

Andreas Whittam Smith: How are we to remain an independent nation?

There must be a clear distinction between the wider single market and the eurozone

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Are we still a self-governing nation? How long is the list of things that British governments cannot do unless they have permission from Brussels or the blessing of the European courts? Even without joining the eurozone, is our independence slipping away? Asking these questions is one of the merits of Lord Owen's new book, *Europe Restructured? The Eurozone Crisis and its Aftermath*. David Owen was Foreign Secretary from 1977 to 1979, when Labour was in power. He was one of the Gang of Four who left the Labour Party in 1981 to found the Social Democratic Party, a precursor of the Liberal Democrats.

When we joined the Common Market, as the European Union was then called, on 1 January 1973, our motivation was completely different from that of the other members. We were attracted only by the customs union that was its most prominent aspect. In contrast, France saw the Common Market as a means of hugging Germany so tightly that the two countries would never again find themselves at war. Germany, in the light of its history, was glad to be restrained. Italy craved support for its weak democratic traditions, and the smaller countries realised that, as members, they could punch above their weight. We just wanted more trade.

It was, however, clear to those who looked closely that a customs union logically implied a currency union. Varying currency rates within a free trade area are themselves, strictly speaking, a barrier. They impart uncertainty and add to the cost of doing business. In May 1967, Edward Heath told the House of Commons that "there can be no doubt that the logical conclusion in a complete market is to move over... to a common currency". Some four years later, the Treasury told ministers privately that monetary union "could imply the ultimate creation of a European federal state with a single currency".

Nonetheless, the alarm bells remained silent. Progress towards a single currency could always be blocked, it was thought, because individual governments had the power to veto proposals they found unacceptable. Lord Owen captures the mood at the time. He writes: "In the 1971 parliamentary debates there was a tendency for speakers in favour of entering the Community, such as myself, while highlighting the safeguards 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."

Here, Lord Owen is drawing attention to two weaknesses in the British approach. In the first place, the power of the veto was gradually being undermined by the concept of qualified majority voting. The Single European Act in 1987, enacted when Margaret Thatcher was Prime Minister, greatly increased the number of issues where the straight veto was replaced by majority voting. At the same time, Britain underestimated the momentum towards greater integration that Brussels was able to generate. Of this second trap, Lord Owen's time as Foreign Secretary gave him some experience.

"There were influential diplomats," he writes, "who carried into their public life a tendency to think that Europeanism represented a higher calling than the more mundane task of supporting their government in fighting the British corner in Brussels. They were tempted down the path of believing in and advocating the doctrine of the inevitability of integration... Ministers then were

rarely briefed positively about the UK's rights and about how to maintain the limits to integration that had been already set, let alone how to establish new limits."

The key is to say "No" early on. When Brussels pushes forward, "all too often the advice of some key diplomats and lawyers in the Foreign Office is that a suggested form of words is more or less meaningless and can be accepted". Then committees are established and reports written. Ah, yes, say these same British diplomats and lawyers when the results of this activity become available, "there is no danger of imminent action". But by now it is often too late. For the Brussels reports, having become part of the political debate in member states, develop a semi-official status and a supportive following, which leads to them becoming binding legislation unless a country is ready to hold out and use its veto at a late stage.

What Lord Owen now recommends, in the terrible situation in which we find ourselves, is that we should argue for a clear distinction between the single market, to which all states would belong – and which might be called the "European Community" – and the eurozone, which might be called the "European Union" and which would have a single currency and a single government. Britain would belong to the first, but not to the second. The first body would have its own Secretary General and necessary bureaucratic structures. This would mean, according to Lord Owen, that "we would regain the running of our own agricultural, fishing, industrial, social and foreign and security policies". We would thus remain an independent nation.

If this restructuring could be achieved, it would lend itself to two simple questions that could be put to voters in a referendum: Do you want the UK to be part of the single market in a wider European Community? Yes/No; Do you want the UK to remain in the European Union, keeping open the option of joining the more integrated eurozone? Yes/No.

Lord Owen has shown us a way forward.