS but not the actual Exchange Rate Mechanism (ERM), an idea put to me a few days before by a very bright senior diplomat,

Michael Butler. This meant depositing some gold in the EMS but in effect standing aside from the fundamental mechanism, namely the commitment to keep one's currency from fluctuating beyond certain bands in the ERM. Pondering this for a moment, Callaghan asked me what I thought Healey's attitude would be to this idea and then cleverly suggested that I ask Foreign Office officials to first square Treasury officials. This somewhat ingenious approach was sold to the Labour Cabinet in early November by first getting everyone to accept that the UK wanted a zone of monetary stability and that we should commit ourselves to helping to achieve this while emphasising that we would not accept any obligations restricting our own freedom to manage the sterling exchange rate as we thought fit.

The Cabinet were agreeing to join the System but not the Mechanism. The Parliamentary Labour Party was very uneasy about the whole EMS issue and over a hundred backbench Labour MPs signed an early day motion against it. At a meeting there was an attempt to restrict the Prime Minister's freedom to sign up for any arrangement; but he insisted vigorously on the government's right to settle for a compromise. The Irish government had cleverly winkled extra financial support out of Germany and France as its price for signing up to the ERM at the EEC summit in early December, which meant the punt decoupling from the pound. With the launch of the EMS, in Paris, Valéry Giscard d'Estaing presented us with the first minted ecu, a symbol rather than a currency. Eventually Parliament agreed that the UK would be associated with the development of the European Currency Unit (ECU) and we made up our national share of its gold deposits and committed dollar reserves. This ensured that the necessary procedural hurdles were passed by the Callaghan government for full membership by any future government if it was felt appropriate. When Britain joined the ERM in October 1990, no new legislative authority was required and entry was fixed up quickly and conveniently over a weekend. A precedent was also set for going along with European Monetary Union in the Treaty of Maastricht but remaining outside the Eurozone.

After the election in May 1979 the Conservatives remained in favour of the EMS and in the 1979 European elections on 8 June the Conservative manifesto, approved before the general election by Margaret Thatcher, was forthright. 'We regret the Labour Government's decision – alone amongst the Nine – not to become a full member of the European Monetary System. We support the objectives of the new system, which are currency stability in Europe and closer coordination of national economic policies, and we shall look for ways in which Britain can take her rightful place within it.' *Plus ça change, plus c'est la même chose* – and a very different stance to that which Margaret Thatcher later developed to most things European.

The early 1980s did not show much enthusiasm for arguments about the ERM. There were far bigger issues transforming the political debate. The Labour Party was splitting itself asunder; this was not the normal left–right division but a total *volte-face* in Labour foreign and defence policies established in three post-war governments. Having been Foreign Secretary a mere eighteen months before I was being asked to reverse every vital policy that I had espoused in the national interest. I am still occasionally surprised today when I find people who think that I should have been ready to advocate such policies, despite disagreeing with them, on Labour platforms in the 1983 general election.

The SDP was in effect launched on 25 January 1981 with the signing of the Limehouse Declaration at my home in the East End of London. The SDP always supported the UK joining the ERM. As leader of the SDP I was particularly keen to join in 1985, before Nigel Lawson began shadowing the deutschmark. We now know that in November of that year Lawson made his first and most substantial attempt to persuade Margaret Thatcher to join the ERM.* Lawson thought the ERM offered a way of reducing exchange volatility and uncertainty, but without the British government losing the power to adjust the exchange rate and fix interest rates. Both those powers are lost by any country that enters the euro under EMU and it is why both Lawson and I later joined together in New Europe to oppose joining the euro. It was important, Lawson felt, for the critical sterling–deutschmark rate to be maintained at a competitive level in 1986 if export-led growth was to be achieved. I too felt that the disciplined framework the ERM provided could have helped Britain keep a competitive position. In effect, it offered an external means of imposing a greater degree of internal consistency on the way successive governments had approached monetary policy. The SDP was worried that continuous depreciation had only added to inflation and had softened our awareness of our persistent economic decline. Later the SDP began to advocate greater independence for the Bank of England on monetary policy, something wisely adopted by Labour in government in 1997, and this continues today under Mark Carney.

Thatcher had changed her position from supporting the EMS in 1979 and by 1985 was firmly against joining the ERM. She did not want to lose her ‘freedom for manoeuvre’ and only agreed that the government should be ready to join ‘when the time is ripe’. What was interesting was that in the UK from 1980 to 1990, when we did join, no political party leader or Treasury spokesperson, either Conservative, Labour, SDP or Liberal, was opposed to entering the ERM in principle. The arguments were far less passionate over the ERM than

* Nigel Lawson, *The View from No. 11: Memoirs of a Tory Radical* (London: Bantam Press, 1992), p. 888.

later over the euro and in the main this was because parliamentarians knew that membership of the ERM, as opposed to EMU, was not irrevocable. As with membership of the 'snake', if the conditions inside became disadvantageous any government was free to come out.

This distinction between the design of the EMS and that of EMU, where membership is designed to be permanent with national currencies abolished, is often not stressed enough. The EMS and EMU also represented very different conceptual designs: the EMS was a largely technical way of trying to achieve monetary stability, whereas EMU is, first and foremost, a political decision to lock currencies together by merging them into one. Nor is enough attention given to the nature of the political agenda that lies behind EMU. It is predominantly advocated by those who have always been in favour of the concept of an integrated single European state.

One person who has never blurred the distinction between the EMS and EMU is Nigel Lawson. Even as Financial Secretary in 1981, while starting to be pretty open minded about joining the ERM, he was adamantly against EMU. In his intelligent and informative autobiography, *The View from No. 11*, he records a paper from the Treasury on participation in the ERM written by the then second permanent secretary, who was one of the very few senior Treasury officials at that time in favour. Claiming that the climate for sterling's participation was more favourable than it had been in recent years, it went on to state some conditions that would strengthen the case for entry: first, the oil market should continue to be relatively settled; second, UK and German policies and economies should continue to converge; third, the negotiations over the Community budget should be nearer to being settled; and fourth but most important, the dollar should fall against the deutschmark. These conditions, the paper concluded, might well be fulfilled some time in 1984. In the event in 1985 Thatcher simply vetoed ERM entry by saying: 'If you join the EMS, you will have to do so without me.'

Lawson admits this decision of the Prime Minister did not absolve him from any mistakes he may subsequently have made, but that it undoubtedly made the conduct of economic policy more difficult, and thus errors more likely. In particular, it was more difficult to handle the effects of the 1986 oil price collapse and prevent sterling from falling too far. Lawson concludes that entry in November 1985 would have dampened pay and price increases in the internationally exposed sector of the UK economy and he would have been freer to overcome Thatcher's resistance to raising interest rates in 1986. He goes on to identify two further advantages that he was not aware of at the time: namely, this would have been unequivocally an act of economic policy and not influenced by the Conservative Party's

division over the future of Europe, and it would have given the UK five or six years with the deutschmark providing a low-inflation anchor, prior to the inflationary strains of later reunification. The ‘ifs’ of history can always be used for self-justification but they can also provide valuable insights for future decision-making. In my judgement also it would have been far better for us to have entered the ERM in late 1985 rather than in 1990.

It is perfectly reasonable to oppose both the ERM and EMU but some of the arguments are different economically and constitutionally and will always remain so. An example of this is that Denmark has stayed happily within the ERM up to and after the referendum in 2000 when it voted against joining the euro. Also Sweden, despite having fulfilled the criteria, still holds off entering the euro, and not just because it is fearful of a ‘No’ in a referendum. In 2016 many Swedes who were previously enthusiastic for entry are openly arguing to stay out for many years ahead and maybe for ever. The economic case for Denmark and Sweden staying out of the Eurozone may be different from that of the UK, where one of our deep problems is with the City of London as a global trader competing with New York, Shanghai and Singapore, not to mention the weight played by the US dollar in our economy. Nevertheless these three economies see the so-called ‘fast track’ of the Eurozone likely over the years ahead to be a ‘slow track’, with higher growth outside the Eurozone if EU red tape ends.

Having ignored Lawson’s views on the ERM, Thatcher was in no mood a few weeks later to treat seriously his specific objections to making any new treaty commitments in what was to become the Single Act (in French, *l’Acte unique*) covering European Monetary Union. Prior to the meeting of the European Council due to be held in Luxembourg in December 1985, Lawson sent her two memos of historic significance. The first one, dated 14 November, said: ‘The inclusion of EMU as a Treaty objective would be a political commitment going well beyond previous references to EMU, which have been non-binding European Council resolutions or solemn declarations.’* On 28 November he minuted her again: ‘There should be no reference in the Treaty to EMU, since this – which implies progress towards a common currency and a common Central Bank – would be no more credible to outside opinion than the commitments entered into in 1971 and 1972 and is, in any case, politically unacceptable to the UK.’

Thatcher in her memoirs recalled some of Lawson’s warnings but asserted that the formula she accepted and added to the phrase ‘Economic and Monetary Union’ was an

* Lawson, *The View from No. 11*, p. 833.

important gloss. It was described as ‘co-operation in economic and monetary policy’, she claimed, unconvincingly, and that this would signal the limits the Act placed on it.^{*} She thought she had surrendered no important British interest but regrettably this emphatically was not the case. Once again, it showed words do matter. Sir Geoffrey Howe, as Foreign Secretary, did not raise any objection to this formulation and despite being advised by Charles Powell, her private secretary, who was always against EMU, Thatcher nevertheless by default conceded words supportive of the objective of EMU. It was this wording which was later incorporated in the new Single European Act in 1986. Thatcher convincingly argued that this was the price for achieving her principal objective, the Single Market, for the ‘internal market’, as it was then becoming termed. But this was already agreed and ready to be put in place. It is almost incomprehensible how such a major and unjustifiable new concession was ever extracted from a Prime Minister who was utterly opposed to the very principle of monetary union and against the advice of her Chancellor of the Exchequer.

The 1985 EMU wording gave the newly reappointed President of the European Commission, Jacques Delors, the legislative authority he wanted to bring about a single European currency. Thatcher’s surprising concession was then compounded at the European Council in Hanover in June 1988 by her agreeing to establish a committee of the Community’s central bank governors in their personal capacities, to be chaired by Delors. Again she was uncharacteristically satisfied by the others agreeing to drop all mention of a European central bank in the announcement. Neil Kinnock, then leader of the opposition, spotted the issue, to his credit, in an exchange on the floor of the House of Commons when he reminded everyone that the Prime Minister had said that a European central bank is ‘not on the cards’. He went on: ‘As it is obvious, as President Mitterrand has pointed out, that a central bank follows from monetary union, is it not clear that the Prime Minister is facing both ways?’ In response Thatcher merely reiterated: ‘With regard to the European central bank, we have taken part in the Single European Act, which went through the House and which said that we would make progressive steps to the realisation of monetary union, and we have set up a group to consider that. Monetary union would be the first step, but progress towards it would not necessarily involve a single currency or a European central bank.’

What all this illustrates is how the integrationists’ objectives are achieved not just within the European Community but in the internal discussion within the government of the UK. All too often the advice of some key diplomats and lawyers in the Foreign Office is that

^{*} Margaret Thatcher, *The Downing Street Years* (London: HarperCollins, 1993), p. 555.

a suggested form of words is just meaningless and can be accepted. Then EU committees are established and when their reports are received the next step is for advisers to argue that there is no danger of imminent action, then that one can accept dubious wording since it is only an agreement in principle, and not to specific action. Yet this agreement in principle is then included in statements or declarations of objectives and this is later cited as a justification for incorporation into a first draft, albeit it is explained as tentative, for the wording of a suggested treaty. Gradually such wording, having become part of the political debate in member states, develops a semi-official status within the EU and a supportive following, which leads to it becoming binding legislation unless a country is ready to hold out and veto wording at a late stage. Almost always in the early stages it is argued that to veto the process will be unnecessarily provocative and it would be better to wait for a more opportune time. This is not, as it may sound, a paranoid description but an objective record of an aspect of the community method already described. It is what has happened time after time.

An earlier example of this dubious process came on 19 June 1983 when the heads of government met at Stuttgart. They agreed the Solemn Declaration on the European Union as part of relaunching the Community. The declaration dealt with everything: economic strategy; the EMS; economic and monetary union; economic cohesion; external relations and developing countries. Completion of the internal market was, surprisingly, not given great prominence, being included as part of the section ‘Development of Community Policies’. By any standard this declaration will be one of the most significant documents in the entire history of the European Union. But it was never seen as such at the time by the UK, whether the government, Parliament or the press. The declaration was described in the government’s half-yearly report to the UK Parliament on developments in the European Community as the ‘Genscher–Colombo Declaration’, ‘not a legal instrument and involv[ing] no Treaty amendments or increases in the powers of the institutions’. How wrong that proved to be. That declaration paved the way not just for a Single Market with far more extensive qualified majority voting, but even more importantly, and wrongly, for the false claim that a Single Market needs a single currency. In 2016, in the midst of the euro crisis, we are hearing what some of us have always argued: that, to succeed, a single currency needs a single country.

In October 1984 it was the Single Market which was the British government’s key priority. Thatcher had dinner at No. 10 with Jacques Delors with the sole objective of persuading him to give her Cabinet colleague Lord Cockfield this portfolio. Delors agreed to do this but used the opportunity to cleverly retain for himself the economic and monetary affairs portfolio, which he correctly saw as the motor for integration. That was the portfolio

Margaret Thatcher should have demanded for the UK. In addition she should have sent to Brussels a commissioner who was a political heavyweight in the Conservative Party and who reflected her own opposition to monetary union. Cockfield was an excellent choice for dealing with the detail of the Single Market but he was also a self-acknowledged federalist. He established a relationship of trust with Delors and had every right to claim to be with Delors the joint architect of the Single Market. He was, however, part of the momentum built up in the Commission in Brussels to combine two elements, the Solemn Declaration on European Union and the internal market in a Single Act Treaty. This again is typical of the way integrationist ideas develop and then become acquiesced on in capitals of member states. Thatcher claims that right up to the beginning of the Luxembourg Council she thought she could rely on Chancellor Helmut Kohl's recent conversation with her that the Germans were totally opposed to any wording to cover economic and monetary union in the revisions of the treaty. That was not to be the case.

Policies in politics are rarely as important as personalities. What had begun as a personal and fairly private problem over entering the ERM between Margaret Thatcher, Nigel Lawson and Geoffrey Howe became after the Luxembourg Council a political weakness for the whole government. On the crucial issue of European Monetary Union the government began to lack coherence. The three were at loggerheads over the ERM and EMU and the resignations of both men that followed destroyed the Prime Minister's authority. It also precipitated her rejection by most of her own appointed Cabinet and by the crucial number of MPs who had the power to force her resignation.

The Delors Committee, which started work in September 1988, was bound to give a substantial boost to Economic and Monetary Union. In April 1989 the three stages for the achievement of EMU were identified in the Delors report:

Stage 1 All EU member states to join the ERM within the narrow band.

Stage 2 Fewer realignments within the ERM and banks to become independent.

Stage 3 Irrevocable fixing of exchange rates; European Central Bank to establish and run a single currency.

Given the intelligence of its principal author, Jacques Delors, it was a clever package, but not just on economic grounds – it was highly political. By eliding the ERM with EMU it downplayed the essential difference between the two; namely that ERM was a non-binding agreement between independent Community member states whereas EMU involved a permanent supranational institution, the European Central Bank, at best with strong federalist

implications and at worst providing an escalator to a United States of Europe. A trap was set in that report. For it was a fatal mistake to endorse even Stage 1, let alone Stage 2, while Stage 3 remained in the Delors report. Margaret Thatcher, who did not believe in a single currency, should have rejected the Delors report with all its stages and only after its rejection had been formally established should she have considered joining the ERM.

The Madrid European Council in June 1989 was the point for decisions on the Delors report. Prior to it Nigel Lawson and Geoffrey Howe sent two memos and had two meetings with Thatcher urging her to commit to join the ERM and not go on relying on the by-now jaded formula of joining when the time was ripe. At the last meeting they both told her that if she did not move at Madrid they would both resign from the Cabinet. In the event she moved a little on the ERM but despite that within months she had forced them both out. In a strict interpretation of what she actually said it can be argued she only moved an inch but in terms of the way the press reported it she moved a mile. The Madrid formulation on the ERM also helped John Major, as Chancellor, to later persuade Thatcher to join. Major had taken over from Howe as Foreign Secretary when Howe accepted being moved to Leader of the House. John Major then took over from Lawson as Chancellor when the latter resigned after one clash too many with the Prime Minister over economic policy. Yet once again, behind all the rows and drama over the ERM in the UK, the other heads of government at the Madrid summit ensured a major victory for EMU in that an agreement was made to hold an intergovernmental conference (IGC) for treaty amendments to implement Stages 2 and 3, and the ground was laid for the Maastricht IGC of December 1991.

While Major was still Chancellor and before he became Prime Minister, the second permanent secretary to the Treasury, a very able civil servant called Nigel Wicks, seeing which way opinion was moving both inside the Conservative Party and more generally with public opinion, suggested to Major that Britain might negotiate an opt-out. What eventually emerged was similar to what Jim Callaghan had done over EMS and the ERM in 1979. Now the UK would sign up for a treaty on EMU as Callaghan and I had done for the EMS, and opt out of the single currency as we had opted out of the ERM.

Before Major persuaded Thatcher that ERM entry should no longer be postponed he had in June 1990 proposed the 'hard ecu', a new international currency in its own right which would operate in parallel alongside any member state's currency. A logical evolutionary step to run in association with the ERM, it came politically too late to have attracted the German Bundesbank, the one institution that might have advocated it from a position of strength and been able to halt the political pressure from Chancellor Kohl to give up the deutschmark for a

single European currency. Maybe a Mediterranean ecu will re-emerge for France, Italy and others no longer content to live with Eurozone disciplines.

The UK entered the ERM on 5 October 1990 and chose a rate of DM2.95 to the pound, effectively the market rate and around the average rate adjusted for inflation for the previous decade. The rate was not negotiated with the Monetary Committee in Brussels but soundings were taken. The Bundesbank favoured a lower rate of DM2.90, which surprisingly was not chosen; however, being only very slightly lower, it would not have made any difference to the crisis in 1992. The Banque de France, perhaps not surprisingly given its wish to retain a competitive edge for the French economy, wanted a higher rate of DM3.00. The broader 6 per cent band was chosen, which allowed the pound to fluctuate between DM3.12 and DM2.778. Thatcher said of ERM entry from Downing Street: 'We have done it because it is right', wording which has become the mantra of every Prime Minister since. The problems for the UK have stemmed from the fact that much of the time they have been 'wrong'. She insisted on simultaneously announcing an interest rate cut. The *Financial Times* praised entry as shrewdly timed. The non-specialist press was also mainly in favour as were the Labour Party, the Liberal Democrats and the by-now collapsing SDP. Yet within just less than two years that decision, so widely praised, had led to a dramatic and costly UK withdrawal. For the third time a UK experiment of attempting to tie its currency to that of its Community partners had come unstuck.

Within the ERM inflation, which was at 10.9 per cent in October 1990, fell very rapidly, reaching 1.7 per cent after sterling had left in January 1993. The discipline of the ERM did therefore probably work in substantially reducing inflation. The recession, which owed more to Nigel Lawson's period in office, lasted throughout Britain's period in the ERM, although it was beginning to lift before we came out and it lifted a little faster afterwards. If there is a simple answer as to why the debacle occurred it must be the failure to realign our currency as was allowed for in the mechanisms of the ERM, and that failure had its roots in the politics as much as the economics of the period.

In the debate on the Queen's Speech on Tuesday 13 November, five weeks after ERM entry, Geoffrey Howe, annoyed by government attempts to portray his recent resignation in the press as an argument about style and not substance, used his right to make a personal statement in the House to unleash a full-frontal attack on Margaret Thatcher. It was the speech of a political assassin, every word sharpened to penetrate ever deeper. He ended by saying: 'The time has come for others to consider their response to the tragic conflict of loyalty with which I have perhaps wrestled for far too long.' After the speech, outside the

Chamber of the House of Commons, Michael Heseltine announced on cue that he would challenge Thatcher for the leadership of the Conservative Party and all the tensions and divisions within that party over Europe began to unravel.

On Monday 19 November, while Thatcher was in Paris attending an international conference, the result of the first ballot among Conservative MPs was announced. She had failed by four votes to secure the requisite majority. It was a sensational rebuff. Even though Heseltine was fifty-two votes behind her, under the complex rules the contest automatically then went to a second ballot because she had not been able to achieve the required majority of fifty-six. The so-called 'Tory wets', most of whom were also strong believers in the European Community, after having been reviled from 10 Downing Street over all those years, had had their revenge in the secrecy of the ballot box. Motives were mixed but in addition to the cumulative dislike of Thatcher's personality and policies and fear of losing the next general election, there was an underlying belief that her stance on Europe had dramatically changed and that it was no longer just rhetoric but a reality that she did not want Britain to remain in the European Community. Many Conservative MPs felt she was ready to force matters to breaking point and was looking for fights in the Community as an excuse to leave. This was too much for some, who, though natural Thatcher supporters, had nevertheless believed all their political life that membership, for all its difficulties, was still in Britain's national interest. On Thursday 22 November at 10.00 a.m. Margaret Thatcher resigned as leader of the Conservative Party.

John Major became Prime Minister, beating both Heseltine and Douglas Hurd. He showed signs of having the necessary quiet determination at the negotiating table that Britain was going to need in the Maastricht European IGC in December the following year. He persuaded Chancellor Kohl that he had to win an opt-out from the single currency and could not live with a social chapter in the treaty, but he would go along with everything the Germans wanted in terms of introducing EMU and the new euro currency. It was a deft negotiation, initially accepted by his party. The intense party backlash came only after the Conservatives, surprisingly, won the 1992 general election and the Eurosceptics were no longer reined back.

On Monday 17 June 1991, at a meeting of foreign ministers in Luxembourg, a Dutch presidency paper was presented in which, for the first time in the history of the European Community, an explicit reference was to be made in a treaty to the 'federal goal' of European union. The paper also proposed a further round of intergovernmental negotiations in 1996 on a new federal constitution. Douglas Hurd, as Foreign Secretary, immediately rejected these

words on behalf of the British government and fortunately spoke for the majority of governments. It was helpful that at long last the integrationists in the EU had broken cover. But the fact that they felt emboldened enough to seek to build in an explicit goal for what had hitherto been for them implicit in the Treaty words of ‘an ever closer union’ was a warning of pressure to come. It was, however, premature as a political initiative and they should have recognised this, particularly when some of Jacques Delors’s federalist proposals at the earlier Rome summit had been turned back. Even so, some commentators, diplomats and politicians in the UK, ready apologists for anything coming out of the integrationist wing, tried unconvincingly to pretend that the word ‘federalism’ in this context only meant decentralisation.

This short political controversy provoked by the Dutch, and the quick rejection of their choice of the word ‘federalism’, had one advantage: it meant that for the next ten years it became a little harder for diplomats and commentators to argue that the Treaty of Rome had within it an inherent commitment to a federal United States of Europe. But they did not stop trying.

In the run-up to Maastricht I listened by chance to Douglas Hurd speaking to an empty House of Commons on a Friday morning explaining how it might be acceptable to have some qualified majority voting (QMV) in the Foreign Affairs Council. He was attempting to justify its use for minor matters like what colour to paint vehicles operating in a European humanitarian field operation, but I could see this as yet another step on a very slippery slope. I wrote to John Major and he fortunately saw the dangers of this QMV issue opening up for the Common Foreign and Security Policy (CFSP) at the Maastricht negotiations. A less damaging form of wording was substituted in the eventual treaty which made it clear that nothing could happen in the CFSP on the basis of QMV without initial unanimity. But it once again demonstrated that having no defined limits and no clear ‘bottom line’ was a dangerous negotiating position. In September 1991 one of the last acts of the dying SDP was to devote the entire ten minutes of our party political broadcast as good Europeans to alerting people to the danger of losing Britain’s independent nationhood within the EU.

Despite Delors championing what was referred to ‘as an all-embracing tree-like treaty’, Maastricht ended up with the politicians from the member states agreeing a ‘pillared’ structure amidst images of a classical Greek temple with a balanced and harmonious design. But it was not to last. The pillared structure had initially three main supports. The first was the supranational integrationist pillar of the European Community, with decisions that could be taken by QMV within the Council of Ministers, where the European Commission had the

power of initiation and where the European Parliament filled the main role for democratic accountability. The intergovernmental second pillar covered the CFSP; the third pillar was also intergovernmental, covering justice, home affairs and internal security policy. The two intergovernmental pillars were meant to ensure that policy would be determined by the Council of Ministers with little QMV and with overall direction to be given by the European Council, consisting of heads of government. EMU, with the British opt-out from the euro, was to be a wholly new arrangement with control delegated to an independent European Central Bank, which was not answerable to any existing institution. There was vague wording to suggest that there might eventually be a fourth pillar covering defence, which would obviously be intergovernmental.

Two irreconcilable views on the Maastricht Treaty emerged in the UK. One held that it was the moment when a European Union was established which would move inexorably towards a single federal United States of Europe. This was, somewhat bizarrely, the view of both the most committed integrationists and those opposed to any further integration. The second view, which I favoured, was that it was a moment when, in order to let the single currency through, nations normally wholly opposed to intergovernmentalism allowed for the first time a formal unique design for the European Union and the pillared structure created established new treaty language which for the first time made clear that the EU did not have to move inexorably to greater integration. We were all to be proved wrong; the pillared structure was eroded and the Eurozone design was demonstrably flawed. The Treaty of Amsterdam and then the Treaty of Nice that followed kept some pillared language but the direction of greater integration was always maintained. It was the unratified Constitutional Treaty which removed the pillared structure of Maastricht entirely. This proposed removal was one of the reasons why the European public rightly sensed that the Constitutional Treaty was a bridge too far and raised a clamour for its rejection. Two referendums, one in France and one in the Netherlands, turned the treaty down. But the politicians in both countries, aided and abetted by Tony Blair in the UK, reintroduced many of the integrationist advances from the Constitutional Treaty into the Lisbon Treaty. Blair then refused a referendum even though he had promised one in the UK before the 2005 election. Blair has plotted for some time to become President of the European Council since he was forced by Labour MPs to step down in 2007. By 2009 Sidney Blumenthal was lobbying Secretary of State Hillary Clinton to help him achieve this position. Meanwhile he was the Quartet's representative on the Palestinian economy and followed in addition a business career.

Looking back, I kick myself for not realising that it was almost inevitable that after

Maastricht attempts would continue to be made to expand the supranational content of the EU and to erode the two intergovernmental pillars. In the Justice and Home Affairs pillar, it became accepted that more QMV would happen. In each case a rational argument, it could be said, was being made for the change. But the Maastricht and Lisbon treaties' aspirational language led inexorably to more integration aimed at a federal union.

Some Conservatives believed that John Major should have vetoed the whole Maastricht Treaty in December 1990 and called a general election to endorse his rejection before the Gulf War. If he had, Neil Kinnock would very likely have won such a general election and taken the UK much further along the path of integration and probably into the single currency without a referendum. In the 1992 general election no referendum on euro entry was promised by any party – that only came in 1997. The Conservative government would have undoubtedly split before and during such an election on Europe. The image of having conducted a good negotiation at Maastricht, which Major cleverly built on, and his modest but effective handling of the Gulf War or, as some people call it, the first Iraq War secured a surprising win for the Conservatives. The history of the Conservative's disarray over the European Union in the following years demonstrates for all to see, however, that there were significant figures from the Cabinet, such as Michael Heseltine, Kenneth Clarke and Douglas Hurd, who would have dissociated themselves or resigned had Major chosen the path of treaty rejection.

On Wednesday 16 September 1992, just a few months after the general election, Britain was forced out of the ERM by pressure on the currency market. It was for John Major, like the devaluation of 1967 for Harold Wilson, the killer blow to his Prime Ministership. Even more important than the fall in support in public opinion polls was the collapse of his authority within his party and with the governing elite in the country. The authority that comes with the office of Prime Minister is in part mystique, in part respect. It is not a purely rational gift and its withdrawal can be just as irrational. But once that authority, which stems from a record of competence, goes it is very hard to recover. The ins and outs of who did what or when on the day and in the run-up period to withdrawing from the ERM have since been recounted in some detail by the two key participants, Norman Lamont, the then Chancellor, and Major, and it is possible to analyse what happened.

In retrospect nothing that day could have stopped the UK coming out of the ERM. It would have been wiser to raise interest rates as Eddie George, the governor of the Bank of England, wanted before the money markets opened, but that would not have stemmed the speculation. The ERM was suffering a systemic crisis. What only a few professional currency

speculators realised was that inside the ERM the UK was not facing a normal sterling crisis of the type which it had experienced all too many times before. Normally successive governments had responded to a weakening of the pound by pushing up interest rates, with the Bank of England intervening by buying sterling and generally trying to look resolute while indicating a readiness to cut public expenditure. By intervening in this way, the Bank of England was in effect playing cat and mouse with speculators. If the intervention was well managed the Bank could normally demonstrate to speculators that they risked losing and should stop speculating. Inside the ERM, however, it meant that when, as had happened, sterling dropped to the bottom of its band – DM2.778 – the Bank was obliged to meet demands to be paid for sterling at that rate as long as we remained in the ERM. The speculator had in this system a one-way bet and people like George Soros made a fortune that day by selling pounds at DM2.778 to the Bank but buying them in the market at lower levels. This resulted in the Bank of England reserves falling by \$27 billion gross. This was a technical loss in the reserves and over the next few years the Bank could and did rebuild as much of the reserves as it wished by buying and selling in foreign exchange markets. But to the lay public it appeared as if their money had been lost by ministerial incompetence.

The request to Major from Lamont and George to suspend sterling that morning was the correct advice and it was technically the only appropriate response. It should have been acted on immediately but Major chose to share the responsibility by involving some of the pro-Europeans in the Cabinet, Kenneth Clarke, then Home Secretary, Douglas Hurd, Foreign Secretary, and Michael Heseltine, President of the Board of Trade. They should all have had enough collective wisdom to suspend sterling immediately but instead they waited until after the markets had closed at 4.00 p.m. when the obligation to meet all demands ceased. The decision to raise interest rates to 15 per cent in the afternoon was pointless; not surprisingly it had no effect and it was sensibly dropped after membership of the ERM had been suspended. In retrospect raising interest rates a couple of weeks before was the only action that might have postponed the crisis until after the French referendum on the euro. The remarks of Dr Helmut Schlesinger, the president of the Bundesbank, in an article for *Handelsblatt* that surfaced publicly on the evening of 15 September, were disastrous for market sentiment and proved the ultimate trigger, but they did not themselves create the crisis.

Two overriding political events made it virtually impossible for the ERM machinery to function effectively in the summer of 1992. The first was the reunification of Germany and the consequences of Chancellor Kohl's decision, against the strong advice of the Bundesbank, to offer parity to the East German currency with the West German currency.

The second was the decision of President François Mitterrand to maintain the '*franc fort*' policy as an absolute at least until the French referendum on the Maastricht Treaty had been won.

Kohl's highest personal priority was that the French should win their referendum. He had championed the Maastricht Treaty with Mitterrand and had jointly made all the running on EMU. Since the fall of the Berlin Wall in November 1989 Kohl had worked to achieve an understanding with Mitterrand on EMU. Early in 1990, well before the formal reunification of Germany on 3 October, Mitterrand agreed to drop his opposition to reunification in return for Kohl's acceptance that the deutschmark would join the franc in a single European currency, thereby assuaging his fear of a much larger Germany dominating the EU. In this way a core French objective was achieved of removing Germany from the dominant position that it had gained by having control of the strongest currency in the EU. Kohl would not have wanted any action from Mitterrand to risk a 'No' in the French referendum and he knew a revaluation of the deutschmark was opposed by the French, who were only just ready to accept devaluation of the lira, which everyone knew of itself would not destabilise the ERM. The best ERM solution was a revaluation of the deutschmark, which would have allowed the Germans to reduce their interest rates, coupled with a general realignment. The Bundesbank, however, was against Germany revaluing and cutting interest rates and it was still angry that Kohl had ignored its advice on handling the merging of the two currencies in East and West Germany.

The German discount rate had risen by 2.75 percentage points from January 1991 to July 1992. The dollar was weak after a drop in interest rates and this helped to push the deutschmark up. John Major wrote to Kohl on 14 July complaining about damaging reports from the Bundesbank that if countries were unhappy about maintaining their parities against the deutschmark they could devalue. Two days later the Bundesbank demonstrated its independence by raising its discount rate by a further three-quarters of a point to 8.75 per cent. Major wrote again to Kohl, saying: 'The collapse of the dollar has pushed the deutschmark to record highs and forced up other ERM currencies too. The pound has now reached \$2, an absurd level. But since the main flight has been into the deutschmark, the ERM has become stretched, with the pound, the French franc and the Italian lira all close to the bottom of their bands.' But Kohl would have been aware by then that the polls showed that the French government might lose the forthcoming referendum, with one forecasting a 51 per cent vote against Maastricht. In another letter to Kohl Major was quite explicit: 'I must say frankly that German reunification is at the heart of these problems.' But his pleas for

German revaluation were not politically acceptable.

At the meeting of European finance ministers in Bath on Saturday 5 September the most the other ERM countries collectively could get out of a reluctant Schlesinger was that 'the Bundesbank in present circumstances has no intention to increase rates'. But Schlesinger gave the essential clue to the Bundesbank's position in a private conversation^{*} over dinner: 'The Bundesbank might well cut rates after all – but only if a parallel realignment could be arranged.' In effect the Germans wanted realignment before cutting interest rates, and the French would not support realignment.

The Germans had decided to leave the issue until after the French referendum. When Chancellor Kohl privately visited the Bundesbank on Friday 11 September he would have been told how many lire the Bundesbank had bought in. He knew about the concern in London over sterling. He had to choose realignment of ERM currencies or winning the French referendum. He chose to protect the referendum. Politics, not economics, was the breaking force within the design of the ERM, overriding technical arguments and economic considerations.

The risk that politics would eventually do the same to EMU was meant to be avoided by giving the European Central Bank (ECB) real independence along the lines of the Bundesbank. Yet it was a folly to pretend that even with this mechanism the ECB could be all about economics. Inherently, decisions taken even by an independent ECB are going to be influenced by national politicians, for the ECB's decisions will impact on member countries to the disadvantage of some and the benefit of others. We have seen these tensions develop within and around the ECB on a continuous basis since the Eurozone crisis of 2009. Despite President Draghi in 2012 promising to do 'whatever it takes to preserve the Eurozone', tensions still remain.

For the UK maintaining the pound as a free floating exchange rate had been clearly, in the light of experience, the correct course. First, there were the damaging effects of the delayed devaluations of 1949 and 1967 under the Bretton Woods system and our experience with the gold standard before the Second World War. Then the three failed monetary experiments already detailed, the 'snake' in 1972, shadowing the deutschmark in 1986 and membership of the ERM from 1990 until our ignominious exit in 1992.

In September 1992 the French electorate voted by the narrowest of margins to say 'Yes' to the Maastricht Treaty. Denmark then voted 'No' and this was seized on by the UK

^{*} John Major, *John Major: The Autobiography* (London: HarperCollins, 1999), p. 323.

Conservative MPs against the euro as the excuse they wanted to abandon the Maastricht Treaty and make it hard for the Danish government to go for renegotiation and another referendum. The powerful German Social Democrat Gerhard Schröder, not yet leader of his party, was at that time against the single currency and might have been tempted to undermine Chancellor Kohl's position if there was a real chance of the single currency being abandoned. But these are the ifs of history. Already greatly weakened politically by the collapse of British membership of the ERM, John Major judged that reversing his political position and refusing to push ratification of the treaty through Parliament was neither a politically feasible course nor an honourable one. So he cajoled and coerced his dissenting MPs and by the narrowest of margins achieved ratification. The Conservatives, pitted against each other, bitterly divided and intellectually exhausted on Europe, became an easy target for New Labour, by now doing very well under Tony Blair.

I saw Blair in 1996 at his request and it soon became evident that he wanted me to rejoin the Labour Party. I was not very keen for a variety of reasons, but the longer we talked the clearer it became that he wanted to join the euro but knew zero about the dangers. I left wishing him well but having decided not to rejoin. I look back on that as one of the best decisions I have taken in a long life in politics.

The Conservative government's euro referendum commitment for fighting the 1997 general election was dragged out of a divided Cabinet by fear of Referendum Party candidates making inroads into Conservative seats. When this was matched by Labour and even the Liberal Democrats, the general election was bound to focus on other issues, particularly since Blair gave the strong impression to the *Sun* and other newspapers that he was very sceptical about the euro.

The natural instinct of the electorate to alternate power and the exceptional eighteen years of Conservative government meant that Labour was bound to win in 1997, and their victory owed much to disillusionment with a divided government. Left to their own decisions, none of the three political parties would have conceded a referendum on euro entry and instead would have left the decision be taken by Parliament alone. Fortunately they did concede because they feared public opinion was becoming increasingly hostile to the euro and only a referendum commitment could have defused this issue.

In retrospect, the euro referendum safeguard was a vitally important and historic decision which from the perspective of 2016 helped ensure that the British nation has the opportunity in the referendum to opt to leave the EU. It certainly paved the way for the 2011 Referendum Act, which aims to ensure that no further transfer of power from the UK to the

EU can take place without a specific referendum. But even within this legislation cracks are emerging. It has been argued that its wording would have allowed the British government, if it had chosen to do so, to have let the draft 'Fiscal Compact' become part of the EU treaties without a UK referendum. The 'Fiscal Compact', which lies outside the EU treaties as amended, was on 18 March 2014 considered by the German Federal Constitutional Court and complaints against it were deemed either inadmissible or unfounded.

In December 2012 the start of a banking union presented a considerable challenge to the UK but the ECB's new supervisory role does not control decision-making at the European Banking Authority. The UK Chancellor George Osborne negotiated a new 'double majority' with this EU body for its voting decisions: a weighted majority for Eurozone members and a simple unweighted majority for Non-Eurozone members, allowing the latter in theory to block any new banking rule. But this is no permanent fix. Nor has it led to a recognised Non-Eurozone voting bloc with its own QMV within the Single Market.

Against all that history, is it any wonder when the Eurozone crisis hit more than five years ago that many people started to feel enough was enough? When the Eurozone countries, despite constant pleas from the US Treasury to grapple with serious reform, were incapable of responding, the number who began to feel the UK should leave increased further. Some say the Eurozone will collapse anyhow and that the time to leave is when that happens. I come to a different conclusion: only when the UK leaves will the Eurozone seriously attempt reform and if they shirk the challenge we in the UK are in danger of being dragged along behind them if we remain in the EU. Far from seeing more risk in leaving, I see less. The flaws in the Eurozone have haunted the EU itself, not just the UK. A flawed project needs to be ended. A government in the UK with five years' experience in office and four more still to run is well placed to handle the transition over two years before an election, an incentive without which few politicians would undertake the challenge. It will be a challenge, but it is a once-in-a-lifetime chance to face the reality. The euro has changed the EU for the worse and not for the better. It is time to leave.

Chapter 4

Why the Common Foreign and Security Policy is not vital for the UK

You are not a citizen of a self-governing nation state if your government is unable in the last analysis to make the critical decisions as to its foreign and security policy. There has never been a time when foreign and security policy could be considered in isolation from the swirl of events internationally, but nor can it be divorced from domestic politics. It can and should reflect an independent national judgement. There is still much truth in the words of John Donne, a poet and Dean of St Paul's Cathedral from 1621 to 1631: 'No man is an island entire of itself; every man is a piece of the continent, a part of the main; if a clod be washed away by the sea, Europe is the less, as well as if a promontory were.'

It has never been easy to reach agreement in Europe on all foreign and security policy issues and there are deep historic and other fundamental reasons for this. Nevertheless in some areas we are finding it easier in Europe to achieve genuine agreement and my emphasis on past disagreements is not to exaggerate them but to explain why the UK needs the safeguard of being the ultimate decision maker within a wider area of co-operative policy making. It is all too easy to allow glib talk of a European common foreign and security policy (CFSP) to delude people into believing such a policy exists or can ever exist if we remain a freestanding nation state. We also have a record which reveals that with all the elaborate EU machinery in this area developing ever faster, the UK would be better to revert to the more limited Political Co-operation framework for dealing with foreign and security policy that we happily operated under in the European Community between 1973 and 1991. We could perhaps bring this back outside the EU or rely on membership of NATO as the consensus mechanism best suited to co-ordinating foreign policy.

At the end of the eighteenth century Edmund Burke, warning on how Britain was handling France and Spain, wrote: 'Nothing is so fatal to a nation as an extreme of self-partiality, and the total want of consideration of what others will naturally hope or fear.' This need to consider the hopes and fears of others in forging a consensus has not changed over the years. The habit of dialogue keeps the UN alive. The exchange of information in the EU might have provided the climate for consensus as, indeed, it has done ever since 1949 for NATO. There is no virtue of itself in British exceptionalism but it is an inescapable reality that despite the best of intentions, there will not always be agreement in Europe. We need to understand why there are these differences, understand their nature and define the

circumstances when it is necessary for one or more states to be able to block a scheme with which they disagree.

It was a natural development of the European Community that after initially working on trade and economic issues it started a new activity that was called Political Co-operation. This started in 1969 and was not in the institutional framework. It took place in the presidency capital and at first the Commission was not admitted. It was a framework for trying to co-ordinate and develop a consensus on foreign policy issues that affected the member states. It seemed then to most people in Europe, who operated under this system, to be a sensible way of proceeding. But it was not to be. Some member states undoubtedly saw it as the chrysalis for a single European foreign policy. The majority saw it as a practical non-ideological development: if we were to work together effectively for international peace and prosperity it helped if neighbouring states could reach agreements. They also shared a belief that geographical proximity was one of many factors that were pushing the member states towards common interests and that it was worth trying to develop the same way of looking at the world in our own region. In October 1973 Political Co-operation, still in its infancy, was severely tested when a surprise attack was launched on Israel by the surrounding Arab states on 6 October, the eve of the Jewish holiday to mark the day of atonement, Yom Kippur.

The Middle East is an area of the world that well illustrates why with such long and different historical involvements it is difficult for European nations to perceive events in the same way. For France, the Napoleonic invasion of Egypt in 1798 was a historic landmark. The Suez Canal, 101 miles long, was built by a French company. It was opened in 1869 and its originator, Ferdinand de Lesseps, accompanied the French Empress Eugénie on the imperial yacht through the canal. Egypt's 44 per cent shareholding was bought for Britain by the Prime Minister, Benjamin Disraeli, in 1875 for £4 million.

Britain dominated Egypt for seventy years from 1882 until 1952, when the Young Officer Revolution laid the seeds for the Egyptian government's seizure of the Suez Canal. Britain had ruled Sudan as an Anglo-Egyptian condominium from Kitchener's Battle of Omdurman in 1898 until it became independent in 1956. Britain's Egyptian and Sudanese policies were influenced by its position in India as the ruling power. From the early nineteenth century British ships gave it a presence and an influence around the Arabian Peninsula, from the Persian Gulf to the Red Sea.

The seeds of later discord in the Middle East were laid when Britain made promises to the Arabs in 1915 which were not fulfilled in the peace settlement after the First World War. In his declaration of 1917, the Foreign Secretary, Arthur Balfour, compromised Britain's

pledges to the Arabs by saying that the government viewed 'with favour the establishment in Palestine of a national home for the Jewish people'. Britain, having fought together with the French during the First World War, did not prevent France from expelling King Faisal I from Damascus and accepted the French mandate over Syria. An Anglo-French carve-up of the Levantine Arab provinces led to Britain putting King Faisal on the throne in Baghdad and to creating Transjordan, now Jordan. Britain then assumed under the League of Nations a mandate over Palestine that was abandoned to a UN-sponsored solution of partition in 1948.

The Suez Canal was nationalised by Colonel Nasser on 26 July 1956. The Prime Minister, Sir Anthony Eden, heard the news while giving a dinner at No. 10 to King Faisal II of Iraq and his Prime Minister, Nuri as-Said. Eden's reaction at a meeting with his advisers that night was 'I don't care whether it is legal or not, I'm not going to let him do it'. Eden believed Britain had the power to impose its will. Britain was the largest supplier of weapons to the Middle East. The British military presence was substantial with troops at bases in Cyprus, Aden, Iraq and Libya. In 1956 it was still just accepted by America that Britain was the major Western power in the region with influence over most of the Arab nations. The French were bogged down in Algeria though still influential in Lebanon and Syria. In France the Socialist Prime Minister, Guy Mollet, had told Shimon Peres, then director general of the Israeli Ministry of Defence, wanting French arms and more nuclear collaboration: 'Now you will see that I will not be a Bevin,' a reference to the pro-Arab views of Britain's Foreign Secretary during Israel's struggle for independence.

Franco-British collusion with Israel to retake the Suez Canal and push Nasser out in circumstances of absolute secrecy and to the total exclusion of America was fraught with risk and a reckless departure for Eden from British diplomacy of working closely with the USA. The Suez debacle ended eighteen hours after the main body of Anglo-French forces had landed on 6 November, the day of the US presidential elections, when Eden telephoned Mollet, telling him that his Cabinet had agreed, under intense pressure from President Eisenhower, who resented not being told in advance about the collusion, to a ceasefire at midnight on the seventh. Britain's gold reserves had fallen by £100 million in the previous week and, the Chancellor of the Exchequer, Harold Macmillan, said that exchange rate could not be held, earning him the jibe from Harold Wilson, his shadow on the opposition benches, of being the 'first in, first out of Suez'. The Americans had \$1.5 billion ready with interest payments deferred but the price was a humiliating ceasefire and withdrawal. Eden resigned on 9 January 1957 to be replaced by Macmillan, having lied to the House of Commons, saying, 'There was not foreknowledge that Israel would attack Egypt.'

Mollet's government fell in May 1957. In 1958 Charles de Gaulle returned to power and retained France's links with Israel until the 1963 war when he stopped all arms shipments to Israel and moved French policy decisively towards the Arabs. On Eden's death in 1977 his obituary in *The Times* summed it all up: 'He was the last Prime Minister to believe Britain was a great power and the first to confront a crisis which proved she was not.' Suez had other major consequences. President Eisenhower and his Secretary of State, John Foster Dulles, inserted the US into the Middle East as the major power checking the Soviet Union, which had at one point looked like intervening militarily. Nevertheless, Soviet power increased in Arab countries, not least in Egypt. In the UN the moral authority of the UK and France was temporarily reduced to zero after Suez. Israel, however, appeared to gain in power, with Egypt having to open the Straits of Tiran to Israeli shipping, and a UN observer presence was stationed on its frontier with Egypt, making cross-border raids more difficult. In Iraq the seeds of radicalism were sown for the overthrow of King Faisal and in 1958 the Ba'ath Party came to power, paving the way for the long and evil rule of Saddam Hussein.

The UK in particular but also France misjudged the consequences for not informing or consulting the US over Suez. Suez was of all the post-Second World War readjustments to US power the most traumatic for both France and Britain. In its aftermath, the UK turned more to the US. The French followed instead Konrad Adenauer's prediction to Mollet in November 1956: 'Europe will be your revenge.' In 2012 we are still living within the EU of consequences of the different directions taken by France and Britain in their foreign and defence policies after Suez.

Today the cultural legacy in Egypt, Lebanon, Syria and even Iraq is more French than British. Yet neither France nor Britain are power players in the Middle East. That position passed slowly but surely to the United States after it became in 1947 the first country to recognise Israel. The US in 2016 has the Republican Party, as well as the Democrats in Congress, ready to make a strategic commitment to defend Israel. If Israel still wants a two-state solution the legislative support is there in Congress for such a treaty. The armed status quo between Palestinians and Israel with the occupied territories, including Gaza squeezed between Egypt and Israel, is no solution. It will not be long before the black flag of the so-called Islamic State is seen in these lands.

Against that short telescoped background of complexity, it is not surprising, therefore, that in the EU views frequently differ on the Middle East. In 1973 Edward Heath as Prime Minister chose to side with France, not the US, in a pro-Arab posture in the Middle East. During the 1973 Yom Kippur war Britain applied an allegedly even-handed arms embargo

policy. Centurion tanks, manufactured in Britain and on their way to Israel, were held in a UK Customs shed, as was the ammunition for Centurions already supplied and desperately fighting on the Israeli front line. Heath also refused permission for the United States to fly equipment to Israel from military bases in the UK or Cyprus, forcing the Americans to fly instead from the Azores. The fear in Europe that was undoubtedly guiding its foreign policy was of an Arab oil embargo. In the event an Arab embargo only fell on the Dutch, who were felt to be the most pro-Israeli country in the European Community. At the EEC heads of government summit in Copenhagen in December an energy crisis was threatening and it was agreed the nine member states would henceforth bargain collectively. But Heath, to the annoyance of many in the Community, refused to allow British North Sea oil to be used as a collective resource.

The UK damaged its relations not just with Israel in 1973 but also with the USA, given that Heath had prevented the US from using bases in the UK and Cyprus. Coming on top of Harold Wilson's decision from 1964 to 1970 not to support the Americans in Vietnam with troops, the sense in Washington particularly amongst Republican policy makers was that the British could not be relied on, at least over the Middle East.

The first big foreign policy division within the European Community concerned the Middle East, when the French, led by President Giscard d'Estaing, wanted the Community to qualify its support for President Carter's considerable achievement with the Camp David Peace Accords of September 1978. The Dutch Foreign Minister and myself, as Britain's Foreign Secretary, were totally opposed to any statement or action that would weaken Arab support for the accords. Arab countries were only too ready to criticise Camp David as an abandonment of a comprehensive settlement in favour of a separate Egyptian-Israeli peace. This was a view which if supported by the European Community would have become widely held and vigorously propagated in the Arab world. We in Britain believed that for this interpretation to be endorsed by the European Community would have undermined what had been achieved and placed Egypt's President Sadat in an even more vulnerable position. The accords were therefore welcomed by the British Labour government, if not by all British diplomats, as part of a necessary step-by-step process which had been started by Henry Kissinger after the Yom Kippur war. That same British approach continued right up to President Clinton's attempt in the last few weeks of his presidency to achieve a comprehensive breakthrough with the Israeli Prime Minister, Ehud Barak, and the Palestinian leader, Yasser Arafat, in December 2000. Since then this two-state compromise with maps has been broadly supported by all countries in the EU, showing a measure of welcome unity

in the CFSP towards the Middle East, but it would have happened anyhow through NATO, bilateral exchanges and UN diplomacy.

Yet during all these years there has been an inner tension within Europe over its attitude to the US being the dominant player in the Arab–Israeli peace process, underlined by the success of Norway, outside the EU, in brokering the secret Oslo negotiations between the Israelis and the PLO. Broadly speaking, the British believe that the US alone has the power to persuade the Israelis towards a fair settlement while France believes the Europeans should be present as of right at the negotiating table. President Mitterrand changed French policy during his fourteen-year presidency to one of greater sympathy towards Israeli security concerns. Meanwhile Germany has become progressively more understanding and friendly with Israel, becoming a significant supplier of arms, in particular diesel-powered submarines. This has meant that gradually a European political consensus on the Middle East has developed to the point that by 2016 it has become fairly well grounded in common positions, which are underpinned by very generous EU development aid to the Palestinians and preferential Israeli access to the European Single Market. Yet the EU by 2012 as part of the Quartet, along with the UN, the Russian Federation and the USA, had failed in helping to resolve the Israeli–Palestinian peace process. Hopefully the more balanced position of Obama’s administration will run into the new administration in 2017. But given past differences it is in the interest of the UK and the US, although not always recognised as being so by the State Department, that all European states retain their right, if the need arises, to prevent an EU position on the Middle East being adopted which an individual state feels runs against its own vital interests and a negotiated peace.

At the start of 1980 within the European Community it was possible to define in headline terms the different foreign policy priorities which held the potential for serious division in the United States. Germany wanted Franco-German entente, the US defence guarantee and *Ostpolitik*; France wanted national defence, Franco-German entente and an independent foreign policy with European co-ordination; Britain wanted a strong NATO, a quadripartite understanding between Germany, France, Britain and the US and the retention of links with the Commonwealth. In the early 1980s a serious division of public opinion within the European Community developed over NATO’s defence posture and governments were challenged by strong public opposition to the deployment of US Pershing and Cruise missiles to counter the Soviet Union’s SS20 missiles.

The British government, led by Margaret Thatcher, was adamant in support of the US within NATO and held a strong line in favour of deploying new missiles. Thatcher reacted

against any hint of unilateral disarmament and was for holding firm in the Mutual and Balanced Force Reductions (MBFR) talks in Vienna. On nuclear policy François Mitterrand as the newly elected Socialist French President went before the Bundestag and argued directly to German MPs, including, controversially, fellow Social Democrats, for the US missiles to be deployed and to be stationed on German territory. His action was decisive in helping West Germany's new Christian Democrat–Liberal coalition government to hold to NATO's support for the deployment of cruise missiles. Political Co-operation, which had earlier moved in 1978, when I was Foreign Secretary, into the field of disarmament, through the MBFR talks, was used for quiet informal discussions even though NATO was the main forum. This informal approach continued as President Reagan began to talk about 'Star Wars', which caused controversy in Europe and meant breaking with the existing Anti-Ballistic Missile Treaty. There was then much doubt as to whether the US could build anti-missile defences. While the nuclear debate continued to be divisive in Europe, Reagan and Mikhail Gorbachev began to meet and find common ground. The fall of the Berlin Wall in 1989 followed that dialogue and allowed West Germany to reap the benefits of its long, patient pursuit of *Ostpolitik* from the time of Willy Brandt.

It would be absurd to pretend that in areas of difference over foreign policy within the European Community Britain is always right and continental Europe always wrong. A spectacular error in British foreign policy occurred over German reunification. It was a very personal policy and it stemmed almost entirely from the then Prime Minister, Margaret Thatcher. It was never shared by the British diplomatic service, nor by the Foreign Secretary, Douglas Hurd. From the moment the Berlin Wall collapsed Thatcher believed that German reunification was a threat to the UK. She was determined to slow it down, believing that it could be a process spun out over ten to fifteen years. Initially President Mitterrand also feared reunification and appeared a soulmate whenever privately he and Thatcher talked the issue over. But he kept his views to background briefings. She spoke openly to the *Wall Street Journal* and was happy for her views to be well known. Once Chancellor Kohl outlined his ten-point strategy on 28 November for German unity, without consulting his allies, it was only a matter of time before France came on board. But it was a major shock to French diplomacy and the Quai d'Orsay view was that on foreign policy Germany, which had hitherto always taken its lead from France, was now ready to announce unilaterally its own foreign policy. In February 1990 Kohl and his Foreign Minister, Hans-Dietrich Genscher, visited Moscow and convinced Gorbachev of the need for early reunification. The British position was negative and damagingly so, reversing the policy of all previous governments

that reunification was a proper objective for German diplomacy. In the summer Kohl then managed to persuade Gorbachev that the unified Germany could stay in NATO. Throughout President George Bush Sr was fully supportive of Bonn's diplomacy and while this irritated Thatcher it helped change her position. Britain was represented in the Two Plus Four negotiations, composed of the two Germanys and the four post-war occupying powers, the United States, the Soviet Union, the UK and France, but the real negotiations were between West Germany and the Soviet Union, and particularly between Kohl and Gorbachev directly. It was probably Gorbachev's greatest act of statesmanship that he never countenanced the use of Soviet military power to check the tidal wave of east European dissent.

Africa is another area where the colonial history of different European nations has provided scope for differences in Political Co-operation and then in the CFSP. Over Africa in the late 1970s, however, Political Co-operation enabled real progress. The German and French foreign ministers and myself, with the support of the Danish Foreign Minister in particular, co-ordinated policy on South Africa, Namibia and Rhodesia in transition to Zimbabwe. This European co-operation continued under my successor, Lord Carrington. In another instance, Somalia's incursion across the Ogaden into Ethiopia, Genscher, Louis de Guiringaud, the French Foreign Minister, and I all agreed with Cyrus Vance, the US Secretary of State, that we should not support Somalia. It was clear that eventually Ethiopia with Soviet and Cuban support would rally and not just push the Somali forces back to their borders but be tempted to cross over into Somalian territory. When that happened we were able to persuade the Soviet Foreign Minister, Andrei Gromyko, to stop Ethiopia. We believed that holding to the Organisation for African Unity's policy of no boundary changes without a prior referendum was vital if the continent was to live with the arbitrary straight lines of the old European colonial boundaries, and this principle was applied with regard to Eritrea and, later on, the splitting up of Sudan.

Problems over South Africa arose in the middle 1980s with Margaret Thatcher's strident opposition to any sanctions against apartheid that would hurt the South African economy. Britain had economic interests in South Africa to protect and when the US Congress disowned President Reagan's opposition to all economic sanctions, Britain came under ever greater pressure in the Commonwealth. In Europe Britain had only occasional support from Chancellor Kohl. Then came President F. W. de Klerk's dramatic change of policy in 1990 from that of his predecessor, P. W. Botha, and his readiness to release Nelson Mandela from prison and negotiate, which found British diplomacy well placed for constructive help during the rest of the 1990s, enabled by Mandela's spectacular

reconciliation with the Afrikaners.

France had its own Francophone African policy under Mitterrand. He was content to let Britain go its own way in Anglophone Africa and Germany was preoccupied with eastern Europe. This meant that over Rwanda, though there was an agreement under CFSP procedures to send an EU human rights monitoring team before the violence got out of control, it never happened because of the inadequate arrangements under original CFSP for provision of finance. These were remedied under the Treaty of Amsterdam, which had a clear fallback for financing if member states did not agree on who should pay. There were, however, different positions between Britain, France and Belgium, which also inhibited any specifically European initiative. In a continuing spillover conflict with Zaire, Belgium and France had mining interests and political positions to protect whilst Britain had a traditional friendship with Uganda, which favoured the Tutsis. In Rwanda itself the most serious genocide was well under way while in the UN Security Council France, the traditional supporter of the Hutu minority, who were then in power, became equivocal over the massacre of the Tutsi majority. Sadly neither Britain nor the US supported a UN military intervention of 5,000 troops called for by the Canadian UN commander on the spot. A good development was that at the start of the twenty-first century the British and French foreign ministers paid joint visits to the continent of Africa. Slowly the interests of Francophone and Anglophone Africa have been channelled into a more trans-African European policy. But there has been a tendency for the EU to develop its own African initiatives, neither primarily using the UN nor involving the US.

Differences on military deployment between European states have been a major area of disagreement for many years. In April 1986, President Reagan asked for European support to strike at Libya. Margaret Thatcher agreed to let American aircraft fly from bases in the UK to strike against Libyan targets which were demonstrably involved in the conduct and support of terrorist activities in Berlin. She added a crucial caveat in an attempt to keep within the UN Charter: she was allowing the use of British bases for actions taken in self-defence but not in retaliation. Even so, President Mitterrand refused to allow the American F1-11s to cross French airspace. The Spanish government agreed but only if it was done in a way that would not be noticed and so the aircraft flew through the Strait of Gibraltar. The German government warned that America would not get wholehearted support from its European allies and much would depend on whether the action succeeded or not. The initial controversy settled.

In March 2011 military action was undertaken against Muammar Gaddafi following a

UN Security Council resolution passed on 17 March with Russia and China abstaining. That day Gaddafi told the people of Benghazi: 'We are coming tonight. We will find you in your closets. We will have no mercy and no pity.' A no-fly zone was imposed by US, British and French forces. Germany refused to participate. Today in 2016 Libya is still in chaos, suffering a build-up of Islamic State fighters that will have to be dealt with.

Much had happened in the world since the Iraqi invasion of Kuwait in 1990, where EU member states had common positions on many aspects. There were, however, different views as to whether its member states wished to be fully involved in the military operation. The UK committed itself heavily from the outset, first under Margaret Thatcher and then under John Major, something well understood and appreciated in the White House under George Bush Sr. The French became involved at a much later stage, after Mitterrand overruled his Defence Minister, but most other European countries stayed outside the conflict. There was considerable bitterness in Britain when it became known that the Belgian government had refused to supply ammunition to British forces. In 1991 Mitterrand joined with Major in persuading Bush to undertake the first of what became known as the humanitarian interventions under the authority of the Security Council to protect the Kurds and the Marsh Arabs with no-fly zones in the north and south of Iraq. The French, after a few years, pulled out of this operation and subsequently some European countries, particularly Germany and France, began to circumvent UN sanctions against Iraq. A series of American and British air strikes over four days in December 1998 was openly criticised by France and given little if any public endorsement by other EU member states, which, in the main, contributed to the debacle of the oil-for-food programme.

Looking forward from the perspective of 2016, the situation in Libya, Syria and Iraq, exploited by the so-called Islamic State, is dire and negotiations in the Vienna peace process are facing great difficulties. Also there is a lack of confidence in the interventionist case because of the failures in Iraq and Afghanistan. The place to rebuild confidence is in NATO, not the EU's CFSP.

Judging the value to the UK in 2016 of the CFSP and its External Action Service, it is important to keep all these past differences in mind. In some difficult areas of foreign and defence policy, worthwhile agreements have been reached but most of these would have happened under Political Co-operation in the old European Community. Recalling those areas where there have been important differences in foreign and security policy is, nevertheless, a reminder that although the aspiration for more agreement has existed throughout, genuine differences of perspective and national interest have still prevented

agreement. The reason is quite simple. Europe is not a nation state and there are genuine reasons why it is only nation states who are ready to wield real power backed by military might. The EU does not have the capacity of a unified state to ask its citizens to risk life and limb, or the steadiness to take the ups and downs of wielding armed forces that some European nation states have developed over the centuries when using their fighting forces.

For the UK, if its citizens, as I believe they will, remain determined to stay out of the Eurozone, the time has arrived to question whether the cost of maintaining all the pretension of the CFSP remains in the national interest. In April 2012 the Conservative–Liberal Democrat coalition government determined that it had to make a further £40 million cut in the Foreign Office budget, as it was asked to make a substantial contribution to fund the EU External Action Service. It is not hard to demonstrate that spending that money since then on the Foreign and Commonwealth Office would have delivered a far better return.

A tendency in the EU has long existed that believes unanimity stems from structure. But however much detailed machinery for joint decisions can be agreed, nothing replaces the feeling of citizens that they are part of an identifiable whole that is their own country. No amount of compromises that underpin new machinery for unity can replace that feeling of belonging to a country of one's own. When the Maastricht Treaty established the CFSP as the second intergovernmental pillar, provision was made in the Treaty for 'joint actions', the term used for specific situations where operational action by the EU was required. It also provided for 'common positions', the term used to define the approach of the Union to a particular matter of a geographical or thematic nature. To undertake this there had to be a unanimous decision but implementation could be by QMV.

In June 1999, the Cologne European Council adopted a common strategy on Russia. In the words of the presidency conclusion, this gave the strategy under QMV 'a horizon extending far into the next century', although the initial period chosen was four years. Russia deserved the full and serious attention of the EU but that could have been done under the framework of Political Co-operation. If it had involved a wider aggregation of European nations, including Turkey, so much the better. UK policy can gain from the depth of commitment and knowledge of Russia in such a wider Europe, but it can do so too in NATO. There is no evidence that the CFSP needs QMV to succeed. The practical result is that the European Council simply discontinued adopting common strategies for many reasons, one of which was that they opened the doors to QMV. The question, however, remains, and is not purely academic: will the EU in future seek to adopt CFSP decisions under QMV? Common strategies cover complex, deep-seated and controversial issues. This is particularly so for the

Arab–Israeli conflict. When it comes to settling the final status of Jerusalem, for instance, the judgement of European states, who have differed very significantly in the past and may well differ in the future, is not, if we are honest, likely to be decisive. We need to remember divisions in the EU over Russia in the handling of South Ossetia, over Abkhazia and now over Ukraine.

Under the Lisbon Treaty, it is very clear that we are watching unfold a further EU deliberate strategy amongst some, particularly those in the Eurozone countries, to replace a common EU foreign and security policy (that is, one forged by consensus) with a single one (controlled by voting). What is worrying is that the whole exercise is being pushed forward amidst public indifference in Europe and little serious scrutiny. Even in the UK not many realise that widespread adoption of common strategies by the European Council could involve, under the Lisbon Treaty, the EU's foreign and security policy in formal qualified majority decision-making, albeit with the right of appeal to the European Council. This could eventually cover almost every problem and trouble spot in the world. The UK interest is better reflected in the negotiations over Iran and development of nuclear weapons. When these began, President George W. Bush did not want the US to become involved and the UK, France and Germany started the process as E3 with Javier Solana, then High Representative for the CFSP, as the lead spokesman. His previous NATO experience was very helpful. This grouping became P5 +1 when the USA, China and the Russian Federation joined the talks, thereby involving the five permanent UNSC members. At the same time Baroness Ashton took over from Solana, later to be followed by Federica Mogherini. This contact group approach is very sensible and in 2015 against the background of tough sanctions reached an agreement. But the UK would have been involved whether a member of the EU or not.

There are strong grounds for Britain, and France too, to deal with some of these global problems primarily in the UN and not in the EU. Britain's and France's permanent seats on the Security Council give our two countries a special role that, so far, we have not allowed to be constrained by prior EU decisions. But because of disobliging treaty language this will become ever more difficult if the scope of an EU foreign and security policy is to encompass all aspects of the UN agenda. Hopefully Germany and Japan will soon become permanent members of the Security Council along with a few other countries such as Brazil, India and Nigeria. But there is no objective justification for collapsing UK and French membership into one rotating EU place on the Security Council as some would like. I understand why for example Spain is prepared for more QMV in foreign and defence policy decision-making in the EU. It might gain more than it stands to lose. This is not an irrational judgement given

where modern-day Spain finds itself. It has the third most commonly used language in the world and the legacy of a once great empire. It attempted at Nice to be given the same weighting as the big four countries in the EU but failed and is now on a par with Poland. It sees Italy failing to become a permanent member of the Security Council but nevertheless being a member of G7. In terms of population Spain (47 million) is larger than Canada (35 million), which is in G7 but which is also not a member of the Security Council. On the rotating regional system in the UN for membership of the Security Council Spain will only be a member of it rarely. The Dutch government too faces a somewhat similar choice. Because of its past empire, and centuries-long interest in international law, it wishes to and does play a strong international role.

In the Netherlands too there are attractions in collective EU membership to the UN. Dutch politicians were amongst the leading integrationists in the 1960s and believed in a single federal state until the early 1990s. Dutch public opinion is, however, now becoming less integrationist. A Dutch commissioner, Frits Bolkestein, has so far been the only commissioner to be avowedly critical of integration for its own sake. After the anguished national soul-searching that followed the Srebrenica genocide, despite Dutch forces in UN blue helmets being on the ground, there was for a time an understandable lack of self-confidence about pressing a particular Dutch foreign policy and a readiness to rely more than ever on an EU foreign and security policy. But this may be changing after the Dutch referendum in 2004 rejected the Constitutional Treaty and Dutch political parties are emerging that are explicitly not committed to ever greater integration. A referendum in April 2016 in the Netherlands is challenging the Dutch government's signature to the EU–Ukraine Association Agreement.

There are politicians in Germany who want EU membership for the UN, but others hope that Germany becomes soon in its own right a permanent member within a few years, albeit without a veto. It certainly deserves to be. Italy has also lobbied hard for permanent membership. Its ambassador to the UN once joked that with Germany and Japan, Italy 'too lost the Second World War' but it will not be successful.

While Britain still retains the ability to project power worldwide and contributes more generously to the UN in money and military manpower than most, it will remain one of the five permanent members with a veto. Britain's membership is, of course, the result of the accidents of history and its global position in 1945 at the San Francisco conference that created the UN. Besides Korea and many peacekeeping operations all over the world since, Britain has broadly lived up to its position on the Security Council. Yet for the last fifteen

years it has conceded too much to an EU CFSP.

The Amsterdam Treaty, negotiated in June 1997 and ratified in 1999, introduced a number of reforms which, though on the face of it having no great constitutional significance in themselves, in combination were more extensive than many people realise. They were designed to make it much harder for any EU member state, when in a minority, to block a particular foreign and security policy acceptable to the majority. In particular, the new mechanisms came as close as they could to creating a single foreign policy without formally eroding the independence of an individual member state. The Amsterdam Treaty also clarified a number of ambiguities over CFSP, in particular the important matter of financing. The Lisbon Treaty took the decision-making process even further with the High Representative chairing the meeting of European foreign ministers and an acceptance that action can follow if states acquiesce by not taking a formal voting position even if they have important reservations. Advocates of QMV have the superficial intention of quickening decision-making as more member states start to join. But foreign policy decisions are not to be compared with the myriad of decisions necessary to bring about the Single Market. They are fewer in number and potentially more far reaching in their consequences. It cannot be stressed often enough too that many politicians advocate QMV, not primarily to speed up decisions, but as part of a strategy of moving slowly from a common to a single foreign policy.

By contrast, NATO, for very good practical and constitutional reasons, operates a decision-making structure that requires acceptance by all and has accepted that majority voting mechanisms do not overcome substantive policy differences. Over Kosovo no system of QMV would have overcome the determination of President Chirac to veto bombing targets and show France counted. Never in NATO will America accept any system of majority voting without the protection of a veto, as in the Security Council. What happened with Kosovo was that America leant firmly on Italy and Germany when they advocated a pause to the bombing. When it became necessary to change the targeting strategy to pressurise Milošević by hitting bridges and factories in Serbia, NATO's Supreme Allied Commander Europe combined consultation with people such as Chirac with the exercise of greater military discretion, though answerable at all times to the Pentagon. NATO structures were robust enough to allow US muscle to be exercised from the Pentagon and the White House – too uncomfortably for some European leaders. But these are the realities of armed conflict; decisions have to be delegated to the military within political parameters.

Within the EU and NATO, Greece all along had a different perspective, as a Balkan

state, to its other allies on the wars in the former Yugoslavia. At one time, the issue of Macedonia as the name for the new neighbouring state brought hundreds of thousands of demonstrators on to the streets of Thessaloniki and Athens. A Greek Foreign Minister resigned over the issue. I lived with this problem day by day as the EU negotiator from September 1992 to May 1995 but it never would have helped a resolution of this deep issue if decisions had been forced on Greece by QMV. It has still not been fully resolved in 2016. Greek governments of different political parties have recognised, however, the need to avoid disrupting the effectiveness of NATO organisations and they have respected majority views while registering their dissent. In democratic politics most politicians know that a little untidiness in decision-making is a necessary price to pay and provides a flexibility that is not found through the pursuit of bureaucratic neatness and QMV.

Britain has played a very full part in recent international humanitarian interventions, from its readiness to protect the Kurds in Iraq in 1991, to heavy troop commitments for the UN in Yugoslavia, to involvement under the Australians in East Timor. In Sierra Leone by deploying a British force but working closely with the UN we had a particular success. In Iraq and in Afghanistan from 1998 to 2012, by contrast, our role was not only very controversial but conceptually flawed in that we had no coherent strategy for dealing with the aftermath of a successful invasion. Strong voices were raised in the UK arguing against these deployments, and we had our own internal democratic debate. Despite this we have remained a decisive military power. In some respects the decisions taken were clearly wrong, particularly insufficient troops in Baghdad, and we await the Chilcot report in the summer of 2016. But I see no evidence that these setbacks have threatened our position as a permanent member of the Security Council. Nor have they weakened our political will to stay a global power, hence the decision to build two aircraft carriers, which could be the backbone with France and Canada of a rapid reaction force declared and ready to move within days if the Security Council so decides. Some will suggest that a stronger, more integrated, CFSP would have prevented the UK embarking on the Iraq War from 2003 to 2009. It has certainly proved to be the worst British foreign and security policy for over a century, but I see no evidence that a CFSP veto would have had any effect. I have described the mistakes, very personal to both George W. Bush and Tony Blair, in a book, *In Sickness and in Power*, published by Methuen. But Iraq, from 1990 until 2016, continues to demonstrate more starkly than any other foreign policy issue how divided Europe still is. The UK and Spain were in 2003 the main European proponents of invading, Germany and France its main opponents. Lessons are there in abundance to be learnt. But the better handling of Iraq, by and large, does not lie with

EU CFSP structures.

Some argue that to stay on the Security Council we must remain a super-sophisticated nuclear weapon state with four ballistic missile-firing submarines. That this is the price for keeping our place at the 'top table'. I do not personally believe that keeping such a force is vital but I would retain a minimum nuclear deterrent. Equally important is our peacekeeping role, keeping UK representation in virtually every UN member state and remaining involved globally as a 'blue water' diplomatic nation. The commitment of the five original nuclear weapon states through the Non-Proliferation Treaty (NPT) is to work towards the abolition of nuclear weapons. We have reduced the numbers and the size of our nuclear warheads, but a Conservative government would be wise to build three (not four) ballistic submarines and retain a defence budget of 2 per cent of GDP. Over the next several decades the UK position on nuclear arms control is likely to continue much the same as that of France. The NPT may not survive the Russian annexation of Crimea, the message of which is that if Ukraine had retained nuclear weapons there would have been no annexation. Saudi Arabia, having financed Pakistan's nuclear programme, can become a nuclear weapons state overnight and may well decide to do this, joining North Korea. It will watch to see if the Iranian nuclear negotiation holds and there is no cheating. Progress towards nuclear reductions in keeping with the NPT has been minuscule and Russian-US nuclear negotiations have stalled. This is one of the disappointments in Obama's record. In the UN everyone knows that the UK would use its veto to prevent any change in its permanent status. Spending on the British nuclear deterrent therefore needs to be justified on other grounds than the bogus one of ensuring Britain's position at the so-called 'top table'. That is more likely to be justified on our conventional contribution to our own national security and our readiness to contribute to UN peacekeeping. The safety of our own people is the ultimate test for the UK defence budget.

It is also a good time in considering the value of the CFSP to ask whether it has made sense for the EU to try to have a policy in every part of the globe. There are some areas in Africa where a Commonwealth initiative might make more sense to the UK than a purely EU initiative and where the French similarly might best use their own Francophonie mechanisms. The Spanish too may feel at times that their relations with Latin America put them in a special position to take a lead. Some have asked whether, if Norway had been in the EU at the time of the secret Oslo talks, it would have been obliged to risk a break in its secret diplomacy and let the EU know what it was doing under the provisions first introduced in the Amsterdam Treaty obliging member states to reveal all their diplomatic activity to their fellows. All this underlines that there are sensible limits to the extent of EU activity for it is a

regional, not a global, grouping, however much it pretends otherwise.

Under the Amsterdam Treaty, procedures for QMV were applied when adopting or implementing 'joint actions', 'common positions' or the taking of any other decisions on the basis of a 'common strategy'. That language was somewhat changed in the Lisbon Treaty but the intent has remained the same, as has the concept of a qualified abstention, whereby a member state can make a formal declaration that allows it not to apply the decision in its own country even though it is binding on the other states in the EU. Procedures also allow for a member state to declare that for important and stated reasons of national policy it intends to oppose the adoption of a decision to be taken by qualified majority. In this case a vote is not taken; but the Council may, by a qualified majority vote, request that the matter be referred to the European Council for a decision which then has to be taken by unanimity. It is claimed, therefore, that the capacity for a member state to ensure that the EU does not adopt a foreign or security policy with which it fundamentally disagrees is retained. Nevertheless the pressure to conform to the majority view in the Eurozone is building. The UK has been just about able to live with this wording, but in 2016 we know that there is absolutely no room for any weakening of it. As part of the greater integration of the Eurozone, there will be a suggestion for an expansion of the External Action Service. It will be hard to prevent from outside the Eurozone. On balance it is no serious loss for the UK to leave the CFSP.

Federica Mogherini, the High Representative of the European Foreign and Security Policy, is now charged with building an ever larger External Action Service. Already her double-hatted role as a supranational Vice-President of the European Commission and chairman of the European Council of Foreign Ministers, being answerable to the heads of government meeting in the European Council, is throwing up inherent differences and difficulties. Hers is not an easy task. She is building up a foreign policy diplomatic service to run in parallel with the foreign ministries of other member states. She will argue as part of Eurozone integration, supported by Italy, for more QMV. The EU representatives in non-member states are not formally called 'ambassadors', but already the title is so widely used that the pretence is becoming accepted. Duplication and extra costs are inevitable between the External Service and the national foreign ministries. Smaller EU states appreciate the monitoring and analysis of developments in relevant areas of the world, fresh assessments, and identifying areas of focus for the future as well as providing early warning of events with significant repercussions for the EU. But the diminution of the power of initiative of larger member states is coming with a heavy price, not just in cost but in terms of decisiveness and readiness to ensure a real presence in crisis areas. It may be of particular assistance to the

smaller EU countries with limits to the scale of their foreign ministries. But with all these EU structures comes pretension, the abiding weakness of European posturing. A more realistic option for the UK is to leave.

This is easier to do now that the rotating presidency has been virtually abolished because it was a symbol of intergovernmentalism. It still, however, rotates every six months, and it plays a useful but far more limited role. What has evolved steadily in this structure in Brussels is the dream of a single EU foreign policy. Some say that will never happen. Perhaps for the EU as a whole, or for France, Germany, Italy, Spain and the Netherlands, in will not, but for the smaller member states their representation in many countries will be the External Action Service of the EU.

Within the Eurozone it became acceptable for ensuring unity in many more policy areas to create a European Foreign Minister and to blur even more the distinction between the intergovernmental and the supranational elements within the EU. The President of the Commission, Jean-Claude Juncker, appears in 2016 to be just as involved in foreign affairs and security policy as his predecessor, José Manuel Barroso, still speaking as much on foreign and defence policy as in the past. Yet as the High Representative builds up staff numbers, she will redefine the modest course designed for her role and will use this as an excuse to demand more, to argue for a single foreign policy and present herself as the European foreign minister. In this she is helped by being in the chair of all meetings among foreign ministers. Perhaps co-operation with the European Commission in those areas that touch on other commissioners' responsibilities, such as trade and overseas development, has improved, as we are told, but it is hard to identify any improvements.

The EU, it is always being argued by those who want more integration, must have a single foreign policy to provide the one person for a US Secretary of State to ring, as Henry Kissinger once famously, though with his tongue in his cheek, requested. The EU is not a single country nor do we have a United States of Europe and it should not attempt to model itself on the United States of America. In reality, as no-one knows better than Kissinger himself, if the US gets the answer it wants it will take it from the High Representative as truly representative; but if it does not like that answer it will ring around other EU states' foreign ministers in order to win support for its views. Not unexpectedly this will circumvent any undesirable consensus against US policy developing in the EU.

From a US presidential point of view it may at times appear an advantage to have a single European voice but that illusion rarely stays with a President. The single voice they come to recognise is the voice of least resistance, the lowest common denominator or the

status quo. The US State Department routinely tries to stiffen EU policy with direct representation to member states thought to be sympathetic to the US viewpoint. Much of what the US State Department has said ever since President Kennedy about wanting a single European voice on foreign policy is pure political and diplomatic rhetoric. The hard reality is that the US seeks, not unreasonably from its point of view, EU states' compliance on important issues of US national interest. To pretend otherwise flies in the face of all evidence and experience.

The EU can act as one on trading issues in world forums and in so doing has an influence on the US, but it did not stop TTIP. An EU operating a foreign policy based in effect on the lowest common denominator of agreement has little and at times no influence. The only way to prevent the EU lapsing into a false consensus was for individual member states to have the right, in the last analysis, to prevent the EU adopting such policies. We are slowly losing that right.

Some in the EU resented William Hague, as British Foreign Secretary, refusing on over 80 occasions on coming into office in 2010, to accept EU decisions that were not formally described as a decision of the EU and its Member States. Eventually his persistence paid off and this form of words was agreed. This was not a narrow pedantic point, however, but the assertion by the UK of fact and a welcome refusal to continue pretence.

What in reality is a unified foreign and defence policy for a country like Britain? It is not the exclusive preserve of diplomats nor of the military. It stems from political dialogue and sometimes clashes between senior politicians. It reflects the sense of the country's nationhood tempered by realities of the world. That system went badly wrong under Tony Blair from 2001 until 2007. There were few Cabinet structures to limit or challenge Prime Ministerial authority. The absence of Cabinet government is the main, and hopefully enduring, lesson to be learned from the innumerable failures after the invasion of Iraq.

Cabinet government was never more vital than in the five days in May 1940 when Winston Churchill, then Prime Minister for only a couple of weeks, was confronted by a request from his Foreign Secretary, Lord Halifax, to start negotiations with the Italians, who were not yet involved in the war and who had offered their good offices to make peace with Germany. Halifax could have been Prime Minister but had declined Neville Chamberlain's offer as the outgoing Prime Minister to hand over to him. Churchill had appointed a War Cabinet of five but to defeat Halifax's proposition he had to have the tacit support of Chamberlain and could not rely only on the full support given by Clement Attlee and Arthur Greenwood, the Labour members. Churchill played for time and over nine War Cabinet

meetings he managed to convince Chamberlain that to open negotiations would be fatal. Hitler would demand a ceasefire during the dialogue and whatever the terms Hitler offered Churchill would never be able to both reject them and restart the war. Churchill sensed that there was a readiness in the British people to stand and fight against overwhelming odds. He knew that this was no time for negotiating but a time for fighting. He had that inestimable gift of a political leader – he knew his own people, its history and he knew its enemies. The same qualities in Cabinet leadership have been needed for nearly two decades.

British foreign policy has to have, to adapt General de Gaulle's telling phrase about his own country, 'a certain idea of Britain'. Many people have tried to define what Britain is and what its people want to be. Lord Palmerston famously centred on interests but his belief that they were eternal has not stood the test of time for they have changed as has the world. Lord Salisbury's definition, 'to float lazily downstream occasionally putting out a diplomatic boathook', was all right when Britain was the world's superpower but today it needs more than a boathook and there are many other powerful boats on the rivers and seas. Churchill's Three Circles – the United States, Europe and the Commonwealth – is no bad yardstick but the circumferences of the first two have enlarged and the Commonwealth shrunk. More recently Sir John Coles, drawing on his experience as head of the diplomatic service, defined the UK as 'a major European power with global interests and responsibilities'.

I do not believe that Britain will ever be content to be part of a country called Europe but it will creep up on us from behind as it did in the first decade of the twenty-first century. Public opinion in Britain has, as yet, never allowed the diplomatic elite to focus, as many of them appear to want to do, only on Europe. The British people were not content, even after the 1975 referendum, to become solely European orientated. They had not lost faith in 'blue water' diplomacy. Britain lifted its sights globally in the 1980s and 1990s, helped by a return of national self-confidence following the retaking of the Falkland Islands in 1982. The fourteen-year period of economic growth which started after the debacle of being forced out of the ERM even allowed us to decide to build two large aircraft carriers, a decision that did not change with the need to cut our fiscal deficit in 2010. The incompetence that politicians and the Ministry of Defence displayed over Iraq and Afghanistan did nothing to improve public morale, but it did not lead to a turning away from a global role. The most prevalent feeling was anger at the handling of both wars. The UK economic crisis starting in 2007 and the Eurozone crisis from 2009 still have not depressed people's horizons, and the proposed cuts in defence expenditure have wisely been reversed so as not to limit our capabilities for nuclear weapons spending. Keeping two aircraft carriers afloat with modern planes and

helicopters on one carrier at all times is costly. It is a pity that the choice of US fighter aircraft with vertical landing and short take-off will mean dropping the expensive catapult that could have allowed US aircraft and French to use our platforms, but this is a decision forced on the Royal Navy by cost constraints, not political considerations, and there remains much to be said for more Anglo-French co-operation over nuclear and other defence policies, which does not need EU structures.

A 21st-century United Kingdom, which with a constitutional settlement has every hope of including Scotland, is obliged to become involved in the global economy and foreign and defence policies. A Eurozone will almost certainly remain around the German economy, even with the UK outside it: Europe is our largest market and we are significant buyers, and it is hard for a net buyer to lose out in a trading negotiation to those who need to sell. A UK having left the EU will have to improve its productivity, learn new skills faster, acquire new world markets and adapt more wholeheartedly to the global economy. There will be no respite from all this in leaving, whatever happens to the Eurozone we will leave behind. Outside the Eurozone the UK will have to be even more attentive to living within its means. It will have to be very careful not to build up unsustainable deficits, its currency must not be vulnerable to global economic crises. Our future prosperity lies in attracting the world's financial industry to London and our competitiveness on design and price in exporting into world markets as well as in whatever settlement is negotiated with the European Economic Area (EEA).

A more focused British foreign policy can better anticipate world events for good and I see no reason why it should not be more effective than just being part of the still-flawed EU/Eurozone. Foreign policy must not, as it did in 1938, 1956 and 2003, become alienated from the views of the people of Britain, whose changing interests it should be designed to serve. The people of Britain, I believe, want to have now, and for the future, first and foremost, a British, not a European, foreign policy. It will from time to time make errors but we can at least then learn from our mistakes and try not to repeat them.

Chapter 5

NATO should be the only defence organisation in Europe

You are not a citizen of a self-governing nation state if your government is unable to prevent critical decisions impacting on your armed forces which are against your country's interests and that of the major defence organisation to which you belong.

In the area of ultimate defence decision-making, even the most successful military alliance to date, the North Atlantic Treaty Organization (NATO), fully accepts that each member nation makes its own decisions. In NATO there is no alternative to developing a consensus and each member state has the safeguard of unanimity. There is no qualified majority voting in any part of the organisation and no handing over of the power of major decision-making to the secretary general or to Supreme Headquarters Allied Powers Europe (SHAPE) through the Supreme Allied Commander Europe (SACEUR), a position so far always held by a member of the US armed forces.

Under the Treaty of Lisbon the European Union's competences cover 'all questions relating to the Union's security, including the progressive framing of a common defence policy that might lead to a common defence'. The last two words, 'common defence', are a bridge too far for a self-governing country, as is much of the other wording when it is all put together. The High Representative and the member states shall, we are told in the Lisbon Treaty, put this policy into effect using national and EU resources. In areas where there is disagreement over foreign affairs and security policy, the High Representative will in close consultation with the member states involved search for a solution acceptable to it. If this does not succeed the Foreign Affairs Council may, by a qualified majority, request that the matter be referred to the European Council for a decision by unanimity. The treaty also allows the European Council to adopt unanimously a decision stipulating that the Foreign Affairs Council shall act by a qualified majority in some cases not covered by other wording. The Lisbon Treaty goes further, however, in saying that before undertaking any action on the international scene or entering into a commitment which could affect the EU's interests, each member state shall consult the others within the European Council or the Foreign Affairs Council and shall ensure through the convergence of their actions that the EU is able to assert its interests and values on the international scene.

That France and the UK were involved in Libya, and Germany and Poland were not, shows that the Lisbon language is just about liveable with but it also shows that the EU does

not represent anything like a credible mechanism for European defence. The wording of the EU treaties on security is opaque and that very opacity is dangerous. Power still resides in the forging of consensus within the European Council, which is then transmitted through the council to the military structures necessary to command and control any European rapid reaction force. But attempts to undermine within the EU the structure of intergovernmentalism for defence are continuing apace. The price for upholding this structural integrity on defence is constant vigilance but that vigilance must also extend to how member states themselves insist on democratic control in this area. The way the draft Constitution metamorphosed into the Lisbon Treaty was a process of deliberate deceit in which many of the EU leaders participated. The price of doing that is still present in terms of public disillusionment and anger, ensuring defence is an issue in this referendum in 2016.

Some argue that there is no dispute that defence decision-making must stay with nation states. Would that that were the case. Regrettably there is much confusion and ambiguity over these matters. This was manifest inside the Foreign Office, in the Ministry of Defence and at the highest level of government in 10 Downing Street during Tony Blair's period as Prime Minister. Blair went to Warsaw and made a much-heralded, and one has to presume calculated, speech on 6 October 2000 in which he called for the EU to become 'a superpower, but not a superstate'. With all allowances for the age of the soundbite these two words, 'superpower' and 'superstate', are inextricably linked and cannot simply be divorced from each other. It is probably impossible to exercise 'superpower' in the twenty-first century as we have come to use that word without being a single superstate.

There have never been more than two global superpowers co-existing at any time since the beginning of the twentieth century. First of all there was Britain and Germany, after the First World War Britain and the USA, and from 1945 the USSR and the USA. Following the break-up of the Soviet Union in 1990, the USA became the only superpower, while in the twenty-first century, by 2016, we are probably reaching the point when we have two superpowers again, as China emerges to join the United States.

The breakdown of the authority exercised by the Central Committee of the Communist Party of the Soviet Union in 1989 had far-reaching consequences. The Russian Federation is much smaller than the USSR. It retained a big arsenal of nuclear weapons and missiles, but its economic power dwindled to such an extent that by the time Vladimir Putin succeeded Boris Yeltsin as President in 2000, he openly talked of hoping to catch up with the GDP of Portugal within fifteen years. The Russian Federation in 2016 will go on trying to achieve the economic and military power that a superstate needs to exercise superpower but it was wise

for the UN to accept that it would inherit the USSR's permanent seat on the Security Council. In the second half of this century China may acquire all the characteristics of a superpower but it is haunted by the fear that its past fissiparous history of internal divisions could return, undermining its present unity and status. The transition to a market economy has nevertheless been very impressive and there are grounds for a political transformation as well as the economic one which they are still experiencing.

The EU has in theory the economic potential over the next half-century to come closer to the GDP of the USA even though the gap at this stage appears to be growing, not closing. For Europe to come anywhere near to matching US military power will necessitate a massive increase in its military expenditure, which it shows absolutely no sign of wanting, let alone allocating. It will also mean developing a far greater political integration and political cohesion across a wider area than the Eurozone. The political decision within the EU to develop a rapid reaction force for humanitarian interventions has the theoretical potential of leading eventually to a European army, navy and air force, but that is most unlikely to be considered as constituting a superpower. Within the EU this is such a deeply contested concept that it will not emerge democratically from its citizens, who show no sign of agreeing to it even if their elites were to advocate it. The nuclear forces of France and Britain, for example, even if merged would be insufficient. They would have to be significantly enlarged and fully integrated, with one command structure and the power of decision vested in a European President with real authority over any European forces, and answerable to a democratically chosen European Parliament. Even were such a United States of Europe to emerge it would be most unlikely to behave as a superstate or superpower.

It is not just that it is hard to envisage such a development in the twenty-first century but when one looks at the disparate nature of the European Union in 2016 there appears to be an unwillingness of most of its people to want the responsibilities or the burdens. The militarism of Germany over past centuries in Europe was crushed by two defeats, and memories of military occupation after the Second World War are still vivid. In place of the German Reich has come a cultural Europeanism and a social solidarity that wants influence in the world but not superpower status.

Common defence, hitherto words with profound meaning, was seen in Europe as exclusively a NATO responsibility until the Maastricht Treaty negotiations, when the words 'common defence' emerged in texts at a time when the Dutch presidency came forward with its short-lived fully integrated package envisaging a federal EU with a defence role. The final text of the Maastricht Treaty, like the later Lisbon Treaty, refers to 'the eventual framing of a

common defence policy which might in time lead to a common defence', but there was considerable unhappiness over this wording. In the Foreign Office the then European director, later to become the UK's permanent representative to NATO and then to the UN, Sir John Weston, argued passionately against allowing common defence to be part of the Treaty of Maastricht. He believed that using these words for the EU could betoken serious trouble for NATO's prime position on defence matters at some later date. His objection was pushed to one side on the grounds that ministers could only achieve a few of their priority negotiating objectives and the opt-outs from the single currency and the social chapter were higher priorities than objecting to what was dismissed as a meaningless form of words. Some think there is little difficulty in distinguishing common defence being for NATO but the pressure, particularly from the French, has never varied, namely to make common defence applicable for EU tasks through the Common Security and Defence Policy (CSDP).

The EU was in 1990–91 still formally looking to build on the Western European Union (WEU), even though most military people in the EU recognised it as being on the way to collapsing. In 1948, before NATO existed, the Brussels Treaty Organisation was formed and it was this which became the WEU in 1954. The WEU had fewer constraints on expansion and by 2001 comprised twenty-eight countries with its associate partners, most in NATO, six in NATO but not in the EU and seven in neither NATO nor the EU. The associates came mainly from central Europe and brought a diversity and a coverage which was soon reflected in EU membership. A WEU intervention in the former Yugoslavia had been suggested by the Dutch during their presidency in the latter half of 1991* but there was never any prospect of agreeing. The 'click-in' device envisaged in the Maastricht Treaty whereby the EU could request the WEU 'to implement decisions and actions of the Union which have defence implications' was a long way from reality, let alone common defence. It was only ever to be used on four occasions.

The first use of the click-in was to help in a policing operation in the EU-administered city of Mostar in Bosnia & Herzegovina from summer 1994 to autumn 1996. I had myself landed the EU with the invidious task of administering Mostar when negotiating on the EU's behalf with President Franjo Tudjman of Croatia on the EU plan for three republics in Bosnia & Herzegovina in 1993. Tudjman had adamantly refused a proposal for UN administration of the bitterly divided city, where Bosnian Muslims and Bosnian Croats were fighting each other for control. When I asked Tudjman if he would agree to EU administration, much to the

* David Owen, *Balkan Odyssey* (London: Victor Gollancz, 1995).

surprise of his associates he said ‘Yes’ and I accepted on the spot, obtaining retrospectively the approval, willingly given, of the Council of Foreign Ministers. It proved a thankless task and the EU failed to reunify the city. Another use of the click-in occurred in Albania in 1996–7, when neither Germany nor the UK were ready to intervene to support a WEU intervention, the Americans having already made it clear they did not wish to be involved. Instead, a coalition of the willing was assembled involving mainly France, Germany, Italy, Romania, Spain and Turkey with a UN–OSCE humanitarian mandate.

The Treaty of Amsterdam laid the foundation for the disappearance of the WEU by describing it as ‘an integral part of the development of the Union’ in that it supported the EU ‘in framing the defence aspects of the CFSP’. This was because by December 1998 there was a perceived weakness in the European Union’s capacity to intervene in humanitarian situations where the United States were not ready to contribute. The pressure to go beyond NATO with a European initiative on defence came from three different strands in the EU. Firstly, there were those who wanted an EU defence force as part of their overall desire for progressive integration in all fields, in the main the sort of people who had earlier supported a European defence community then rejected by the French. The second strand were those who wanted a powerful EU defence force to challenge US superpower and who believed that American hegemony was something the EU had to counter. The third strand were people like myself who believed the EU would improve its own diplomacy if it could exercise limited military power to run in harness with that diplomacy. This power could be exercised either indirectly through the UN or more directly by projecting limited force within the EU’s own control when the US or another country was not prepared to act through NATO but was content for the EU to use NATO facilities.

Meanwhile, the experience of dealing with the break-up of the former Yugoslavia between 1991 and 1999 posed a challenge to any notion of common defence within the EU. The Balkans had been an area of historical differences between EU states. Serbia had fought with Britain and France against the German–Austrian forces during the First World War. In the Second World War the Mihailović royalist forces and Josip Broz Tito’s partisans had been supported by Britain when Serbia was attacked by Germany and Italy. Britain had persuaded the US later to concentrate support on Tito, even though a communist, as being the most powerful disruptive force against the Germans. Though Tito was born a Croat he presented himself as a Yugoslav and despite being disowned by Stalin was a disciplined dictator who held the country together by playing off the different nationalities against each other and imposing his own authority.

Tito's Yugoslavia lasted longer than most people thought it would following his death in 1980. In 1990 NATO's initial position on the outbreak of nationalist tensions was to maintain the territorial integrity of the country. This was in great part a reflection of its determination to prevent fragmentation elsewhere, particularly inside the Russian Federation. This led the European Political Directors at a meeting on 13 July 1991 to reject the paper presented by the Dutch presidency, when the Slovenian and Croatian declarations of independence were only eighteen days old, to explore the option of agreed changes to some of the internal borders between the six Yugoslav republics.^{*} By the following year there were strong differences of opinion in the European Community with Germany already relentlessly championing the recognition of the Yugoslav republic of Croatia as a sovereign state. In December, after the signing of the Maastricht Treaty, the British and French, hitherto adamantly opposed to recognition of Croatia before an overall settlement, a position supported by the US and the UN, changed policy. On 16 December 1991 an expected UK veto in the Council of Foreign Affairs on the EU's recognition of Croatia, when the French had dropped their objections, never materialised. The recognition of Bosnia & Herzegovina in the spring of 1992 was, by then, inevitable and the EU should have linked Croatia's recognition to the immediate deployment of a UN preventive force into Bosnia prior to recognition. This would, at the very least, have moderated, and I believe could have prevented, the subsequent war. Recognition of Bosnia triggered a three-year conflict between Bosnian Serbs, Bosnian Croats and Muslims, the largest ethnic grouping.

Croatian recognition was a classic case of the danger of creating a false EU consensus, undertaken not because member states were convinced of the correctness of the policy but because of European politics. In this case François Mitterrand wanted to solidify the decision to create the euro from the deutschmark, and John Major and Douglas Hurd felt they owed Helmut Kohl and Hans-Dietrich Genscher something after the Germans helped them obtain the opt-out from both the euro and the social chapter in the Maastricht negotiations only days before. Such is European politics, but it does not always make for coherent policy. The absurd claim by the Luxembourg presidency that Yugoslavia was 'the hour of Europe' was overblown and unrealistic. Even more unrealistic was the refusal to contemplate negotiating agreed changes to what were originally regional boundaries within Yugoslavia, as suggested by the Dutch Presidency in 1991, rather than simply accepting them as the boundaries of new states.

^{*} Owen, *Balkan Odyssey*, pp. 31–3.

Croatian recognition, fortunately, did not wreck the Croatian peace settlement brokered on behalf of the UN by Cyrus Vance, as some feared it would, but insufficient numbers of troops in the UN Protection Force (UNPROFOR) and a weak mandate meant the settlement's implementation was made much harder. President Franjo Tudjman gradually eroded the UN's authority in its protected areas in Croatia. Croat forces gradually won back control until their summer offensive in 1995 resulted in a virtually ethnically clean Croatia and a largely independent Croatian region in Bosnia & Herzegovina, a result that left the Bosnian Muslims, after the American-brokered Dayton Accords, controlling less territory than they deserved and considerably less than they would have had under earlier settlement plans.

Despite some mainly private criticisms from the Dutch and the German governments that it accepted too much ethnic cleansing, the EU, particularly France, Britain, Italy, Denmark, Greece, Spain and Portugal, fully supported the ten-province unitary Vance–Owen Peace Plan – VOPP – in the winter of 1992 and they continued to do so against the Clinton administration's opposition in late January 1993 for the next few months, knowing it was the only chance to avoid *de facto* partition.^{*} President Mitterrand was surprised that I, as a former British Foreign Secretary, was prepared to publicly hold America's feet to the coals in this period. He seemed to expect me to fold and acquiesce with the American criticism of the VOPP.

The VOPP was accepted, subject to agreement by the Bosnian Serb Assembly, in Athens on 2 May 1993, the very day that the US Secretary of State, Warren Christopher, arrived in Europe with Clinton's ill-fated initiative for 'lift and strike'. Christopher argued for lifting the UN arms embargo while bombing the Serbs but still keeping UN forces on the ground in their humanitarian role. This was not bombing for the specific purpose to implement the VOPP, nor was it bombing while offering an alternative plan. The US policy was totally impractical and in fact Clinton disowned it within a few days even while his Secretary of State was in European capitals explaining it. On 8 May the Bosnian Serbs meeting in Pale rejected the Athens agreement, despite its being supported by President Milošević and the Prime Minister of Greece, Konstantinos Mitsotakis. The opposition, led by General Ratko Mladić, were totally confident that no one in NATO would force them to change their stance, and they were correct until August 1995.

The British and the French, hearing from the US Secretary of State once again that the US would not galvanise NATO to impose a settlement on Pale, were not prepared to do so on

^{*} David Owen, *The Vance–Owen Peace Plan* (Liverpool: Liverpool University Press, 2012).

their own, in part because they believed they lacked the capacity. They also felt that other important aspects of Atlantic relations were by now being damaged. So by 20 May they were acquiescing with Spain and Russia in the US ditching of the VOPP in favour, shockingly, of more land for the Serbs. All five countries then championed in the Security Council the ill-fated 'safe haven' initiative that laid the basis for the Serb genocide in Srebrenica in 1995. The nadir of US, British and French diplomacy came that spring in 1993. The Security Council fashioned a false consensus, which so often lay at the root of positions on the former Yugoslavia, which was strong on rhetoric and weak on force. The UN military initially recommended over 30,000 troops to make five Muslim enclaves safe; UN officials were persuaded down to 15,000; the Security Council provided a mere 6,000 extra troops of varying quality. It was a flawed and dangerous folly; the enclaves were neither safe nor havens. The Bosnian government forces attacked outwards and the Bosnian Serb forces inwards. The UN were 'piggy in the middle' without the means to protect the Muslim townspeople from degraded health, poor nutrition and diminished water supplies, let alone protection from sniper fire, mortars and even artillery rounds from the surrounding Serbs, which lasted on and off until the pretence ended, predictably, in June 1995 with the massacre of more than 8,000 Bosnian Muslim men and boys. The Serbs in Srebrenica overran and humiliated a totally insufficient UN force of Dutch troops who too easily stood helplessly by. The US in Naples blocked NATO air strikes.

Two years before Srebrenica EU and UN negotiators tried again to fashion a different settlement, meeting on HMS *Invincible* in the Adriatic. In December 1993 after months of painstaking diplomacy on the wreckage of the VOPP the European Union put forward its own action plan for three republics in Bosnia & Herzegovina. But the EU had no military capacity of its own to back up its diplomacy. The US, lukewarm about any diplomatic compromise, made it clear to the Bosnian government that it was not ready to support NATO giving a security guarantee, which the Bosnian government not unreasonably wanted for its own federal republic boundaries against attack from both the Croat and the Serb republics. This US attitude predictably undermined the whole initiative. The EU action plan gave the Muslims a defined territory in relation to the Croats and Serbs, which no subsequent plan did. As the EU's peace negotiator I then suggested to the European political directors in the spring of 1994 that, painful though it was to have to admit it, the situation in the Balkans demanded a contact group somewhat similar to the one set up by the UN in Namibia. Thereafter, from 1994, this Contact Group, which from the EU involved only the UK, Germany, France and later Italy, with the US and Russia, took the main decisions in Bosnia & Herzegovina. Its

unity was fragile and relations between the European members and the United States were often fraught. The Contact Group presented its map to the Bosnian Serbs in the summer of 1994 but when the Serbs rejected it, these five major powers simply packed their bags and left. An appalling abdication of responsibility.

In the early summer of 1995, the US began to shift its policy and after the Srebrenica genocide in July, the US diplomatic and military position altered dramatically. They were ready to commit to NATO bombing Serb positions and tilting the balance of fighting on the ground against the Serbs. This change of military position also involved the US accepting at Dayton many detailed aspects of the Vance–Owen and EU action plans that they had hitherto opposed, as well as the majority views on the Contact Group, which they had never been prepared to fully endorse. The welcome change of policy did, for the first time, allow the US to lead from the front and Richard Holbrooke achieved a considerable personal negotiating success at Dayton. But in the preceding two and a half years US policy, far more than European policy, had meant many lives had been tragically lost and much ethnic cleansing had occurred, creating divisions on the ground that were destined to remain, unfortunately haunting Bosnia & Herzegovina. To this day it still has many appearances of a partitioned state, as I saw for myself in a private visit to the Srebrenica memorial in April 2012.

The world saw Dayton as defeat for the Europeans. The Europeans wrung their hands at their own defeat. But that was only because the new CFSP was built on a pretence that Europe could act like a nation state and was ready to confront the Serbs. The EU was not ready to do this over Bosnia or Kosovo. It is still in 2016 in no condition to take on similar armed force. These tasks are and were only possible through NATO, and that reality was not faced up to from the start. Pretension was rearing its ugly head even then.

Kosovo meanwhile was left to fester, until in February 1999 Milošević was at last challenged, after repeated threats of NATO air strikes, when much of the Muslim population was being pushed out and into Albania by Serbs. The Rambouillet negotiations on Kosovo were chaired by the French and British Foreign Ministers but the US Secretary of State, Madeleine Albright, was a determining presence at all crucial moments in isolating the Serbs and, privately, offered the Kosovo Albanians a referendum within three years. That was the breaking point for the Serbs. In effect NATO's patience had run out before this; its key political leaders by now wanted military action but mistakenly they believed it would be quick and fairly simple. Buoyed up by the success of eventually having used force in Bosnia and believing wrongly that air power there had been decisive on its own, ignoring the Bosnian and Croatian ground forces, they expected, as Albright advised her President, that

the Serbs would crumble in a few days.

NATO countries then launched seventy-eight days of air attacks against Serbia. It was American leadership, however, that held the divided Europeans together within NATO during what was in formal statements called throughout not a war but a humanitarian engagement. Germany and Italy early on called for a bombing pause, which was a ridiculous position to adopt, and the US helped by the UK and France refused to countenance it. The more serious opposition came from President Chirac of France and some other countries not wanting to bomb many of the targets chosen by NATO's military. Chirac, in particular, insisted on vetting targets chosen in Serbia as distinct from Kosovo. Greece was opposed to any bombing but allowed NATO forces to come through Thessaloniki to Macedonia. There was no commitment amongst NATO countries, including the US, to even threaten the use of ground troops until Tony Blair argued, rightly, that this option must be kept open. Yet it was the US, while mounting cruise missile attacks on Belgrade, which encouraged the active help of President Yeltsin to pressurise Milošević, after an ultimatum delivered by the former Russian Prime Minister Viktor Chernomyrdin weeks before. Chernomyrdin was accompanied on a second visit by the Finnish President, Martti Ahtisaari. Milošević told the Serb generals to withdraw from Kosovo, though they had not been defeated. Why? We may never know but the best guess is an authoritative threat that all gas and oil supplies would be cut off.

Within that Russian–Finnish ultimatum there were important concessions to the Serbs, authorised by the US in a new mood of realism. Firstly, the period of interim Kosovo administration was handed to the UN, which the Serbs had always wanted. There was no commitment to a referendum within three years as promised to the Kosovo Liberation Army at Rambouillet, though it was eventually the pathway for independence. Secondly, the military annex to the Rambouillet negotiations, which involved NATO forces coming into Kosovo through Serbia, was dropped and they came in from Macedonia. This annex had proposed the use of Serbian roads, railways and ports not only did it constitute a massive erosion of the Federal Republic of Yugoslavia's (FRY) sovereignty but to many of its paranoid leaders appeared to provide a mechanism for NATO snatching Serbian political and military leaders under arrest orders, whether disclosed or undisclosed, from the International War Crimes Tribunal. Thirdly, the wording introduced concerning the operation of the tribunal in the FRY, which Serb political and military leaders saw as a threat to them personally, was toned down with considerable regret.

All proved wise adjustments. For it was the withdrawal itself that angered the military

and meant Milošević lost the subsequent election and was disowned by his own people. After much to-ing and fro-ing he was offered up by his fellow Serbs for trial at the International Criminal Tribunal for the Former Yugoslavia in The Hague. Sadly, he was never convicted, as he died while in custody awaiting a verdict.

Whether NATO's action, which was never authorised by the Security Council because Yeltsin preferred that it should not come to the UN for decision, was humanitarian within the terms of the UN Charter will long be argued. It certainly stretched the words of the UN Charter to its limits. But it paved the way for future Security Council actions authorising humanitarian interventions. It also helped the Balkans towards a long-term peace. By 2012, Serbia under President Boris Tadić had become a candidate member of the EU. NATO's humanitarian intervention in Kosovo also forced the pace at Nice for a European defence and security policy (EDSP). However, it left scars in the Pentagon which made the US military want to resist NATO's offers of immediate help in Afghanistan after the attacks of 11 September 2001.

On 24 March 1999 NATO in effect went to war with Serbia, though because of doubts about the legality of the action, since it lacked specific Security Council approval, it was treated formally as a humanitarian intervention. It was for NATO a very different type of engagement to that which they had long planned for against the Soviet Union in the Cold War, and there was no longer the readiness to automatically accept US strategic direction. President Clinton on military matters was the weakest of recent Presidents and the SACEUR, General Wesley Clarke, did not carry the full support of the US Defence Secretary, the chairman of the Joint Chiefs of Staff or the chief of the US Army. It became obvious that there was in the Pentagon a marked reluctance to face American casualties. From the outset this had been a politically limiting factor for this intervention. It was not the best of starts to NATO's tricky engagement. I, nevertheless, supported NATO's action but felt that we should not rule out using ground troops from the start. At this stage the UK, like the Americans, were ruling out deploying troops on the ground. Despite this strategic weakness, NATO, with four million active duty military personnel to call on and a budget of \$450 billion, was entering into combat with an economically weakened Serbia, which had military forces numbering a mere 110,000 though with a large police force which also had heavy weapons, many of them deployed in Kosovo. It looked on paper like an easy trial of strength but I could not believe it when I heard that Albright had predicted in Washington to Clinton that it would all be over in a matter of days. To those of us who knew the lie of the land in Kosovo and the problems of relying only on air power, NATO was committing itself to a complex

and dangerous engagement. So it turned out to be. Kosovo was to stretch NATO to its limit. I was also very surprised to read in the *Sunday Times* on 28 March 1999 an article by the British Chief of the Defence Staff, General Sir Charles Guthrie. Normally the military do not get involved in political controversy but the article had these words: 'Henry Kissinger, for example, argues that we should not use force in the Balkans, while David Owen thinks that a ground invasion is a prerequisite for success. I do not agree with either.' This article totally contradicts the later British spin from No. 10 that the UK had always wanted to have the threat of ground troops coming into Kosovo and that it was only the US who had insisted that everything could be done from the air.

Milošević's first mistake was the continued forced eviction of the Kosovo Muslims over the border to Albania and Macedonia. This ensured a humanitarian-led outcry, which meant that NATO found it easier to hold a restless public opinion in member countries steady over a far longer bombing period than the Clinton administration had ever envisaged. When after only a few days the Italian and German government ministers advocated a bombing pause the US were reminded just how fragile the European political commitment was. Fortunately, at this stage, the US, at every level was supported by the UK and France, who would have nothing to do with a bombing pause, knowing that once conceded it would be very difficult to restart.

Weeks later, on 24 April 1999, the NATO heads of government met in Washington supposedly to celebrate the organisation's fiftieth anniversary but in reality to face the worrying situation of NATO forces still bombing from Serbian airspace and the success of the operation still in doubt. The true agenda behind all the ceremonial was a debate about whether to agree to start preparing to deploy ground troops. This was something which President Clinton, having unwisely excluded it from the start, was still reluctant to contemplate. Tony Blair and his chief of defence staff had also excluded ground troops but by then were quite correctly pushing Clinton hard to rethink this strategy. I had spoken to Blair by telephone earlier on this very question in surprising detail when I was visiting Berlin on 16 April. I had told him that the threat to deploy troops would be a necessary element in making Milošević bend even if American NATO troops did not actually cross the border. I suggested NATO ask its newest member, Hungary, for permission to announce a military exercise involving tanks on its territory. This announcement, I felt, would be taken very seriously by the Serbs as the flat plains shared by the two countries offered the only easy access point for invading tanks. It would force the Serb commanders to spread their forces and not allow them to keep their present total focus on the defence of Kosovo. There were

virtually no roads which NATO could use from Albania into Kosovo and the roads from Macedonia were going to be mined and involved traversing tunnels, ravines and other very difficult geographical features for an opposed military advance.

The final NATO communiqué from Washington dealt with a long-standing agreed text with carefully negotiated language over the ESDI which did not move much into the St Malo agenda. It reaffirmed NATO's commitment to building the ESDI within the Alliance and included flexible options for the selection of a European NATO commander and NATO headquarters for WEU-led operations as well as specific terms of reference for the deputy Supreme Allied Commander (DSACEUR), who was always a European. In only one section did it promise to address the 'identification of a range of European command options for EU-led operations, further developing the role of DSACEUR in order for him to assume fully and effectively his European responsibilities'. It all seemed very sensible but in reality minds were focused on what was happening in Kosovo. Yet within eighteen months this NATO response was to be all but destroyed by the conclusions of the EU IGC at Nice.

After eleven weeks' bombing, NATO eventually prevailed over the Serbs in Kosovo without having to fight on the ground. Nevertheless it was not a pure military victory. Instead secret US–Russian diplomacy provided a solution which Milošević embraced to get himself off the hook on which he had impaled himself. It was a settlement over Kosovo's long-term future more favourable to the Serbs than anything offered in Rambouillet. The UN was to administer Kosovo and no NATO forces would go anywhere in Serbia other than into Kosovo from Macedonia. Milošević accepted immediately and the Serb Parliament followed suit next day, on 3 June. The European Council heard the news with profound relief at its meeting in Cologne and, in a declaration which owed more to wishful thinking than the actual military experience of Kosovo, said that 'the development of an EU military crisis management capacity was to be seen as an activity within the framework of the CFSP and as part of the progressive framing of a common defence policy in accordance with the Treaties'. Yet by then not one of the fifteen EU heads of government could have been under any illusion about the EU member states' military weaknesses, which had been exposed day after day over Kosovo. NATO's victory in Kosovo was totally dependent on US military might and in particular its precision guided missiles. Cruise missiles had actually taken out two government ministries in a main street in Belgrade leaving surrounding buildings intact.* Had we Europeans in NATO embarked on the Kosovo venture on our own, just as many had

* David Owen, *Nuclear Papers* (Liverpool: Liverpool University Press, 2009), p. 14.

advocated we should have done in Bosnia years earlier, it is hard to escape the conclusion that we would have been defeated by the Serbs.

Even now, over twenty years after Dayton and NATO implementation, it is not possible to be clear about the shape of a final settlement for Bosnia. A more certain outcome looks likely in Kosovo, where NATO brought peace and where a UN administration helped by NATO was able to slowly reach a point where it is possible to believe Kosovo will become truly independent. Some EU states have, however, still not recognised Kosovo. They fear setting a precedent for encouraging splits in other member state countries. This is particularly strongly felt in Spain but also by Cyprus, Greece, Romania and Slovakia.

Any effective configuration over defence in the EU has always been dependent on Anglo-French agreement. Relations between the armed forces of the two countries serving in Yugoslavia became unprecedentedly close. Under Tony Blair, Labour now made it clear, not just in the run-up to the 1997 election but also initially afterwards, that, like its Conservative predecessors, it had no intention of doing anything more than build on the European Security and Defence Identity (ESDI) within NATO. It was also content to rely on the military mechanisms underpinning the ESDI, the Combined Joint Task Force. These arrangements had been agreed during the middle 1990s after extensive negotiations within NATO during which the concept of the ESDI evolved. It first appeared at NATO's Oslo meeting in June 1992, and was further elaborated at the Berlin NATO ministerial meeting in June 1996.

The first hint of Blair's so-called 'fresh thinking' and his hint that a different UK approach to European defence was in the air came when he talked privately to the EU heads of government in Pörschach, Austria at the European Council in October 1998. Blair and President Jacques Chirac met in St Malo in December 1998 and published their joint declaration saying that the European Council 'must be able to take decisions on an intergovernmental basis, covering the whole range of activity set out in Title V of the Treaty of European Union'. They went on to say: 'To this end the Union must have the capacity for autonomous action, backed up by credible military forces, the means to decide to use them, and a readiness to do so, in order to respond to international crises.' This wording opened up more questions than it answered.

It was agreed as part of the Treaty of Amsterdam that the ESDI should not prejudice the specific character of the security and defence policy of those member states which see their common defence realised within NATO. Article 17 of the treaty allowed the EU to avail itself of the WEU in order to elaborate and implement decisions and actions which had defence implications. The ESDI was then replaced by the EDSP. President Sarkozy helpfully

brought France into a closer relationship with NATO. He also signed a sensible agreement with Prime Minister David Cameron in 2010 covering bilateral defence issues. NATO in 2016 has now withdrawn from Afghanistan, out-of-area operations are essentially the norm. Yet still the French persist in wanting common European defence even in spite, it seems, of their bruising relations with Germany over Libya. If an integrated Eurozone wishes to build integrated defence structures it is not something which the UK should block provided it is done within an agreed restructuring of Europe as a whole with a less integrated Non-Eurozone group.

Gradually British governments shifted their ground from believing that NATO should have sole responsibility for collective defence to agreeing a limited role for European peacekeeping. The New Labour government developed this further than the previous Conservative government but it somewhat exaggerated its initiative, which helped push the Conservatives in opposition to back off the progress they had made in office. The Amsterdam Treaty language provided for European humanitarian and peacekeeping tasks and for combat forces in crisis management involving peacekeeping. It is a European structure of decision-making that can be used if and when countries in NATO, such as the United States and Canada, do not wish to become involved militarily. But to move away from NATO command and control structures so as to make a European political point is a fundamental mistake. Even in Libya, where the US took a back seat, its initial contribution, firing over 200 cruise missiles and using attack planes off its aircraft carriers, made a critical contribution to destroying Colonel Gaddafi's sophisticated ground-to-air missile defence systems. US drone air missile systems are another expertise that Europe needs but with Iran having captured a drone plane intact the technology has become more widely available. Nevertheless it is proving invaluable against Islamic State.

In Washington there has always been understandable anxiety about the implications of developing a European defence identity. Paradoxically the Kosovo war both deepened and relieved this anxiety. The main fear is that some sections of opinion in the US Congress might take any European defence organisation as a signal to reduce the US commitment to NATO forces based in Europe. Crudely put, the argument is: why should 360 million rich Europeans need 260 million Americans to defend them from 160 million impoverished Russians? The US began within NATO to work out a compromise which would not of itself lead to a decoupling of the North American continent from Europe. Wisely explained, NATO in the twenty-first century is about much more than looking back nostalgically at winning the Cold War. It may work more closely with the Russians if relations improve after Ukraine,

and it will be used at the request of regional organisations, as when the Arab League asked NATO to operate a no-fly zone over Libya in 2011. We have yet to see whether it will have a role in Syria. In NATO's 640 million citizens across North America and Europe (which includes Turkey) lies the potential to provide the key underpinning within the terms of the UN Charter for a peaceful, civilised and democratic world and to help the Security Council grapple with state terrorism.

But this potential will only be realised if US anxieties are assuaged as to the meaning of EU autonomous action and ambivalent phrases like a capability for relevant strategic planning, without unnecessary duplication. The shift in policy in St Malo in 1998 has taxed British diplomatic skills, since it has become ever more obvious that France is operating from a different agenda and has different military aspirations. The then US Secretary of State, Madeleine Albright, who responded for the Americans in a speech since referred to as the 'Three Ds', called for the avoidance of 'decoupling, duplication and discrimination' and said the US would examine any proposal on European defence and security with a simple question: 'Does it improve our effectiveness in working together?' That question in 2016 remains unanswered.

Turning to Italy, in 2016 it is under a relatively new government, led by Matteo Renzi since February 2014. Young and radical, Renzi is an EU integrationist and fought hard to stop a Grexit in 2015. In return he wants much greater integration within the Eurozone and in building up European defence. But his problem is the growth in Italy of a scepticism towards the euro and the need for Italy to be able to devalue. Italy is, however, traditionally close to the US on defence matters. It is nevertheless supportive of a Commission link with foreign and defence policy, such as is reflected in the wording of the Lisbon Treaty. An important provision in the negotiations over the Treaty of Amsterdam in 1997 was to insert in Article 23 of Title V that 'decisions having military implications' could only be taken by unanimity and that QMV would not apply. Armed with this provision Britain acquiesced and dropped the idea of a separate defence pillar. In doing so it took considerable risks with wording in the presidency report on the ESDP at Nice, which applied to the work of the European Political and Security Committee, the Military Committee and the Military Staff, all newly created and intended under the operating principles to act for the 'preservation of the Union's autonomy in decision making'. The treaty language on the CFSP was not amended at Nice to remove all references to the European Commission having any position in relation to any defence policy. This means that the European Parliament has the right to be kept regularly informed by the Commission in the development of all policies, which some argue can include those with

military and defence implications. This is a totally new power for the Commission, it is something Tony Blair said had been excluded at St Malo, and it contravenes the British government's earlier claim that its 'central message – that the Commission has no competence, legal or practical, and that parliamentary scrutiny of ESDP should be at national level – is widely shared among Member States'.

As Prime Minister, Tony Blair gave a qualified endorsement of the Commission being involved in defence before Nice. 'For the sake of coherent activity across all Pillars of the Union, it is helpful for the Commission to be present when responses to crises, including responses over which the Commission has a role (such as economic or trade sanctions), are being considered.' But the Commission is never just present; it has a specified task of informing the European Parliament, and that gives whoever is President of the Commission the excuse they want to speak about the EU's position on defence questions.

The military professionals on both sides of the Atlantic are virtually united in the need for NATO's planning role to remain with an overarching responsibility for the EU rapid reaction force, because this force cannot but affect NATO force levels, equipment and fighting potential. British military and intelligence officers felt very let down by their country's politicians pussyfooting around on this issue. The true picture was revealed by President Clinton's former head of the CIA, James Woolsey, speaking in Washington after the Nice negotiations and on its consequences. 'The one and only thing that the United States asked of our European friends was not to establish a separate and independent military planning capability. And, of course, that is precisely what they did.'^{*} That quote encapsulates the key issue, which all NATO professionals fear has been conceded; meanwhile the true meaning of 'autonomy' when used by the French and some others in Europe for the ESDP and what has followed is not just about deploying without American troops from NATO but doing so without American goodwill and even planning a deployment against the interests of the US. Some Europeans say this independence is necessary if the EU is not to be subservient to the US. But it could also be a certain recipe for the US to withdraw more forces from Europe, in the process turning NATO into a mere talking shop and effectively withdrawing any US responsibilities for common defence.

The European heads of government never learnt the lesson of Kosovo. They failed to abandon the illusion of the EU being ready to undertake common defence and concentrate instead on developing the Washington statement with NATO. If they had done that the EU

^{*} T. Harnden, 'US to UK: don't let Brussels ruin it', *Spectator*, 12 May 2001, p. 16.

and NATO could credibly have built up the more achievable part of the Cologne Declaration, namely ‘the ability to take decisions on the full range of conflict prevention and crisis management tasks defined in the Treaty on European Union, the so-called “Petersberg tasks”’. A very similar message was delivered eleven years later over Libya but once again the European heads of government were not prepared to face up to the unpalatable truth.

The civilians in the Clinton administration in their relief at the outcome in Kosovo were not above claiming, in a false euphoria about the utility of air power, ‘You won’t see Colin Powell on TV today talking about the Powell doctrine’, a reference to his reservations about using military force in Bosnia. But this political posturing is superficial. With air power becoming ever more accurate, it can be used, as I argued privately and publicly over Bosnia, to tilt the balance in favour of forces already fighting on the ground.* In this case the Kosovo Liberation Army (KLA) was fighting on the ground and was helped by NATO bombing. The Powell doctrine was developed on the back of Operation Desert Storm, following Iraq’s invasion of Kuwait in 1990, when Colin Powell was chairman of the Joint Chiefs of Staff. It was premised very sensibly on the belief that military strategies should ensure victory rather than simply the hope of victory. Over Libya, once again the no-fly zone and protection of civilians under the UN Security Council resolution allowed NATO to tilt the balance of fighting, but with no troops chaos followed and intervention failed.

What Kosovo showed conclusively was that a European Union defence force, relying on its present military capabilities and political leadership, will not have the capacity or political will to deploy sufficient troops or the political realism to use those forces sufficiently robustly to be certain of defeating in combat an equivalent force to that of the Serbs in the region of Europe without US backing. In the process what began by being defined as a humanitarian military operation, targeting and bombing military targets, ended up a strategic military operation, targeting non-military targets with humanitarian war aims, and was brought to a successful conclusion only once Moscow had been co-opted, Russia’s clout on Belgrade (almost certainly natural gas sanctions) producing the circumstances under which Milošević forced his military to withdraw from Kosovo and all those refugees who wished to could return. Nevertheless, NATO and the EU have taken a long time to resolve the problems bequeathed to the UN administration in Kosovo and the final end point of a stable, secure and independent Kosovo has not yet emerged.

What the different wars in the former Yugoslavia all demonstrate is that even so-called

* Owen, *Balkan Odyssey*, pp. 102–3, 136.

EU 'Petersberg tasks' can be difficult to fulfil and this was re-emphasised by the understandable reluctance of many NATO countries to deploy forces anywhere other than in Kabul following the initial defeat of the Taleban government in Afghanistan by American and the Northern Alliance forces in 2002. There are painful lessons that NATO peacekeepers have experienced in Afghanistan, particularly when they began to be regarded as an occupying force. NATO withdrawal will be followed by a US withdrawal after 2016. For many involved it cannot come too soon but it will not mark victory and as so often in the past, Afghanistan will have proved the undoing of powerful invading forces.

If Europe pursues autonomous defence then we cannot expect US commitments to NATO to remain unchanged. The logic of the EU saying 'yes' to autonomy means from time to time that the EU will be contemplating force to support a foreign policy initiative where European interests and the American interests are opposed. We need to face these implications head on for they are profound and carry huge risks. Such a growing asymmetry in the transatlantic relationship was dealt with by Strobe Talbott, then US Deputy Secretary of State, speaking in London in October 1999 about the need 'to rebalance our respective roles'. He went on to warn: 'We would not want to see an ESDI that comes into being first within NATO but then grows out of NATO and finally grows away from NATO, since that would lead to an ESDI that initially duplicates NATO but that could eventually compete with NATO.'

Talbott's word 'compete' is the nub of the issue over the ESDP. It will never be in the interests of the US to go on supporting NATO if we allow to grow up in Europe an ESDP that competes with the US. That is happening and the main thrust for it stems from EU foreign and security policy. In its renegotiation before 2017 the UK, faced with greater Eurozone integration, must consider including a move back to Political Co-operation as the basis of its foreign and security policy. The US and the UK left all the negotiating over eastern Ukraine to Germany and France (and initially Poland). It has not been a success. That distancing, once started, could gather momentum. The US responded militarily through NATO and through sanctions but it was not in the lead. Russia will have noted this with some satisfaction; it does not fear the Eurozone countries.

The European treaties in 2016 already make detailed provision for co-operation in the area of defence and security, the most important of which is the 'permanent structured co-operation' in Articles 42 and 46 of the Lisbon Treaty. Also provision is made in Articles 42 and 45 for participation in projects within the framework of the European Defence Agency. Participation of groups of member states in joint operations or tasks involving the use of

civilian and military means is provided for in Article 44. This co-operation is open to member states 'whose military capability fulfils higher criteria and which have made more binding commitments to one another in this area with a view to the most demanding missions'. The difference between enhanced co-operation in the field of defence and other fields is that the Council can decide on the establishment of defence co-operation by QMV, whereas enhanced co-operation in other fields of the CFSP requires unanimity. It can be clearly seen therefore that the detailed structures for common defence are far advanced. It is only their implementation that has been held back, largely because of principled opposition from the UK and the fear of other Member states that to cross this divide might lead to a very serious pull-back of the United States from NATO.

In 2016, the Americans are still ready to keep troops as allies on the ground in Europe, something they have done since 1947. As they plan and prepare to deploy troops in defence of any Russian interference in the Baltic states they will want evidence that EU countries are increasing defence spending. If that does not happen and the EU persists with its formal interpretation of autonomy, it will not be the President, senators and congressmen but the professional servicemen in the Pentagon who will start arguing that it is incompatible with upholding their national interest for America to be retaining its troops on the ground in Europe without a commensurate European response. The US wants to know if its EU allies are half in or fully in to NATO's defence strategy, and whether the UK is equivocal or determined to restructure Europe, particularly after the annexation of Crimea.

After the St Malo Agreement between President Chirac and Prime Minister Blair, which first used the word 'autonomous', it was incumbent on the British to stand firm when the French, as they were bound to, tried to chip away at the centrality of NATO to any new design for European defence decision-making. The French were also bound to expand autonomy from meaning 'operating autonomously' to 'planning autonomously'. This is precisely what happened and the French Chief of Defence Staff in denying that there is an American right of first refusal explicitly laid out the procedure on 28 March 2001: 'If the EU works properly, it will start working on crises at a very early stage, well before the situation escalates. NATO has nothing to do with this. At a certain stage the Europeans would decide to conduct a military operation. Either the Americans would come or not.' At one stage, before Nice, officials from Britain tried to get the Dutch and the Germans to act for them in insisting on NATO planning being given the central position because they were so fearful of exposing Britain as having to veto the French position. Not unreasonably they refused and the French got exactly what they most wanted: prime responsibility for military planning and the

freedom with it to plan autonomously. Nice could prove to be the most costly British diplomatic blunder since appeasement in the late 1930s. Some ground may have been won back since Nice as some issues were fudged and postponed. But I fear that Nice started a process whereby the US military, hitherto the most enthusiastic part of American policymakers for NATO, began disengaging from European defence. The old Atlantic certainties have gone, some US officers are no longer as worried if their political leaders suggest enlarging NATO for purely political purposes and in the process damage its common capabilities and its cutting edge.

The outgoing US Defence Secretary in the Clinton administration, himself a Republican, warned in December 2000 that NATO would become a 'relic' if the EU developed its own defence force. He was expressing a widespread concern in the Pentagon which preceded the arrival of George W. Bush. It was soon clear that Bush's new Secretary of Defence, Donald Rumsfeld, shared his predecessor's concerns. Returning to government service, having been ambassador to NATO under President Ford and the chairman of the bipartisan Congressional committee which had come out in favour of developing a missile defence system, Rumsfeld made it clear before February 2001 that he expected better of Britain than to acquiesce in the military documentation presented at Nice. As a new President, Bush avoided a confrontation but made his support conditional on Tony Blair's own assessment to him of what the Nice agreements meant. He quoted Blair's interpretation back publicly at their joint press conference at Camp David on 23 February 2001, saying, 'He also assured me that the European defence would no way undermine NATO. He also assured me that there would be a joint command, that planning would take place within NATO, and that should all NATO not wish to go on a mission, that would then serve as a catalyst for the defence forces moving on their own.' The problem was, as the defence specialists in the UK and US teams knew at Camp David, Blair's assurances were not an accurate interpretation of what had been agreed at Nice.

It is the envisaged size of the European rapid reaction force – 60,000–80,000 men, 300–350 fighter planes and 80 ships – which makes it obvious that if drawn down from European countries contributing to NATO, something that has, as yet, not been achieved, it will create a considerable dent in NATO's earmarked force levels. There are still no concrete plans for the rapid reaction force to be additional to the force levels Europe has already promised to NATO. The rapid reaction force was to be deployable in theatre in sixty days and sustainable for a year. Typically, Europe has not met this optimistic target but nor has it met NATO targets. European NATO countries rarely fulfil their pledges on time to deploy forces.

Few of their forces are equipped with intra-operable equipment, or are capable of matching in many respects the sophistication of their US partners. But still the pretension persists.

General Sir Rupert Smith, soon after retiring as Deputy SACEUR, with a distinguished career in Northern Ireland, the Gulf and the Balkans, said of any European rapid reaction force, ‘at the higher end of the possible scenarios, or Petersberg task list, it must be able to fight as a force. This will require systems to fight the deep battle, that is to say long-range rocket and artillery weapons with the necessary target acquisition systems. In addition within this range of systems, we must also have an evident ability to escalate, to be more forceful because the initial application of forces is only fully credible if it is evidently backed by the means and will to see the job through despite enemy action and setbacks.’^{*} It is impossible to see that capacity being developed in a European rapid reaction force other than at the expense of NATO’s capability.

The annexation of Crimea warns us why the historic decision to form NATO was made after periodic US military involvement in Europe. The US military did not come in on the ground in the First World War until April 1918 but it still made a decisive difference to France and Britain’s victory over Germany and Austria-Hungary. Only after Pearl Harbor was attacked by the Japanese in December 1941 could President Franklin Roosevelt, for all his strength domestically, overcome public resistance to being dragged in to another war in Europe. He declared war on Japan after Pearl Harbor, whereupon Germany declared war on the United States. A wiser and less hubristic man than Hitler[†] would have instead distanced Germany from Japan’s ‘day of infamy’ and in so doing made it much harder for Roosevelt to come into the European war. President Truman only reversed his predecessor’s decision to withdraw US troops made in 1945 when faced by the Soviet threat as it became recognised in the USA in 1946–7. It was a courageous reversal of America’s traditional reluctance to station troops abroad when they signed up for NATO and agreed a continued military presence in Europe.

President Putin’s Russia is not like Stalin’s USSR, neither despite Crimea are we back in the Cold War. But the growing nationalism in Russia is troubling. We need to restore co-operation and after success together in the G5+1 negotiations over Iran it is logical to restart a dialogue with Russia over Iraq and Syria. Russia has long-standing links with Syria and

^{*} General Sir Rupert Smith, ‘The Development of a European Rapid Reaction Force’, One World Trust, 29 November 2001.

[†] David Owen, *In Sickness and In Power: Illness in Heads of Government During the Last 100 Years*, rev. ed. (London: Methuen, 2011), pp. 27–37.

established a much-enhanced air capability there in 2015. The US and Russian foreign ministers worked together on the Vienna peace negotiations regarding Syria in 2016, but it is too early to be sure how this limited co-operation will develop. Russia did help Syria in the destruction of chemical weapons, which was negotiated in 2013. But we are still to see progress in Ukraine.

When the Berlin Wall collapsed in 1989 there was much loose talk that NATO had been made redundant. Kuwait's invasion of Iraq, the wars in Croatia, Bosnia and Kosovo, then the attacks of 11 September 2001 in the US, retaliation in Afghanistan, the 2003 invasion of Iraq and the war against the Taleban, let alone the situation in Libya and then Syria, and now the growth of Islamic State, all have demonstrated to the American military that there are tangible advantages in having US troops and European troops with the ingrained habit of working together in NATO military exercises and planning. Under American leadership military coalitions of the willing can be put together to operate effectively in the field but the wiser American commanders know they will do so all the more effectively if based on a command-and-control familiarity bred within NATO.

The other challenge is to demonstrate to Russia that NATO is strong and the Eurozone crisis will not weaken NATO's military cohesion or effectiveness. Russian territory now borders the EU. The Russian enclave of Kaliningrad, which is enclosed by Lithuania and Poland, represents a potential area of tension between the EU and Russia. It is an important EU role to help to diversify the Kaliningrad economy. There have been specific EU initiatives on Russia.

The danger to NATO's future comes not from it collapsing. The danger is that NATO slowly withers away as politicians reduce support despite what happened over Crimea. It may still be called NATO, militarily it may on occasions be useful, but it may not remain a serious fighting force. Even before the crisis in Ukraine, the most effective wake-up call came from President Obama's Defence Secretary, Robert Gates, who was responsible for the 'surge' in Iraq under George W. Bush. Speaking at his last visit to NATO before retiring in June 2011, he analysed NATO's response to and role in the Libyan no-fly zone operation: 'Turning to the NATO operation over Libya, it has become painfully clear that similar shortcomings – in capability and will – have the potential to jeopardise the alliance's ability to conduct an integrated, effective and sustained air-sea campaign.' He asked Europe to remember that Operation Unified Protector, as the no-fly zone was called, was a mission with widespread political support, a mission that did not involve ground troops under fire, and indeed was a mission in Europe's neighbourhood deemed to be in Europe's vital interest. He went on to

say: ‘To be sure, at the outset, the NATO Libya mission did meet its initial military objectives – grounding Gaddafi’s air force and degrading his ability to wage offensive war against his own citizens. And while the operation has exposed some shortcomings caused by underfunding, it has also shown the potential of NATO, with an operation where Europeans are taking the lead with American support. However, while every alliance member voted for the Libya mission, less than half have participated at all, and fewer than a third have been willing to participate in the strike mission. Frankly, many of those allies sitting on the sidelines do so not because they do not want to participate, but simply because they can’t. The military capabilities simply aren’t there.’

Finally he said: ‘In the past, I’ve worried openly about NATO turning into a two-tiered alliance: between members who specialise in “soft” humanitarian, development, peacekeeping and talking tasks, and those conducting the “hard” combat missions. Between those willing and able to pay the price and bear the burdens of alliance commitments, and those who enjoy the benefits of NATO membership – be they security guarantees or headquarters billets – but don’t want to share the risks and the costs. This is no longer a hypothetical worry. We are there today. And it is unacceptable.’*

We were told at the start of the twenty-first century that we lived in a postmodern world, that the nation state was dying. Yet what remains in the UK is immutable and enduring: the British are not prepared to trade only across the Channel with the European continent. As a people we are Europeans but still keen to trade worldwide, we do not see our horizons limited by oceans, and we still see America as a friend.

In 1950 Ernest Bevin said in the House of Commons: ‘I ... understand the urge towards European unity and sympathise with it and, indeed, I did much to help to bring the Council of Europe into being, but I also understand the new paradox that European unity is no longer possible within Europe alone but only within the broader Atlantic community. It is this great conception of an Atlantic community that we want to build up.’ Two years later Sir Anthony Eden, the then Foreign Secretary, said in a speech at Columbia University that if Britain were to join a ‘federation on the continent of Europe we should relax the strings of our action in the Western democratic cause and in the Atlantic association which is the expression of that cause. For Britain’s story and her interests lie far beyond the continent of Europe.’

Once we are confident of retaining control of our currency, our borders and our foreign

* Robert Gates, ‘Reflections on the status and future of the transatlantic alliance’, Brussels, 10 June 2011.

and defence policy, then we can shape our relations with other countries within Europe and the EU. We will be operating within a different culture, one that Henry Kissinger envisaged for the world ‘that is global, structural and juridical – a concept of order that transcends the perspective and ideals of any one region or nation’.^{*} No longer will the perspective be European only. We will be freer and less encumbered.

The Atlantic relationship enhances the power of Europe. It does not diminish it. It has also deepened the Anglo-US relationship in a unique way. America inevitably must build new powerful relations with China, India, Brazil and Russia, but so must the UK and Europe. The US does not need to uproot what has gone before, but it needs to know that Europe wants it to be involved. Were our critical historical defence links to wither, were the UK ever to become focused on defence in Europe alone, cease to want to be involved in blue water diplomacy, content to be only European, then the Anglo-US relationship would change. It would still be valuable, but it would no longer be crucial to either country. The fact that the relationship has been maintained owes much to history and a little to nostalgia, but most of all to a cold-blooded and fundamentally sound assessment that what is vital to Britain is also important to the US. The UK is a country that, since 1941, has ceased to aspire to become a superpower again. But it is a nation which is, I believe, determined to remain a self-governing country in name and in spirit. The referendum to be held in 2016 as to whether the UK should remain in or leave the EU will test the British people.

What is vital is that the UK remains within NATO as Europe’s most powerful contributing partner. There will be options for dealing with trade questions relating to the World Trade Organization, the EEA and the North American Free Trade Area (NAFTA) that will be negotiated by the present British government after the referendum, assuming the ‘Leave’ vote wins. There will be trade arrangements of mutual advantage. David Cameron needs to be careful not to project an image of chaos, of trade disruption, for that is in no one’s interests, least of all his own. The US will not be a disinterested party in the post-referendum period. US–UK trade is still substantial.

Canada too will be a friend. The present governor of the Bank of England is Canadian and will be returning to his country. He too needs to be careful what he says. The UK will be neither vulnerable nor weakened by leaving the EU. It is an option the British people are free to choose without fear of recrimination.

^{*} Henry Kissinger, *World Order* (London: Allen Lane, 2014), p. 372.

Chapter 6

NHS in England: EU law now at the stage where it will prevail*

The EU at one stage in its development looked as if it would be the champion of the social market and by including the term in its treaty structure would be its prime exponent worldwide. Yet today for many millions of young people the EU is more linked to the word ‘austerity’ than the social market. Trade union officials still feel they are given a proper hearing for their views and priorities in Brussels, and that is true, but in follow-through over youth unemployment the record points to a dismal failure. Perhaps that can change, but after what happened in secret trade negotiations the Commission demonstrated that, whatever may be done to redress its errors, it had no regard for the social purpose of healthcare.

The social history of the NHS makes clear that it would be ‘an error to regard the NHS as a spontaneous creation’. The cumbersome National Health Insurance (NHI) administration established in 1911 supplied minimum financial relief during sickness and a ‘panel doctor’ service for the low paid on the basis of weekly deductions of income for the so-called health stamp.[†] But many were not covered by this insurance. There was nothing for those excluded other than the charity of the doctor or a hospital. The Dawson report of 1920 pointed the way but many slum dwellers had totally inadequate healthcare, if any, and lived in conditions of Dickensian squalor. The Second World War brought the Emergency Medical Service, the Beveridge report and the 1944 White Paper outlining the provisions of the projected NHS: a resolve emerged in wartime within the British people that when peace came there would be a different and better system of healthcare for everyone.

In 2014, the political writer David Marquand wrote about the profound dangers to the NHS of what amounts ‘to a transition from a managed market to an unmanaged one’.[‡] What is more complicated about this market and more important ‘has to do with the mentality and rhetoric of the marketisers and with the social vision they encapsulate’. At the heart of all marketisation and commercialisation of the NHS lies the ‘totemic term “choice”: free choice by unconnected individuals, satisfying individual wants through market competition’.

Healthcare, whether public or private, in a very real sense is infinite: money can be –

* The material in this chapter is drawn largely from David Owen, *Health of the Nation: NHS in Peril* (York: Methuen, 2014).

† Charles Webster, *The National Health Service: A Political History* (Oxford: Oxford University Press, 1998).

‡ David Marquand, *Mammon’s Kingdom: An Essay on Britain, Now* (London: Allen Lane, 2014).

and in many countries is – poured into healthcare by those who can afford it. Money for the NHS is a public choice, but it is all relative to what we choose to spend on education, housing, welfare, defence, all legitimate demands. Healthcare, if publicly provided, inevitably has to be constrained. That rationing process within the NHS is flexible, professional and democratically accountable. It is decided by Parliament through the Chancellor of the Exchequer, the Secretary of State for Health and Cabinet. By democratic choice it is not done by a market or by insurance premiums. Voters could have chosen a different system – they exist in many parts of the world – but no major political party has ever felt brave or foolish enough to put that choice to them.

The unknowing nature of choice when applied to healthcare dramatically demonstrates the problem that many politicians and journalists have when they come to make quick appreciations, half-decisions and slick prescriptions for the NHS. The reality is that healthcare is a constant learning curve.

We must not forget in the context of the NHS that in September 2014 the Scottish independence referendum brought the United Kingdom perilously close to splitting apart. Those elements that we share, that help create a sense of common purpose, should become ever more precious as we try to unify our nation. Politics cannot be an ideology-free zone but it should not resound with zealotry. We saw in that Scottish referendum how powerful a vote swinger the NHS became in the closing stages of the campaign. Despite the fact that health is fully devolved to the Scottish Parliament, the spectre of an English-controlled Treasury being able to use financial allocations to bring marketisation to Scotland's NHS carried sufficient weight with voters that the 'yes' campaign exploited it and the 'no' campaign feared it. It also served to remind some voters, not just in Scotland, that the NHS as we have known it since 1948 was under threat, whereas in Scotland, Northern Ireland and Wales it is continuing.

After this EU referendum is over, whether the British people decide, as I hope, to leave or to remain, we will have to turn to reforming the UK. Federalism within one country is a very different concept and more acceptable than federalism across many countries. We will have to reach a constitutional settlement arising from a convention and create a new, elected, federal four-nation second chamber. A one-nation UK should want the health systems within it to be similar but not necessarily the same. If the differences between them become too great, we run the grave risk of reaching a point identifiable by future social historians as the moment the UK started to break up. Ours is at this moment in our history a fragile Union. We all need to respect and value, whatever political parties we support, those elements which bind the citizens of the UK together. The Scottish referendum debate, as with the EU

referendum, was a once-in-a-generation event. Whatever its logic, it showed that emotionally a UK-wide NHS is one of those elements that can bind us together or split us apart.

The Scottish, Welsh and Northern Irish will eventually be as affected by EU law as the English now are with regard to the NHS. EU competition law aims to prevent anti-competitive practices that act against the interest of consumers. Procurement law covers anti-competitive practices too. When combined they seek to protect the interests of both the consumer and the taxpayer. For many years the European Commission, by and large, stayed out of interfering in the UK NHS. It was assumed that this was politically too sensitive and in those days the Commission was not obsessed with market reform. The EU market was always open to exceptions, perhaps the most famous being the French railway system, where Paris never accepted EU intervention. Lately, however, it has been accepted that for ‘consumer’ the Commission can read ‘patient’.

In 2006 Labour commissioned a legal opinion on the effect of EU legislation on the NHS. The Health Department’s then commercial director, Ken Anderson, who had been involved with independent surgical treatment centres (ISTCs), told the Financial Times in January 2007: ‘My personal conviction is that once you open up NHS services to competition, the ability to shut that down or call it back passes out of your hands. At some point European law will take over and prevail ... In my opinion, we are at that stage now.’* As if recognising the truth of this interpretation on 13 December 2007, with not much publicity, the Department of Health issued a document titled *Principles and Rules for Cooperation and Competition*, running through which are EU legal positions which have become the law that operates in the UK. An advisory body, the NHS Co-operation and Competition Panel, was promised in 2008 and came into being in early 2009. Why did Labour allow this? The only explanation is that, having wanted to take Britain out of the European Community without a referendum in the early 1980s, which forced people like me to leave the party, they subsequently converted to the EU and in the process became more zealous than the Pope.

One body who was first to realise the impact of the EU on NHS policy was the campaigning group 38 Degrees, who also had the mechanism available to demonstrate public concern. They published their own legal interpretation of EU competition law: ‘It is likely that, even as matters stand, and in view in particular of recent non-statutory reforms which increase the involvement of the private and third sector in health services provision,

* *Financial Times*, 16 January 2007.

competition law already applies to PCTs and NHS providers.’ They concluded that the 2012 legislation reinforced that view, adding that there was ‘nothing in the bill which has or can have the effect of preventing the application of competition law’ since prohibitions on anti-competitive conduct ‘gives rise to actionable claims in the High Court by any person affected’.^{*†}

The advisory Co-operation and Competition Panel was reported in the *Financial Times* to have been applying its interpretation of the law since 2009 – by advising on NHS mergers and handling complaints about anti-competitive practices by hospitals and primary care trusts.[†] In this the Labour government was stealthily preparing for an EU market in health, something which Barbara Castle to her credit had predicted while Secretary of State for Health and Social Security during the 1975 referendum campaign. Despite being a member of the Cabinet, she was allowed to campaign for the ‘no’ vote, which she did not least because of the implications of the Common Market for the NHS. I disagreed then, wrongly, with her assertions and thought she was exaggerating. A lot happened which many people were unaware of over the following thirty-five years.

The NHS Operating Framework from the Department of Health for 2011 encouraged, for the first time, price competition below a maximum tariff. David Bennett, the new chairman of Monitor, who had been a senior partner at McKinsey and head of the Downing Street policy directorate and strategy unit under Tony Blair, gave an interview to *The Times* in February 2011 which described the regulator’s new role in promoting competition. ‘We did it in gas, we did it in power, we did it in telecoms,’ he said. ‘We’ve done it in rail, we’ve done it in water. So there is actually twenty years’ experience of taking monopolistic, monolithic markets and providers and exposing them to economic regulation.’ It was, he declared, ‘too easy to say “How can you compare buying electricity with buying healthcare services?” Of course they are different. I would say ... there are important similarities and that’s what convinces me that choice and competition will work in the NHS as they did in those other sectors’.[‡] In an interview in the *Financial Times* he declared that ruling out price competition completely was ‘neither necessary nor sensible’.[§]

Nigel Edwards, the acting chief executive of the NHS Confederation, underlined the

^{*} ‘In the Matter of the Health and Social Care Bill and the Application of Procurement and Competition Law’, available at http://38degrees.3cdn.net/b01df9f37ac81ffb2e_zhm6bnldz.pdf (accessed 5 November 2014).

[†] *Financial Times*, 27 and 29 July 2011.

[‡] *The Times*, 25 February 2011.

[§] *Financial Times*, 28 February 2011.

degree to which under the 2012 legislation it was intended that the state would ‘be withdrawing from the day-to-day management of health care’, with the service becoming ‘like a regulated industry’ on the lines of telecommunications, water and the energy industries. It could, he warned, ‘trigger a major reshaping of the way care is delivered with services closing and changing’. ‘I do not think most people have grasped the scale of this change,’ he continued. ‘By 2014, the NHS will no longer be a system which still contains the characteristics of an organisation. Instead it will be a regulated industry in which that management chain no longer exists.’ Amid ‘any willing provider’, services would have to become more responsive to patients. But in a system with no real financial growth that would mean that new providers would have to replace existing ones. ‘There will have to be an element of Joseph Schumpeter’s “creative destruction”.’^{*} The destruction duly came and it is continuing in the NHS. Its harbinger is an unproven belief in the benefits to the NHS of competition.

The Dutch competition authority (the NMa) has had the effect of fragmenting service provision and impeding the provision of high-quality care.[†] We have learnt recently of a €7.7 million fine levied on the Dutch GP association for a ‘bad case of anti-competitive behaviour’, which was the association’s efforts to ensure that all areas of the country were adequately provided with GP services.[‡] The Dutch Patients’ and Consumers’ Federation called for the involvement of competition in healthcare to be urgently reviewed.

For many health professions the question was why and on what evidence the coalition government was endorsing the abandonment of the concept of the internal market and instead introducing a full-blown external market with no credible evidence basis for such a decision. This growing perception of a distortion of the evidence basis was not helped when the government appointed two non-executive directors to join the chair and the CEO of Monitor who were both former McKinsey senior managers and had specialised in privatisation; the chair and the CEO had the very same background, suggesting that skills in privatisation were considered essential qualifications for a senior role in Monitor. Nor when in 2010 private equity investors in New York received a personal invitation to enter NHS provision from a former NHS director of commissioning through a presentation on profit opportunities arising in the UK healthcare sector, which stated:

^{*} *Financial Times*, 16 January 2011.

[†] Tony Sheldon, ‘Is Competition Law Bad for Patients?’, *British Medical Journal*, 20 July 2011; Tony Sheldon, ‘Dutch GP Association Is Fined €7.7m for Anticompetitive Behaviour’, *British Medical Journal*, 16 January 2012.

[‡] Sheldon, ‘Dutch GP Association Is Fined €7.7m for Anticompetitive Behaviour’.

In future, the NHS will be a state insurance provider, not a state deliverer. In future any willing provider from the private sector will be able to sell goods and services to the system. The NHS will be shown no mercy and the best time to take advantage of this will be in the next couple of years. GPs will have to aggregate purchasing power and there will be a bid opportunity for those companies that can facilitate this process.*

There was, however, one unequivocal and deplorable act of privatisation brought in by the coalition government, namely the sale of PRUK Ltd to the US private equity company Bain and Company, in which former presidential candidate Mitt Romney has been heavily involved for many years. It is now under foreign commercial majority control with the British government retaining only 20 per cent of its shares. This privatisation is unlikely to be the last. When advertising for a new chair for NHS Blood and Transplant (NHSBT), for example, it was made clear that candidates should have privatisation experience. So not only was the government's categorical denial that they have never privatised any part of the NHS wrong, even on the Conservative definition of having to sell the asset, they have established a clear-cut precedent for further privatisation. When contract renewals come up there can be no doubt that existing contractors will come forward with proposals for a change of ownership, no doubt claiming that in the process they will keep the NHS logo.

PRUK Ltd was a Department of Health-owned company that held two separate but related subsidiary companies – Bio Products Laboratory (BPL) and an American company, DCI Biologicals Inc., bought by the Labour government in 2002. Together they formed a supply chain for the production and supply of plasma-based medical treatments. The privatisation went ahead despite vigorous protests that this was counter to the best interests of the NHS, proven by past experience with the supply of contaminated blood products to NHS patients.

Since the emergence of new variant Creutzfeldt-Jakob disease (nvCJD) in the UK, it has been a sensible public health policy of successive governments not to use UK plasma. A return to using UK plasma is theoretically possible in the next couple of years and having ownership of a US company could have been a way of creating and investing in the best

* 'Opportunities: Post Global Healthcare Reforms', Apax Global Healthcare Services conference, October 2010.

technology so as to put this into action in the UK when it again became feasible, relying on UK voluntary blood transfusion donors. But that is not the policy chosen and the reason was a narrow interpretation of NHS interests based on saving necessary short-term investment. BPL was formally transferred from NHSBT to a limited company, Bio Products Laboratory Limited, in 2010 to come within the PRUK 'group' and thereby under the same umbrella organisation as DCI Biologicals.

BPL has had Department of Health funding (through NHSBT) to remain solvent; from 2003 until its transfer in December 2010 it made a cumulative loss of more than £100 million and required over £95 million cash support from the Department of Health. A further cash injection to support the business of £58 million was given at the time of transfer, but there was insufficient investment.

The price of the sale of PRUK, quite apart from the damage to health policy, raises serious questions. The UK taxpayer spent £540 million in 2002 to establish the company. It was offered for sale at a suggested £200 million, £90 million now and up to £110 million payable after five years. That second payment may never be made, for its payment is contingent upon profitability over the next few years measured by post-tax profits. The UK government retained a 20 per cent share in the company and will make some capital gain when sold, but there is no guarantee of a UK presence in the ownership of the company into the future.

For tax efficiency reasons, private equity firms usually extract their profits not as dividends after tax, but as interest payments on long-term debt. The interest is tax deductible, and will be high enough to wipe out profits so as to minimise tax liability. PRUK appears to be structured in this way, for while its sales have soared since it was carved out from NHSBT in 2010, its audited accounts continue to record small losses rather than post-tax profits and its debt obligations are recorded but not in enough detail to understand.

On the face of it, therefore, Bain has bought PRUK for less than one sixth of its worth based on the money put in. In fact the US plasma source should have been worth far more than the initial £540 million, since the plasma trade has seen high growth since 2002. It also appears that more taxpayer funds may have been put in since PRUK was carved out into a blood products company. Bain will almost certainly wait five years to avoid second payments, during which it will build up the company with one objective: fattening it for a future sale. That is what private equity companies do, which is why I argued against health investment on the advisory board of Terra Firma.

Examination of the company's US products shows already the sort of short-termism

one would expect. Also concerns have developed that DCI Biologicals Inc. as a commercial plasma supplier performs to market standards; these standards are low and its planned transformation into a high-grade source has yet to be and may never be undertaken.

DCI owns a series of harvesting stations in low-income US towns which buy plasma at market price: a base donation of \$15 (with small bonuses for repeat donations, to a total of \$200–\$300 per month for eight donations) for an invasive procedure that takes between two and four hours excluding the frequently lengthy wait to be harvested. At these prices and in these circumstances only the desperate and derelict contribute to the supply: desirable donors do not frequent the areas where these collection stations are located and have better sources of income. We know from the plasma seller talkboard ‘How much at DCI Biologicals’ something about the donor base:

Post#130: ‘Overall I would say its 65% legit people who need some extra help for gas and food and 35% to feed a habit but that could just be my branch.’

[Albuquerque]

Post #149: ‘I am a relocated ER RN selling plasma so I can get my license here locally – broke, single parent. Most of these people are mentally challenged addicts & alcoholics. Street people. The company definitely parks itself on skid row on purpose.’

Post #129: ‘You have lost your mind if you think everyone they let in through there to give plasma is “suitable”. As long as they claim to have never been an IV drug user or homo and can account for all their tattoos they are good to go.

Problem is PEOPLE LIE.’

Post #169: ‘The state health organization should close this place down!!! They are allowing people with prison tattoos to donate plasma and are not requiring any documents as to when and where tattoos were gotten. But ask for medical documents for a scar over 10 years old. This is supposedly the life saving plasma given to our mothers and children. OMG this is inexcusable and the FDA should step in and close this place down. All they are doing is funding the drug use in our community.’

A focus for concern in the Canada–EU Trade Agreement (CETA) and the EU–US Transatlantic Trade and Investment Partnership (TTIP) was the negative listing approach and process, which is different from the GATT’s positive listing approach. Negative listing would

mean countries having to state which services they are going to liberalise. In the CETA this meant that governments (at all levels in Canada) would have to name what they want excluded and there could be no later adjustments. The same would apply in the UK. The 2012 legislation for NHS England had already been deliberately made compliant with CETA and this was the key concern, despite pledges made in the House of Lords, as to why the government had not made any real changes in the revised regulations that were debated in the House of Lords on 24 April. This emphasised that we were not only dealing with a national political challenge but a coordinated international one as well. I see no incompatibility in my reservations over this with a lifetime's support for world trade agreements under the GATT and the WTO, which has added to UK and world prosperity. Those negotiations are primarily about tariff reduction. CETA and the TTIP include regulatory convergence, which for some in the US is code for curbing anti-globalisation activists in ways that are not acceptable.

In my judgement, British politicians have not taken anywhere near enough interest in the CETA negotiations, and in part this is because the negotiating is done by the European Commission. We have far more allies in Canada on the issue of safeguarding public healthcare, and therefore the NHS, than ever we could expect from the US with its private health provision. In November 2014 the new European Commission refused to be bound by the past, and signature of CETA was blocked through the collective effort of the European Trade Union Confederation.

President Obama with the EU heads of government and the Commission will go on pushing a trade agreement through 2016 and overall this is good for the UK. It is possible over the NHS to negotiate a *broad exemption* from the impact of such a trade agreement. It is not easy to define an exemption in great detail without seeing the negotiated texts, which is very difficult to achieve given the secretive method of TTIP working. The truth is that regulatory convergence is something the EU conducts day by day as part of the social market. There is a framework of law which is understood, but in the EU the disillusionment, notably with the Investor–State Dispute Settlement (ISDS), stems from a deeper disillusionment with US legal practice and US data privacy legislation, coupled with the US healthcare industry's wish to penetrate the different EU healthcare systems, which owe much to the social market. Here 'social' is not a shibboleth but an integral part and the TUC are rightly suspicious of those who want to inhibit even the right to switch out of a contract without cost when it is time expired.

It has become clear that there is a far-reaching implication for any NHS marketisation because of the direction of travel within the EU towards trade links with the US based on an

ever-greater application of pure market principles in the healthcare field. This direction has been challenged by the leader of the German SPD, Sigmar Gabriel. It was apparent in September 2014, just as CETA was about to be agreed, that the German coalition was not on board. Other social democratic parties within the EU, particularly the Austrians, protested. Will the UK government rethink?

If the NHS again became the ‘preferred provider’, this would force the European Commission to make an exception for it. The Commission usually makes exceptions when faced with powerful enough lobbying from the European Parliament and European trade unions. If the NHS regains its ‘preferred provider’ hallmark after 2015, the EU pressure for marketisation of healthcare can be not only resisted but probably stopped in its tracks. Due to the strength of the SPD and its position in the German grand coalition led by Angela Merkel. Jean-Claude Juncker, the President of the European Commission, has curbed the power of the actual negotiator on the Commission by specifically giving control over the ISDS to a vice-president, Frans Timmermans. There is a readiness to shift in Brussels.

It has been claimed that GP commissioning would not constitute an economic ‘undertaking’ (which would fall under EU competition law), although it would do so ‘when [GP practices were] competing for services as providers’.^{*} It has also been claimed that competition law would not prevent vertical integration or an expansion in a provider’s range of services, and that competition and choice ‘would strengthen incentives for providers to work together in integrating services’.[†]

The test of whether an entity is an ‘undertaking’ for competition purposes in the EU is whether it is engaged in an ‘economic activity’ and whether it performs an exclusively social function based on the principle of national solidarity. As commissioning consortia develop using the autonomy available to them under the Act, it is by no means clear that they would be exempt from competition law. In the 2002 BetterCare case[‡] the UK Competition Appeal Tribunal rejected the argument that the local health and social services trust did not constitute an undertaking simply because it was carrying out a social function in purchasing care for the disadvantaged. The tribunal argued that the trust was using ‘business methods’ in its contracting. Academics claim that this decision ‘suggested that European competition law will apply to an entity that participates in markets, even if the purpose is a social one, and

^{*} Simon Burns (minister of state, Department of Health), Public Bill Committee, Health and Social Care Bill, Eighteenth Sitting, 15 March 2011, col. 766.

[†] Ibid.

[‡] BetterCare Group Ltd v. Director General of Fair Trading [2002] CAT 7.

even if the market is highly regulated’.* The situation was later complicated by the Office of Fair Trading (OFT), which decided that competition law had not, in fact, been breached because the discriminatory prices involved had been set by central government, which was not an undertaking given its exclusively social functions. This must heighten the importance of the new freedoms being offered to English commissioning consortia in terms of pricing outside of the NHS Tariff. Similarly, the mixed role of consortia as both purchasers and providers of services would fall foul of the OFT’s 2004 clarification on the application of competition law to public bodies, in which it said that it would drop cases against such bodies engaged only in purchasing and not the provision of goods and services in a particular market.†

If commercial enterprises are involved in a health system this heightens the possibility that competition law will apply. This has been raised in the context of competing sickness funds within the Netherlands’ social insurance system. The European Health Management Association has expressed concerns that the threat of the application of competition laws may limit healthcare reform across Europe.‡

It has been stated that

if a Member State chooses to operate a health service predominantly on the basis of social solidarity, decisions of the bodies comprising it will not be covered by competition law. If, however, a Member State decides to introduce competition – for example, by contracting services out to competing suppliers of health care provision or by creating a competitive internal market – then competition law will apply, as the various bodies involved will be acting as undertakings.§

This does not preclude the Article 86(2) exemption in the EU Treaties for ‘service of general economic interest’ (SGEI), used to defend socialised ambulance services against competition complaints from private competitors, in view of the real risk that the private providers would

* Elias Mossialos, Govin Permanand, Rita Baeten and Tamara K. Hervey (eds), *Health Systems Governance in Europe: The Role of European Union Law and Policy* (Cambridge: Cambridge University Press, 2010), pp. 321–2.

† Office of Fair Trading, ‘The Competition Act 1998 and Public Bodies’, Policy Note 1/2004.

‡ Richard B. Saltman, Reinhard Busse and Elias Mossialos, *Regulating Entrepreneurial Behaviour in European Health Care Systems* (Open University Press, 2002), pp. 44–5.

§ Mossialos et al., *Health Systems Governance in Europe*, p. 323.

‘cream-skim’ the market and not provide a universal service. This exemption was first highlighted in Article 16 of the Amsterdam Treaty, signalling that services of general economic interest should be free to ‘fulfil their missions’ if competition law would otherwise prevent this.*

The OFT has summarised the current situation, saying that NHS entities are unlikely to be considered to be engaged in economic activity if they provide universal or compulsory services, with the same benefits for all regardless of contributions; and if they operate with a redistribution mechanism between the relevant entities in order to remedy financial disparities.†

Competition law is complex and, to a degree, unpredictable in its application as case law develops. Whatever ministers may assert to the contrary, the continued rise of competition and choice in the NHS will inevitably be matched by a rise in legal conflicts and litigation costs for the NHS. European competition law already impacts to some extent upon NHS providers, in their private sector activities, and as NHS and independent providers begin to compete more actively for NHS ‘business’ competition rules may become directly applicable. Giving Monitor concurrent powers with the Competition and Markets Authority (CMA) will also blur the distinction between the enforcement of NHS competition rules and the enforcement of UK and European competition law. Where are the Conservative Party’s Eurosceptics on these issues of vital concern? When Britain joined the European Community it was always envisaged that our health service would remain outside the scope of European law. This principle has been eroded by both Labour and Conservative governments in recent treaty revisions. It is a vital UK interest to clarify and restate member states’ competence in this area. Instead all we see is the European institutions’ desire to extend their own competence. We have witnessed this in the very damaging effect of the Working Time Directive on the hours of work of health professionals who have hitherto been willing to accept longer working hours. But it has also been due to the gradual commodification of European health systems since the 1980s. One of the positive results of leaving the EU would be that the English would be free to insist on restoring the NHS they had between 1948 and 2003 and which should still exist in 2020 in Scotland, Wales and Northern Ireland.

* Ibid., pp. 326–7.

† Office of Fair Trading, ‘Working Arrangements between the OFT and the CCP’, undated.

It is worth examining in detail what actually happened in Germany in September 2014. In order to head off the growing opposition in the SPD and German trade unions to the ISDS terms, the Economic Affairs Ministry – headed by SPD leader Sigmar Gabriel – issued a joint position paper on the TTIP along with the DGB, Germany’s trade union confederation including the country’s largest trade unions like IG Metall and Ver.di.^{*} The paper, while praising elements of the TTIP, pledged on the ISDS: ‘Investment protection provisions are generally not required ... In any case, investor–state arbitration and unclear definitions of legal terms such as “fair and just treatment” or “indirect expropriation” must be rejected.’ Significantly, in approving the paper, party delegates insisted that its provisions should also be applied to the EU–Canada free trade deal (CETA), which had by then been largely concluded and was due to be signed off by the outgoing Commission President, José Manuel Barroso, and the Canadian Prime Minister, Stephen Harper. CETA, which many see correctly as the blueprint for the TTIP, includes an ISDS. Interestingly, the German government and the European Commission were at odds over whether national parliaments will need to ratify CETA alongside the European Parliament. The Commission said no, but Berlin argued that as a ‘mixed agreement’ with some of the issues, goods and services covered by CETA falling outside of the EU’s sole jurisdiction, the Bundestag and Bundesrat should also get to scrutinise the agreement and vote on it. The German government warned that it was willing to go all the way to the ECJ on this issue. How this dispute plays out will have direct relevance to what can be done to insert a healthcare amendment in CETA.

The Austrian parliament also passed a motion dismissing the need for an ISDS in both CETA and the TTIP and called for the preservation of ‘high social, data protection and environmental minimum standards’ in the TTIP. The outgoing European Trade Commissioner, Karel De Gucht, rejected calls for CETA to be renegotiated, arguing, ‘If we were to reopen the negotiations, the agreement would be dead,’ and singled out the German government, the European Parliament and incoming European Commission President Jean-Claude Juncker for indulging a ‘populist, emotionally charged’ debate.[†]

The President of the Commission, Jean-Claude Juncker, seems determined to reopen the negotiations even in the face of opposition from the Commission itself. The social market in the EU may be starting to see a new and much-needed strengthening of the social side, and

^{*} Bundesministerium für Wirtschaft und Energie / DGB: ‘Transatlantic Trade and Investment Partnership (TTIP): Anforderungen an Freihandelsgespräche zwischen der EU und den USA unter der Berücksichtigung von Nachhaltigkeit, Arbeitnehmerrechten und der Gewährleistung der Daseinsvorsorge’.

[†] *Frankfurter Allgemeine Wirtschaft*, 25 September 2014.

that need not weaken a true market where it can be applied. What is highly worrying, however, in all this is the position of the chief executive of NHS England, Simon Stevens.

Stevens faced questions from the public when launching the *NHS's Five Year Forward Plan* on Radio 4's *Today* programme. Caroline Molloy, the editor of OurNHS on the openDemocracy website, was obviously listening in and reported that presenter Sarah Montague read out a question:

People are concerned, not least because of trade talks that are going on which could mean that the NHS is forced to open up under TTIP to American companies ... Does Simon Stevens think he can be unbiased on TTIP given his links to a pro-TTIP lobby group when he was at UnitedHealth?

On the programme, Stevens refused to be drawn on his views or his lobbying on TTIP. 'You haven't actually answered,' commented Montague.

Simon Stevens began his career in the NHS twenty-eight years ago. He was Tony Blair's health adviser in No. 10, and then 'President of Global Affairs' at the American private healthcare giant UnitedHealth until taking up his post as chief executive, appointed by the chairman of NHS England and Jeremy Hunt, the Secretary of State for Health.

According to Physicians for a National Health Programme in the US, Stevens was a founder member of the Alliance for Healthcare Competitiveness (AHC) – a US lobby group pushing for the inclusion of health in the TTIP treaty. He also acted as a spokesman for the AHC's pro-TTIP position. In September 2011 – as health industry TTIP lobbying was already underway – the *Star Tribune* in Minneapolis reported, and re-reported by OurNHS: 'A coalition of US health care businesses, including Minnesota-based UnitedHealth Group and Medtronic, proposes to rebuild America's battered economy by selling the country's "health ecosystem" internationally. The Alliance for Healthcare Competitiveness (AHC) wants the US government to build its foreign free-trade policy around the health care industry.' The paper quoted Stevens commenting on behalf of the AHC that 'the worldwide need for health care in aging populations will lead to a demand for goods and services that can drive sales of American insurance, medical devices and record-keeping technology'.

The *StarTribune* went on to admit:

The US health care system ... is beset with skyrocketing costs and inefficiencies. Americans currently pay more for health care and rank lower in life expectancy

and infant mortality than much of the developed world ... The call to rebuild the US economy by selling pieces of what is generally considered a broken health care system struck some experts as a bit awkward.

The AHC themselves said in their 2013 submission to the US Trade Representative Office:

The proposed TTIP is of great interest to our members as the European Union is the site of nearly a third of world health spending, the principal buyer of American exports of health products, and is experimenting with new approaches to health care systems ... The health sector is the largest single component of the world economy. In 2010, according to the World Bank, health accounted for almost \$7 trillion of \$63 trillion in global GDP ... The health sector will be one of the world's main future drivers of demand and growth ... This gives the United States a significant opportunity ... We know that as hospitals gain rights of establishment abroad, they become natural buyers of American medical devices, natural users of American health IT systems, natural telemedicine customers of US-based hospitals, and natural partners for American doctors and medical schools. Trade negotiations on behalf of the sector as a whole have the potential to unleash powerful synergies.*

The AHC argue that US trade negotiators must demand 'full elimination of tariffs on all health goods', from pharmaceuticals to furniture, and that 'non-tariff barriers ... generally appearing as regulatory policies' are 'the principal barrier [and] powerful obstacles'. So they demand 'regulations to help generate competition', adding: 'Trade agreements are an opportunity to address these problems; further open health care services markets; impose disciplines on regulatory authority, including rules for technical standards and recognition of qualifications; and ensure that trade in health care services will reach its extraordinarily large potential.'

The AHC at their most explicit claim: 'Trade agreements should cover health care. Exemptions from government procurement coverage should be minimal, rather than broadly and ambiguously drawn for "health care" or "public health".'

* Alliance for Healthcare Competitiveness, 'Transatlantic Trade and Investment Partnership', submission to the US Trade Representative Office, 10 May 2013.

It is extraordinary that the chief executive of NHS England can so recently be associated with views like these.

Although the actual TTIP negotiations are being kept under close wraps, the demands of groups like the AHC seem to be being heard. Cameron and his coalition ministers – though repeatedly pressed – have refused to exclude or exempt healthcare from the TTIP, saying it is ‘unnecessary’. The AHC say that American corporations currently lack ‘effective international disciplines’ to ensure that governments do not ‘offer advantages to state-owned enterprises [which I think it is fair to assume means organisations like the NHS] at the expense of private capital, including foreign or foreign-invested competitors’.

Labour appears to want to bring in a policy of the NHS as ‘preferred provider’ – yet the AHC believe it creates ‘major competitive distortions’ and should be stopped by the TTIP. ‘Fundamentally, health providers and insurers should be able to establish operations abroad in the form of their choice with no artificial limits ... Trade agreements like TTIP are an opportunity to create such a system.’

The AHC say regretfully that ‘the WTO and the procurement features of recent trade agreements have achieved relatively little in health ... An open trading world for [healthcare] services would create a large new flow of revenue into the United States from foreign operations and from telemedicine.’ There is a particular focus on enabling ‘cross-border provision via telemedicine’ and allowing health data to be shared across frontiers.

In the name of promoting ‘innovation’ in drugs, medical apps and other telemedicine gadgets, AHC also says that in many countries, ‘US Food and Drug Administration ... reassurance ... of dossier review and product approval should be sufficient’, without the need for ‘onerous’ additional requirements such as the ‘publication of clinical evidence in peer-reviewed journals’. It is notable that telemedicine and medical apps also feature strongly in Stevens’s NHS *Five Year Forward View* – as do US-style private ‘accountable care organisations’ – though the evidence base for such approaches is currently very weak.

It may be that the EU, faced by a revolt amongst some member states, will remove these objectionable features in both CETA, where the new Canadian government is more sympathetic, and the TTIP. In which case the UK could sign up to both outside the EU.

This whole relatively recent history shows how the social market in the EU is changing with a diminution of the social element and the expansion of the market. EU attitudes to publicly provided healthcare along with the adoption of austerity budgeting demonstrates how deeply market solutions have become embedded within the EU. Within there is no prospect of change; outside at least there is a chance of changing the government in

Westminster and reintroducing a properly balanced social market. This is the choice in this referendum: foreclose the opportunity to throw out the external market in England and restore the real NHS, as in Scotland, Wales and Northern Ireland, or regain our national sovereignty and empower ourselves to do what the British people did in 1945. Some will say this is dreaming: we are all destined to be dominated by the values of the marketplace and there can be no exceptions. I argue that is defeatist nonsense and that a such a society is a worthless one. A true democracy is not a dream but something worth fighting for. The EU is a managed democracy that is not working for the majority of its people and is surrounding itself with protectionist mechanisms for a market society dressed up in the language of free trade.

The unlimited rise of competition in the NHS in England and the illusion of free choice over healthcare in the UK that is promised within health budgets that are much smaller than in comparable EU countries is not an existential choice but a direct result of Conservative and Liberal Democrat policies from 2010. Fair enough, Labour lost two general elections in 2010 and 2015 and the Conservatives as winners are entitled to carry out their policies. But are we ready to allow EU membership to constrain in perpetuity the health policies of an incoming government made up as it might be of Labour, SNP and Plaid Cymru? This issue of health, like controlling one's own borders, immigration policies, social benefit levels and personal tax, is part of the balanced choices of a true democracy. They are not to be determined by the privileged, rich or corporate world but by voters in the UK. Those voters are becoming ever more aware that their NHS is being destroyed before their eyes. The elite who championed these reforms are in denial still but the public know the truth. Take the grotesque folly of the Private Finance Initiative (PFI) funding new hospitals at interest rates massively higher than was made available from the Treasury. It is now largely responsible for bankrupting an ever-increasing number of hospitals while global private equity laughs in our face and trades their secure and large profits.

On health the Academy of Medical Royal Colleges (AMRC) deserves to be heard. The AMRC expressed 'serious concerns about possible risks to coherent, equitable healthcare' under the 'any willing provider' model. Despite the rhetoric about greater integration and encouraging cooperation, the demands of the marketplace and the threat of competition complaints were bound to foster fragmentation. The market inherently was for disaggregation of decision making and bound to militate against coherent long-term planning.

The patient–doctor and patient–nurse relationships are personal, intimate and largely unquantifiable. The moment the patient believes that the decisions of doctors and nurses are taken on cost grounds as the result of competitive trading the relationship of trust will alter.

The coalition government by crossing over into an external market for health started to embark on a course involving the deepest conflict with age-old values, traditions and concepts of respect and the public good. Health is not a market commodity.

It took time for the health professions to recognise that the proposed external market would change the very basis of vocational care. This change may be on a relatively slow fuse but an explosion will take place when health professionals finally realise that an external market will erode the very art of Hippocratic medicine, which the previous NHS, for all the gibes from the US about ‘socialised medicine’, never did.

There are also limits to which the NHS can lose its basis in democratic government without also losing the trust of the people who pay for it out of general taxation. The rationing of care in the NHS has broad-based support because it is seen as broadly fair. No other public service retains the same levels of affection and respect, and poll after poll still shows satisfaction with the NHS, despite unprecedented and vicious newspaper criticism.

Chapter 7

European Monetary Union

The history of monetary unions is that they usually collapse over a few decades or those countries within them go on to form a political union and merge to become one country. It may be that the unique nature of the EU will allow for a Eurozone for monetary matters while still pretending it is not a United States of Europe, but that looks a very unlikely outcome. The Eurozone is more likely to follow the patterns of the past. I have hitherto resisted the temptation to argue against joining the Eurozone as a matter of profound principle. Such a stance has the benefit of simplicity, and it is what many against the EU in principle believe. Margaret Thatcher in March 2002 wrote a book advocating that we should never join the euro and put the case for coming out of the EU and for joining NAFTA. But while we have been able to bridge the Atlantic in NATO, a security organisation, it would be harder, although not impossible, to do so in a trading organisation like NAFTA. Joining NAFTA is certainly something Britain should not rule out if it were shunned by the EEA, a very unlikely outcome.

No-one can pretend to be able to predict with any degree of certainty the result of the referendum. The British are unlikely to ever become Euro-enthusiasts; our citizens have never felt comfortable being governed from Europe. A European Cabinet and a European Parliament determining our macroeconomic, foreign and defence policies is an anathema. The British people have, however, a traditional caution. Pragmatic evaluation of what we have become and, perhaps more worryingly, could become is feeding an ever stronger mood for withdrawing from the EU. If we do so decide, there is another tradition we must revive, that of our merchant adventurers. That spirit of merchant adventuring could provide an inspiration for how the UK in 2016 would respond to leaving the EU.

The Labour government in February 2002 was rightly preaching that ‘taxation is a matter for Member States, in keeping with the principle of subsidiarity; tax reform should promote wider economic reform and not create additional barriers to trade; and the economic priority for Europe is reform to promote growth, prosperity, jobs and social inclusion’.* It went on to argue that ‘the Government does not accept that tax harmonisation is an inevitable consequence of EMU. EMU does not require, either in principle or in practice, the harmonisation of direct taxation ... or that there is an inevitable path leading from monetary,

* HM Treasury, *Realising Europe's Potential: Economic Reform in Europe*, Cm 5438, February 2002, p. 33.

via fiscal, to political union.’ Against that position a month later, in the run-up to the presidential elections in France, Jacques Chirac called for ‘genuine fiscal harmonisation’ and went on to say that ‘in an open, competitive Europe with a common currency, it is damaging for the French to always be taxed more than everyone else’. His message was clear: he preferred not to rely on France itself lowering French taxes; he wanted low-tax economies like the UK and Ireland to have to raise theirs, so levelling taxes up and not down.

President Sarkozy’s 2010 plan for an EU-wide Tobin tax failed, despite being backed by the Commission. In late March 2012 Wolfgang Schäuble, the German Finance Minister, proposed a two-stage approach with the first step being a levy on company shares, widening to bonds and derivatives later. Sweden supported Germany, the British opposed any agreement at EU level and somewhat surprisingly, if one forgets that they have relatively large financial services industries, Luxembourg opposed and the Netherlands and Ireland expressed deep reservations. The Commission wanted a tax on stocks, bonds and derivatives from 2014 to raise up to €57 billion. But it only had the support of nine countries. This issue will continue with France wanting an EU-wide transaction tax. The emphasis may be put on a Tobin tax for the Eurozone countries. The UK already has a tax on the sale of company shares and the countries in the Eurozone, and those who aspire to be, may want to adopt their own tax structures.

The implications of tax harmonisation within the Eurozone are profound and go wider than just taxation. Harmonisation will not just be confined to taxes on industry in order to ensure equality for the Single Market. In a competitive marketplace, we in Britain believe, one can stultify competition by stressing the need for a level playing field for all costs carried by industry. Regions within the Eurozone wanting to attract jobs will have to look at ways of reducing unit labour costs. That means pay and benefits and the costs of starting up a business may have to vary within and between Eurozone countries. This is one of the reasons why we are so opposed to the detailed working time directives. Trying to ensure that the regulatory climate is sensible does not mean that regulations in every field of employment and environmental responsibilities need to be the same. Some Eurozone regions are so poor they must be able to incentivise industry. They must also be able to offset some of their own uncompetitive aspects such as cost of travel, in the case of remoter regions in the Eurozone. Ireland, for example, Britain’s closest neighbour, with whom we have a common border and many special bilateral arrangements, has a corporate tax rate of 12.5 per cent – half of Britain’s and much lower than that of any other country in the Eurozone. It claims that shipping costs, by sea or by air, and geographical isolation militate against a single Eurozone

corporation tax, but inside the Eurozone it will be hard to sustain that argument.

The growth in the importance of financial services associated with Frankfurt, Paris, London, Rome, Madrid and no doubt eventually Warsaw and Nicosia, is relevant to the argument for Brexit. Just as England moved out of agriculture and was first into the Industrial Revolution, so the UK has had to move out of some manufacturing industries such as shipbuilding, textiles (although design-led textiles have recently been creating more jobs in the UK) and to some extent mass car production. It was both wrong and very difficult to continue to protect our manufacturers in these markets as the developing world began to manufacture in the same areas. British expertise in trade, finance brokerage and insurance has become highly marketable worldwide, and London has thrived and still does well despite the global crisis. It has thrived not by accident, history or even luck, but because key decision makers in the financial services industry prefer to live in London than in Frankfurt or Paris. Yet that preference cannot be taken for granted. Nor will London continue to be preferred unless successive governments set a competitive fiscal climate which encourages the UK financial services industry. What caught up with this industry was successive governments' attachment to regulating with a light touch, being flexible and not too intrusive. The UK had to underwrite Northern Rock in 2007 and later HBOS and RBS. They had operated under too light a touch. But we were not alone. In New York too the regulatory climate was allowed to relax too much, as shown in 2008 and beyond by Lehman Brothers and many others. Making London more attractive to business is a serious concern for Britain but also, we realise, for Frankfurt and Paris, which have never accepted the permanent dominance of London and have striven to take business away from it for centuries. London trades worldwide in all currencies and makes money on these transactions.

France, in particular, dislikes the so-called Anglo-Saxon model for financial services. It has long wanted co-ordination of economic policies to be considerably increased so as to be better able, as France sees it, to react to external shocks. It would like corporate tax to be more harmonised or at least a minimum rate be fixed – this would be the first step towards a European tax. It does not stop there. In order to be able to harmonise taxes in Europe, France wants fiscal decisions, which will affect the internal market, to be made by QMV, and not by unanimity. The same, France believes, should be the case for social harmonisation. When Gerhard Schroeder said in January 2001: 'You cannot have a common currency that is not embedded in a common and appropriate fiscal and economic policy,' he believed the need for this embedding would become clear.

Since Maastricht there has been a determination in the Commission to see all new

applicant countries signing up for eventual membership of the single currency and the Eurozone in 2016 has grown to encompass nineteen countries. Yet the UK only signed up, as part of Maastricht, for a non-binding recommendation which fell well short of the more structured measures defined for members of the Eurozone and linked to a European central bank with no powers outside the Eurozone. All that points to a clearer redesign being needed for the restructured Single Market of the Eurozone and Non-Eurozone countries.

The original design of EMU* deliberately avoided making provision for fiscal transfers of the sort that we have seen which made the monetary union between West and East Germany work. The then political leaders feared using such a mechanism because of its unpopularity with the richer countries, which were beginning to realise around the time of Maastricht that EMU was potentially a very expensive adjustment mechanism. Ten years after monetary union within the Federal Republic of Germany annual fiscal transfers amounted to the entire GDP of the Czech Republic. Yet the Delors Report in 1989 warned the designers of EMU that ‘the permanent fixing of exchange rates [between the countries of the Eurozone] would deprive individual countries of an important instrument for the correction of economic imbalances’. The report went on to say that ‘if sufficient consideration were not given to regional imbalances, the economic union would be faced with grave economic and political risks’. We have learnt from the collapse of the Eurozone that this prediction was correct. To understand why this warning was not acted on, it is necessary to understand the community method as the original Eurozone designers did. They knew that an imbalance would take place and they knew that it would necessitate fiscal transfers. But they also knew members of the Eurozone would only transfer such money in a crisis and then only if they had political control over how the money was spent. Because the designers wanted further integration they were content to wait on a crisis. They knew that in the US 45 per cent of federal taxes are used to iron out imbalances between regions and for the first 150 years of US monetary union there were bitter disputes between regions. In 1999 an American economist, Professor Hugh Rockoff, warned Europe: ‘For countries already committed to monetary union, the lesson is that providing a system of fiscal transfers for distressed regions and lender-of-last-resort facilities, or perhaps some form of deposit insurance, for those regions so that real shocks are not multiplied by banking crises, is of the utmost importance.’

* David Marsh, *The Euro: The Politics of the New Global Currency* (New Haven, CT: Yale University Press, 2009).

The community method is the most important aspect of the inner workings of the European Community and perhaps the least understood. Behind it lies a body of theoretical writings, and a true bureaucracy, not very large in comparative terms, but a bureaucracy in the sense that the administrators who run the Community and now the Union feel themselves responsible to an idea of Europe. That ‘idea of Europe’ is championed by politicians and civil servants in the member states who feel free, as we saw in Greece, to promote and extend that idea with little regard for democracy. The community method has none of the democratic constraints that influence elected leaders, who have to listen to the views of their people and be responsive to and ultimately governed by those views. The community method has been defined as ‘the process whereby political actors in several distinct settings are persuaded to shift their loyalties, expectations and political activities toward a new centre, whose institutions possess or demand jurisdiction over the pre-existing national states’.^{*} Behind the method is the notion of spillover – when integration takes place in one area but not in another, the resulting imbalance spills into the static area, creating a momentum for change everywhere. In this way institutions are created or existing ones adapted, sucking in new tasks and the powers to deal with them.

Over time the language of the treaties has been interpreted by the European Court of Justice (ECJ). The ECJ has done so in accordance with its longstanding politically motivated support for the community method. The ECJ, some would argue, was established and designed to buttress the pursuit of the community method.

The European Commission is the tool for the furtherance of European integration. There was never any doubt in the mind of the most powerful President of the Commission to date, Walter Hallstein, that ‘We’re not in business, we’re in politics’ and that the Commission was under the community method going to become the government of Europe. When a later President of the Commission, Romano Prodi, talked about the Commission as the government of Europe his words were dismissed by some as unrepresentative of EU opinion. Yet in some parts of the European Union his words were accepted as being even then an accurate description. For people to whom the community method is crucial, QMV is not an optional extra but an essential part of the community dynamic. There are arguments about whether an institutional determinism[†] operates within the Brussels system but what cannot be

^{*} Ernst B Haas, *The Uniting of Europe: Political, Social, and Economic Forces, 1950–1957* (Stanford, CA: Stanford University Press, 1958), pp. 11–16.

[†] Susanne Bodenheimer, *Political Union: A Microcosm of European Politics, 1960–1966* (Leiden: A. W. Sijthoff, 1967).

scoffed at is the community method record. It has over years a history of delivering the integrationists' objectives. Many who practice and espouse the community method within the Commission recognise no limits to the process of integration nor any legitimate boundaries to the erosion of the nation state. It is that history that needs to be considered when deciding whether to leave the EU. David Cameron has negotiated no substantive change.

The way forward was to acknowledge that the Lisbon Declaration about economic performance and future growth marked a new recognition that the community method was not always appropriate for all member states in the twenty-first century, certainly not for achieving member states' much-needed economic reform and restructuring. To uphold that judgement logic pointed to a restructuring of EMU and of the Eurozone, to a wider European Single Market based, as in EEA language, on the social market with its own balance between integration and economic deregulated competition. Such a restructuring of Europe meant admitting that the global market has made an unfavourable judgement on the present Eurozone design, which is not capable of providing all member states with the stability and prosperity that can be achieved without a different design.

The British public have become hostile to ever greater integration and the characteristic language emanating from Brussels, or from Euro-enthusiasts at home, about how the UK are always supposed to be 'missing the boat' or 'waiting in the sidings while the train is leaving the station'. In its most developed form the advocates of more European integration often point to the UK decision not to attend the Messina Conference in 1955. Scant regard is given in retrospect about Messina to the fact that there were no UK political leaders of substance in the parties ready to advocate signing up to anything even approximately close to the Treaty of Rome. An opportunity only exists if it is feasible, if it is part of the then political reality.

The UK is not ready to be sucked into a form of economic government which becomes a broad-based, all-singing, all-dancing government, with fiscal transfers and greater integration. That may prove to be the case for Denmark and possibly Sweden, and also for some Eurozone countries currently living very uneasily within the zone – not just Greece and Portugal but perhaps Spain, even Italy and Ireland. Restructuring the Single Market could have provided the opportunity for an ordered generous restructuring of Eurozone membership with far fewer repercussions within Europe or worldwide than if countries were to split off on their own. That opportunity was lost in David Cameron's very limited negotiation, which was totally different in terms of ambition to what he promised to deliver in 2013. What is very clear to many now is that Eurozone membership involves an inevitable path leading from monetary via fiscal to political union. What must also be openly admitted is that not just a

full economic government but a full political union within the Eurozone is a fundamental redesign of the present EU. It is therefore logical for the UK to leave the EU and to negotiate a new relationship with the EEA Single Market and the Eurozone. In effect to leave and to seek wider European Economic Area separate from a new integrated EU/Eurozone.

We should leave confident that new structures will emerge in a wider Europe and worldwide to enhance world trade in the context for the UK of a social market economy. We recognise too that environmental hazards cannot be addressed within the framework of a single nation, or even a small number of nations. We do not want to do damage to the interest of those EU member states who are in the Eurozone or who still wish to join it. We just want our politicians to stand their ground for us outside the Eurozone grouping and the EU. We are an island race and we wish to control our own borders and who shall come into our country and who should stay and become citizens. What is happening in Calais and Dover does not just make headlines day by day, it exposes the problems of a borderless Europe. The chaos as lorries stack up on either side of the Channel, the economic costs of delayed delivery, the frustration of legal obstacles for dealing with economic migrants under EU laws, all underline a choice: does the UK rediscover a measure of self-government, compete more in world markets, export from other ports on its west coast, make other trading arrangements and agreements?

Woe betide those who argue there are no alternatives in this forthcoming referendum. There are alternatives and the status quo is not the best of them. The best alternative was to restructure Europe before the referendum took place but it is clear that this opportunity has for the present been lost. Instead we must choose to leave first. The views of British business figures are important but they are divided and anyhow should not be the determining factor. Too many of them were the strongest advocates for the virtues of joining the euro from 1990 to 2005. They persistently warned then how we would lose trade and inward investment if we were not in the euro, how staying out of the euro would contribute to loss of jobs. At least the *Financial Times* apologised for supporting euro membership editorially year after year, but fortunately not all their columnists took the same view. There have been very few apologies from business or from politicians.

The City is not always going to be right. Look at its record, most recently the scandal over LIBOR. The behaviour of Goldman Sachs in advising Greece how to circumvent the entry requirements for Eurozone membership should disqualify them from now advising the UK to remain in the EU. The City of London wants to protect against the Eurozone majority imposing their will on the very important financial industry sector, but it too saw salvation in

the euro. Now it has been seen that a UK stand-alone veto has proved impossible to negotiate. But by any standard of past EU behaviour the restructuring of the EEA Single Market outlined here, with a formally distinct Non-Eurozone and Eurozone, offers a much more likely negotiation route after we leave. What we need and must achieve is a balanced voting structure. Those who do not wish to give up their own currencies should be able to achieve a fair and respectable blocking threshold. A new authority, not the European Commission, for the EEA Single Market as proposed by the German and Dutch finance ministers could help in this regard, but it is bound to meet stiff resistance and take a few years to put in place. The Eurozone at present assumes it has the luxury of time for restructuring over a decade. This, when the global economy is still very fragile, is a dangerous assumption.

The topics on which British citizens will focus in order to make up their minds in the referendum will vary. But the status quo has been unsuccessful and progressively challenged by Eurosceptics, UKIP supporters and others dissatisfied by what is in place or on offer. Already, much to the surprise of the fearful and the pessimists, there is a 'can do' mood amongst many ready to challenge perceived wisdoms whether within business, amongst economists or on the trading floor. People are becoming tired of being told what they 'cannot do' by others whose own record hardly justifies the firmness of their opinions or the distortions of their propaganda. Fundamental issues of defence and foreign policy, where the EU has hardly excelled itself and where NATO has still much essential work to do, are not helped by the EU's determination to duplicate, pretend and equivocate. Nor are concerns about social issues handled by the EU or the EU's powers over the ever more marketised NHS likely to be swept under the carpet as was done in the 1975 referendum. Then EU intervention in the UK's domestic political choices was in its infancy. Today it is much, much greater.

If the UK were to choose to leave the EU, as I hope it will, we would as a major importer on the EU's doorstep be most unlikely to be turned away from a newly configured Single Market EEA. It would soon become apparent that the restructuring suggested here would be preferable for Europe to agree than have the UK looking across the Atlantic to NAFTA. Also the growth in the world trade over the next few decades is going to come from Asia and Africa – so we should be looking anyhow to trade far more to those shores and those markets as well as strengthening our Commonwealth links. Canada, inside NAFTA, a member of NATO and a firm friend, has never succumbed to the argument that it should adopt the US dollar as its currency. The UK will be given a fair hearing if we choose to explore NAFTA during the two-year notice period before we can leave the EU if our

renegotiation package is stifled by Brussels.

The British do not like defeatism or triumphalism. We just want our politicians to uphold our right to democratic self-government in this country. That is what we identify with and what if need be we are ready to fight to defend. These are attitudes which we believe in, attitudes that go back to Magna Carta. We are not afraid of change. We have no deep-rooted dislike of foreigners; we are content to live in a multi-racial Britain. We are neither jingoistic or chauvinistic. We are ready to decide that in the twenty-first century we need a different form of economic self-government than the failed EU model.

Our world is too dangerous for the pretension and the sleepwalking to continue. From Estonia down through eastern Ukraine to Turkey's border with Syria there are conflict situations threatening with the obvious potential to escalate into regional wars. There are still grave and unresolved economic problems within the EU which are not being faced up to. A decision is going to be taken in Britain on 23 June 2016 about the EU, whether to leave or to remain. Either choice will have profound consequences. Our renegotiation has not produced a sufficiently strong and coherent response from the EU. The better choice is to vote to leave with confidence and optimism.