

Labour must align with the British people on Europe before it's too late

The party must take a position on a referendum now.

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Amidst the eurozone crisis, involving Greece, Portugal, Ireland, Spain and Italy – the countries that have found themselves with the deepest, but different, problems – it is easy to ignore one simple fact: maintaining a eurozone, even a smaller one which remains the most likely outcome, will involve much greater integration for those countries that manage to stay in it. The very thing is happening which Hugh Gaitskell warned, fifty years ago, could come about if the UK joined the Common Market. The countries of the eurozone will soon start to look more like states in the USA and Gaitskell, Attlee's last Chancellor of the Exchequer and by 1963, when he died, an extremely popular leader of the Labour Party, has been proven right.

On 7 February 2012 the German Chancellor, Angela Merkel, indicated very clearly the direction of travel that she intends to follow if the CDU party, which she leads, remains in government after the federal elections in Germany in the autumn of 2013. The eurozone crisis for her is to be the springboard to a replacement for the Lisbon Treaty. She said: 'Step by step, European politics is merging with domestic politics.' She called for 'comprehensive structural reform' of the EU with closer integration to overcome what she called 'major shortcomings'.

Chancellor Merkel now clearly intends to use her position to persuade Member States to cede further powers to the EU and she believes the European Commission ought to function more as a European government, with the Council of Ministers acting as a 'second chamber' alongside a strengthened European Parliament.

The integration envisaged is more far-reaching than any adjustments contained in the 2012 Fiscal Pact Treaty, which falls outside the European treaties and has had difficulty already in winning public acceptance in France, Ireland and the Netherlands. Yet, the German Chancellor has stressed: 'We need Britain, by the way. I want to say this emphatically, because Britain has always given us a strong orientation in matters of competitiveness and freedom and in the development of the single European market.' But she divulged no details as to how this could be done. She is well aware of the 2011 UK legislation whereby a referendum has to take place before any more powers are ceded to the EU. She knows too that many Member States are against substantial changes to the treaties. Gerhard Schroeder, the Social Democrat German Chancellor from 1998 to 2005 and the person who, with the agreement of the trade unions, helped restore German competitiveness within the eurozone, argues for the same constitutional changes as Chancellor Merkel while advocating a rerouting 'away from pure austerity towards growth'. He is explicit: 'The European Council must give up powers and should be transformed into an upper chamber with similar functions to the Bundesrat in Germany.' His advocacy shows how broad is the consensus amongst the German political parties, as he argues that 'the current situation makes it clear that you

cannot have a common currency area without a common financial, economic and social policy’.

The European Economic Area already brings together the twenty-seven EU Member States, soon to be joined by Croatia, plus Norway, Iceland and Liechtenstein; were Turkey to be asked to join a transformed Single Market that would make a total of thirty-two states.

The Agreement on the European Economic Area, which entered into force on 1 January 1994, covers a single market, referred to as the ‘Internal Market’, and when a country becomes a member of the European Union, it also applies to become party to the EEA Agreement, thus leading to an enlargement of the EEA. The EEA Agreement provides for the inclusion of EU legislation covering the ‘four freedoms’ – the free movement of goods, services, persons and capital. In addition, the agreement covers co-operation in other important areas such as research and development, education, social policy and the environment, consumer protection, tourism and culture, collectively known as ‘flanking and horizontal’ policies. It guarantees equal rights and obligations within the Internal Market for citizens and economic operators in the EEA.

The EEA Agreement does not cover the following EU policies: the Common Agricultural and Common Fisheries policies (although it contains provisions on various aspects of trade in agricultural and fish products); the customs union; the Common Trade Policy; the Common Foreign and Security Policy; justice and home affairs (even though the EFTA countries are part of the Schengen area); or monetary union (EMU).

The restructuring of Europe which I advocate in my book* grapples with transforming the existing single market but not relying on simply enlarging the EEA with legislation handed down on tablets of stone by the countries of the EU. It is negotiable, but almost certainly not without an initial argument and a testing of the UK’s resolve. The design I outline for Europe would be inclusive in its concept. To bring it about would involve using different parts of existing treaties. It could even come into effect by dint of using the unanimity provision for treaty amendment in the European Council, leaving those member states to hold referendums that wish to. Nothing would be agreed until all was agreed. The negotiating process would, it would be hoped, include Turkey and other non-EU countries.

The legitimate safeguard of treaty change by unanimity, which has been built in from the start of the Common Market, would continue with the aim of broadly presenting two reworked treaties: one for a more integrated European Union and the eurozone, the other for a European Community-wide single market. It recognises that the eurozone’s flawed design has to be corrected, and that that needs treaty amendment going much further than the Fiscal Compact. The skill will be to keep the restructuring of existing European treaties to the minimum, using their present wording as far as possible and mainly providing for opt-outs and opt-ins within national decision-making.

Any timescale for restructuring the EU will be determined by what happens in the eurozone. The timescale set in the Fiscal Compact Treaty, negotiated by twenty-five member states in 2012, is far too leisurely. It states that within five years that treaty should be part of the EU Treaties. This is something which apparently Nick Clegg takes credit for suggesting, implying that by 2017 at the latest all EU Member States will be ready to ratify such an arrangement. Whether this was discussed within the UK coalition is unclear. But all the signs

are that the coalition has felt inhibited by deep division on many European questions and is way behind the pace of events in the eurozone.

Prime Minister David Cameron's mistake was not to opt out of signing the Fiscal Compact Draft Treaty but to opt out of negotiating a far more comprehensive design. He had to shift his ground to becoming involved as part of the twenty-seven arguing within an inclusive process about a treaty outside the EU treaties. He implied that acting in this way was illegal but took no action. During that negotiation the Czech Republic joined the UK in not signing up and since then France, under President Hollande, and other countries, have developed serious doubts about the Fiscal Compact. The importance of these constitutional issues facing the UK means that Cameron should from now on, wherever possible in the European Council, speak on behalf of the UK as a whole, having previously discussed Britain's negotiating position with the leader of the opposition, Ed Miliband. This is what, to both leaders' credit, they are trying to do facing the Scottish Independence referendum.

Unless the UK declares soon its wish to change the structure of Europe the question for any referendum commitment at the 2015 general election in Europe will be a simple 'Yes' or 'No' to withdrawing from the EU. Such a question involving the UK leaving the single market is, I believe, dangerous to the economic strength and prosperity of the United Kingdom, and not good for Europe. It would nevertheless very likely result in a 'No' vote and a complete withdrawal.

A referendum on the future of Europe I believe is inevitable at some point. Perhaps urgently in 2013, if the eurozone collapses, but more likely late 2015 or 2106. I would hope in such a referendum we would be able to vote on a restructured Europe of the sort I advocate in my book and pose something like the following two choices.

1. Do you want the UK to be part of the single market in a wider European Community? Yes/No
2. Do you want the UK to remain in the European Union, keeping open the option of joining the more integrated eurozone? Yes/No

The first question would be very likely to be answered by the British public with a 'Yes', and any British government would urge them to do so. The second question would be harder to predict, but it would be a genuine choice, and the government might be in effect neutral on the outcome, ready to follow rather than lead public opinion. In 1975 Harold Wilson and James Callaghan argued for a "Yes" in the referendum but made it clear they would accept the voters' verdict. If both questions were answered 'No', a response that might be championed by UKIP, this would in effect mean a total withdrawal.

Labour has relatively young but Cabinet-experienced leaders in the Shadow Cabinet. They would be wise to start out now on an in-depth discussion within the Labour party to align more closely with British public opinion on Europe. Labour's grassroots membership may find the restructuring of Europe which I suggest more attractive than those who embraced the integrationist views of Jacques Delors when he addressed the TUC conference in 1988. There are strong political arguments for Labour not delaying otherwise they will risk trailing behind public opinion close to the 2015 general election and will be forced to make a desperate bid to halt the Conservative Party, which will undoubtedly attract votes by offering an early referendum commitment.

There are few better guiding speeches for Ed Miliband on the instincts of the British people, which have not much changed, than that of Hugh Gaitskell at the Labour Party conference on 3 October 1962. A federal Europe, Gaitskell said, referring to the continent, 'may well be the answer to their problems. It is not necessarily the answer to ours.' In an earlier TV broadcast on 21 September, Gaitskell crystallised the issue of a federation as a nation becoming 'no more than Texas or California'. The challenge to Britain that Gaitskell foresaw as a possible outcome emerging from the then Common Market has, because of the eurozone, now become a reality fifty years later. His was a prescient speech. It came from a leader who understood where the European project could lead. He had lived for a year in Vienna in 1933–4 and was a true internationalist, albeit a sentimentalist about the Commonwealth. Still, better that way than a cynic. Even today the Commonwealth connection is underestimated by the UK political elite. It is an important and continuing part of Britain's legacy and still provides one of several good arguments for the UK, on its merits, retaining permanent membership of the UN Security Council.

Any UK political party that from 2012 on ignores the rapidly emerging political, not just economic, challenge over eurozone reform is putting its head in the sand. Only the complete collapse of the eurozone will stop a redesign and that now looks unlikely; even if Greece, Portugal, Italy, Spain and Ireland cannot live with the German austerity model, the euro will survive. The US and the rest of the world see a eurozone collapse as threatening their economies. For this reason the present eurozone members may manage to stay within it; certainly a substantial core will survive. Yet the continued dominance of austerity as a European discipline may put off some countries which had previously expected an easy pathway to eurozone membership. A few countries may, even in the eurozone, find the undemocratic nature of some of what has already emerged in the zone's handling of Greece and Italy as making for second thoughts about the desirability of eventual or continued membership. There is little doubt that the fiscal and economic discipline for some to remain in the eurozone will be difficult to live with, in which case more EU countries may choose only the wider single market European Community which I suggest in my book. These and many other eurozone questions will play out during the design period. One side effect of such a restructuring will be that the traumas of the 2013 five-year EU budget negotiations may largely be avoided. Temporary arrangements are now much more likely to be adopted for this period. The British rebate question will also probably stay on ice during this period of transition.

It is being argued, given the present crisis, that Britain must remain outside any eurozone but for only a decade. Yet we need two decades or more to be absolutely certain that all its design flaws will have been solved. Some have believed all along that the eurozone is in itself such a fundamental governance issue that they have been prepared to say we should never join. On balance I have wanted hitherto to keep my options open. But experience over the last few years has convinced me that eurozone membership is not open to the UK as an issue of principled governance. There always has been a need in Europe for boundary lines and limits defined with the utmost care to safeguard the positions of those who wish to remain sovereign nations. There is no reason for the UK to accept being pushed or pulled across the lines that preserve our self-government. There is another option, restructuring Europe. It is not a case for the UK of federalism or bust. On this issue, Britain must be ready to fight and fight again. We are best at doing this internationally when Labour and the Conservative parties agree on what constitutes the national interest. Over the last hundred years that bipartisanship over our security has been vital for our survival and we must rediscover the

key to its return. I suspect that at its core is patriotism, love of one's country. Not in the sense 'My country right or wrong', nor in the old-fashioned sense of the word whereby the Union Jack is a symbol of a long-lost Empire. It may be that the Scottish people will decide to leave the United Kingdom. That is their choice, as it has been for some time a choice for the people of Northern Ireland to unite with the South. But the fundamental decision is for the British people, the English, the Scots, the Welsh and the Irish, who want to stay citizens of one country. They already live in a multi-racial country, a multi-cultural country. Many would say they are Europeans. But they do not instinctively want to fly the European flag or play the Ode to Joy on ceremonial occasions. If they change and become identifiably European citizens, it will take many decades, even centuries. The pace cannot be forced of any such transition by the political elite. It will grow gradually. It would be far better for the peace, harmony and prosperity of those who wish in 2012 to live in the United Kingdom if we were to do so within the consensual framework of a European Community that we voted to remain in during the referendum of 1975, not a eurozone dominated by a highly integrated EU.

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