



Labour's Federal Agenda for Europe

by the
European Research Group



CENTRE FOR POLICY STUDIES



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52 Rochester Row, London, SW1P 1JU
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THE EUROPEAN RESEARCH GROUP

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Foreword

by the Rt Hon Michael Howard QC MP

When Tony Blair told the Labour Party Conference that under a Labour Government Britain would never be isolated in Europe he exposed the extent to which he would surrender Britain's interests. Conservative Governments have always been prepared to fight for Britain's interests in Europe even when, on occasion, it has meant that they have had to fight alone. Isolation is sometimes necessary. It was necessary to win Britain the budget rebate which has saved us £16 billion since 1984. It was necessary to secure the opt-out from the Social Chapter. It will doubtless be necessary in future — which is why a Conservative Government will fight to preserve Britain's veto.

But Conservatives also have a positive view of the kind of Europe we want to see. Open, decentralised, deregulated and flexible — a custom-built Europe in which the principle of variable geometry is used to enable the huge potential of voluntary co-operation between nation states to be fulfilled and the dangers of a stifling straitjacket to be avoided. Not all Conservatives will subscribe to all the prescriptions contained in this pamphlet. Indeed, not all of them are Conservative Party policy. But they certainly represent a valuable contribution to the fund of ideas from which the new Europe will develop.

The European Research Group brings together Centre-Right parliamentarians from all over the EU who believe in a Europe of nations. There is a broad pan-European support for positive reform of the Union, aimed at extending enterprise, cutting back bureaucracy and restoring powers to national governments. Labour has turned its back on any such agenda in its headlong pursuit of closer union. The European Research Group is to be congratulated for drawing attention to how damaging Labour's monolithic centralism would be and for identifying some of the options which exist for creating a different kind of Europe with Britain at its heart.

Introduction

European unity has always had a certain appeal for the Left. To the ideals of international solidarity and co-operation among workers is added the attraction of a "social Europe". This has removed one of the greatest difficulties faced by socialist planners: that of competition from more efficient economies. A Portuguese worker will not be able to undercut a German if they both have identical bargaining rights, holidays, employment conditions, working hours and, ultimately, wages. Both will remain uncompetitive in the wider world, but socialists believe that the European Union represents a large enough home market for this not to matter. They also believe that the EU is capable of insulating itself from the rest of the world and that its combined negotiating strength is sufficient to force other countries to trade with it on its own terms.

Socialists tend to regard the nation-state with suspicion. Nationhood is seen at best as a way of creating false consciousness among the working classes, and at worst as a source of ethnic hatred and war. More cynically, Left-wing politicians are aware that they usually suffer electorally by being portrayed as unpatriotic and economically incompetent. Political and economic union in Europe would respectively remove these two issues from the political arena and thus eliminate the main supposed causes of the Left's unpopularity.

Labour did not reach its current position of uncritical pro-Europeanism without some soul-searching. Over the years, Labour has changed its position on Europe no fewer than five times: it was *against* membership in 1964, *in favour* in 1966, *against* in 1972, *in favour* in 1975, *against* once more in 1983 and *in favour* since 1987. There are, of course, good reasons for socialists to oppose the EU. Its institutions are undemocratic and elitist; its trade and agricultural policies hit the least well-off people in Europe and cause terrible poverty in the Third World; its structures create high levels of fraud and corruption; and monetary union on the Maastricht model would make full employment an unattainable fantasy.

But these considerations have increasingly been cast aside as the EU itself has become more overtly socialist.

Jacques Delors' presidency of the European Commission in the late 1980s saw an unprecedented surge in European social regulation.¹ Mr Delors, who had blamed his failure as French Finance Minister on the impossibility of pursuing socialism in one country in isolation, was now determined to apply it at a European level. When he announced his ambition to see 80 per cent of social and economic legislation made in Brussels, the Labour Party saw an opportunity to impose the kind of policies which had three times been rejected by British voters. The TUC, smarting from the loss of trade union privileges, likewise saw a way to circumvent the democratic verdict of the British electorate. Delegates cheered to the rafters when Mr Delors addressed the TUC Conference at Bournemouth in 1988, recognising that he represented a way of reversing Thatcherism. "*Labour has converted to Europe*", wrote Roy Hattersley in 1992, "*because Europe has converted to socialism*."² Tony Blair has taken Labour's support for European integration to new heights. At Blackpool on 4 October 1994 he declared: "*Under my leadership I will never allow this country to be isolated or left behind in Europe*." Other European leaders, prepared to stand up for their national interests even at the cost of being isolated, will find this statement astonishing.

Mr Blair must be aware that his view of Europe is profoundly at odds with that of most people in this country. He admitted as much in a speech in Brussels in January 1995 when he said, "*Pro-Europeans must be persuaders in the debate about Europe's future*."³ In Bonn three months later he added that, "*At some risk and under massive attack from the Conservative Party, we will hold to that position*."⁴

Labour has kept quiet about its European policies. It knows that transferring significant political and economic powers away from national democratic control is likely to be deeply unpopular. Yet, bit by bit, Labour's programme for Europe is beginning to emerge.

This paper presents an analysis of Labour's European policies. It places them in context by looking at the options open to Britain, and puts forward alternative proposals to the ever-deeper union to which Labour is committed.

1

A Centralised European State

Labour is committed to a single-tier Europe in which decisions are taken centrally and imposed uniformly on all member countries.

However, the expansion of the EU to take in the nations of Eastern and Central Europe will bring an unprecedented variety of conditions within its jurisdiction. It will no longer be practical to impose uniform policies on all members regardless of their needs.

Who can foresee a viable common agricultural policy stretching from the north of Finland to the citrus groves of Cyprus? Or common social protection and employment rights for Swedish and Slovakian workers? Or a common foreign and security policy covering Britain and Switzerland? Or common residence and citizenship rights for Germans and Turks?

Enlargement of the EU is incompatible with the idea that all member states must always act together in every area. One solution would be to overhaul the structure of the Union so as to make possible flexible co-operation among groups of countries on separate issues. This idea — known as "variable geometry" — would clearly facilitate expansion. It would also reduce the number of occasions on which countries were obliged to act against their interests.

Labour, unfortunately, is directly opposed to any such move:

*"We reject the idea of a 'two-tier' or an 'à la carte' Europe in which some states are excluded or choose not to co-operate in certain policy areas."*⁵

While some countries may need more time than others to implement common European policies:

*"...we reject permanent opt-outs or 'variable geometry'."*⁶

Labour rejects the idea of a member of the EU being allowed to pursue its own interests in its own way, even when this does not affect the interests of any other member.

In keeping with its support for centralised decision-making, Labour does not fully support the principle of subsidiarity. It is concerned that subsidiarity should not prevent:

*"...European regulation and legislation where necessary. This principle must not be used to block progress in European environmental or social policy."*⁷

Some Proposals

Eastward enlargement should be a priority for the EU. We should aim to integrate the first of the Central and East European countries into EU structures by the year 2000. This will only be made possible by establishing the principle of 'variable geometry'.

The subsidiarity doctrine would benefit from being strengthened, not weakened. The European Treaties should enshrine the following principle:

Every member state should be allowed to administer for itself any policy which cannot be shown directly to affect the internal affairs of another member state.

The EU should apply to all its members only those policies which by their nature require unanimous action, such as the maintenance of the Single Market. In all other areas, members should be free to join or not to join common policies as their individual interests dictate. This is the practical and democratic alternative to the ever-deeper centralisation favoured by Labour.

2

Full Political Union

The terms 'federalism' and 'political union' have been used so often that their literal meaning is often forgotten. Political union means the unification of Europe under a democratic federal constitution. Most of the functions of a state would be vested in the EU, with key political decisions made by its central institutions: the Commission, the Council, the Court, the Parliament and the European Central Bank. National capitals would continue to control such policy areas as health and education. Most executive and legislative power would, however, be transferred to Brussels. The division of powers would be guaranteed by a written constitution interpreted by a federal court.

This scheme has for a long time enjoyed the support of the European Commission and Parliament. The proposed institutional structure has been detailed in numerous policy documents⁸, and was spelt out by Jacques Delors at the Rome Summit in 1989. Indeed, most of the institutional structure is already in place and, in due course, the Commission is intended to become the executive government of the new state; the European Parliament would become its elected legislature; the Council would become a sort of Senate or *Bundesrat* representing the provinces (i.e. the member nations); and the Court would become the Supreme Court.

Labour, while it usually stops short of calling openly for federalism, supports this institutional model. Above all, it supports the idea of a powerful European Parliament passing legislation and having equal authority to the Council. When we look at the details of Labour's proposals for institutional reform, they are indistinguishable from those of the declared believers in a United States of Europe.

2.1 THE EUROPEAN PARLIAMENT

*"We want the European Parliament to have a right of initiative, and for co-decision between the European Parliament and the Council of Ministers to be the rule."*⁹

With these words, Labour is committing itself to the single greatest transfer of constitutional power in our history — from our British national Parliament to a federal European state. Until now, the EU has been a union of nations. Its Parliament, like the NATO Assembly, has chiefly concerned itself with *scrutinising* an international bureaucracy, namely the Commission. Labour's proposals would transform the European Parliament into a *law-making* legislature similar to any national parliament. The proposal for co-decision is a move towards establishing a bicameral European legislature, with the Council as a sort of Upper House. Labour's plans would destroy for ever the idea, championed by de Gaulle, of a 'Europe of Nations' — a Europe where nations co-operate with each other freely and willingly and where ultimate sovereignty lies with democratically-elected national bodies.

Proposals to elevate the European Parliament in this way are based on a flawed analysis of the way democracy works. Democracy cannot flourish without a strong sense of allegiance and purpose from voters — and the voters of Europe clearly feel no such allegiance to the European Parliament. Turnout has fallen at every European election from an already low base in 1979¹⁰. In Britain, fewer than 35 per cent of people voted at the last European election; in other countries turnout was lower still. Few electors are aware of their representative's name. Attendance by MEPs is very low, and, according to the Report of the Court of Auditors, each one costs the taxpayer £919,000. The majority of MEPs spend their time in Strasbourg calling for new powers for themselves and for immediate political union in Europe. It is a measure of Labour's blind enthusiasm for Europe that it would give serious political power to such a body.

Wayne David MEP, leader of the Labour group in the European Parliament, has outlined Labour's plans for the European Parliament in full:

"Secondly, the European Parliament should have the right to initiate legislation ... Thirdly, the European Parliament needs to have

*greater control over the EU budget... And fourthly, the Parliament ought to be able to formally propose candidates for the Presidency of the Commission and have the ability to reject individual Commissioners."*¹¹

This view is entirely consistent with Labour's ambition to turn the European Parliament into a larger version of a national parliament. It would perform all the key roles of a typical continental legislature: proposing and passing law, taking budgetary decisions and choosing the executive (i.e. the Commission). The only context in which this makes sense is one in which the EU was a state with a federal structure. While most Labour MEPs are happy to admit this, Labour strategists continue to advocate the policies without coming clean about the consequence.

Some Proposals

Instead of transforming the European Parliament into a federal legislature, steps should be taken to clarify and delineate its powers. In particular, it should be prevented from competing for authority with national parliaments. The electorates of Europe see their national parliaments and governments as having a legitimacy which the European Parliament does not have — and so the only way to increase democratic accountability in the EU decision-making process is to increase substantially the role of national parliaments. They, rather than the European Parliament, should scrutinise and amend European legislation.

2.2 THE EUROPEAN COMMISSION

At present, the Commission is the driving force of the EU. It alone is allowed to propose policy and initiate legislation. However, despite their massive powers, the Commissioners are unelected and effectively unaccountable. It is as though the British Civil Service had a monopoly of the right to make law.

The Commissioners, of course, do not see themselves as civil servants. 18 out of the 20 Commissioners are politicians, and they see their job as being to hasten the unification of Europe. As long ago as 1970, the President of the Commission, Franco Malfatti, defined its role as being "at one and the same time the guardian of the Treaties and the motive force of integration".

Labour, despite all the noises it makes about increasing democracy in Europe, has no proposals to tackle this absence of democratic accountability. Indeed, rather than looking at how to control the power wielded by Europe's unelected officials, it actually wants to *increase* the Commission's power in certain areas.

"The tasks of the Commission should remain unchanged (initiative, execution and verification of the application of Union law), but it must have stronger means to carry them out. Stronger implementing powers could be given to the Commission on condition that scrutiny and control thereof are improved."*¹²

Some Proposals

The Commission is currently performing a role more suited to a democratic government than an unelected civil service. The result is a loss of accountability for the European Union. Reforms should include:

- the surrender of its right — *let alone its sole right* — to initiate Community legislation;
- recruitment of Commissioners from the civil services of the member states — it is hardly surprising that former ministers tend to see themselves as part of an embryonic government rather than a bureaucracy;
- a limit to the number of Commissioners so as to prevent a constant increase in the number of portfolios created;
- making Commissioners explicitly subject to cross-examination by committees of national parliaments.

* The reference to *Union* law (as opposed to *Community* law) is revealing: the Union covers areas such as defence, foreign affairs and immigration which are inter-governmental. The Commission is not meant to initiate, execute or verify policy in these areas. It is confined to those areas which come under the European Community, such as trade, agriculture and transport. Mr Blair says that he wants to maintain this distinction, although his claim sits ill alongside Labour's other policy commitments. See Chapters 5 and 6.

2.3 THE COUNCIL OF MINISTERS

Labour is committed to a progressive erosion of the national veto in the EU. It has called for a significant extension of Qualified Majority Voting (QMV) in the Council of Ministers, which will create further policy areas in which a member state can be forced to act against its will. Instead of allowing a member state the opportunity to veto or opt out of a new common policy, this means that decisions can be imposed on the minority by the majority.

Labour's commitment to more QMV has been reiterated by Mr Blair who wants to extend it:

*"...where it is in our interests to do so, in areas of social, environmental, industrial and regional policy."*¹³

This list of areas into which Labour wishes to extend QMV is far from exhaustive. Indeed, Labour's European election manifesto called for:

*"...majority voting in the Council to be the rule."*¹⁴

In addition to the renunciation of the British veto, Labour is also considering proposals to dilute minority blocking powers. Labour has floated the idea that the number of states needed to force through a proposal should be decreased:

*"The answer to this cannot be to raise the threshold for a qualified majority to a level still higher than the current 71% of the weighted votes. On the contrary, a better system of voting should make it possible to lower the threshold."*¹⁵

Until the end of 1992, the case for limiting the national veto was made on the grounds that individual countries might be tempted to resist the establishment of the Single Market. Majority voting was one way of overcoming the vested interests which stood in the way of economic liberalisation. Hence the introduction of majority voting in the Single European Act of 1986. Now, however, with most of the internal market in place, there is no case for extending QMV — especially into sensitive national areas.

Some Proposals

The policy areas subject to majority voting should, instead of being increased, be reduced. In particular, unanimity should be required for the imposition of any new regulations which restrict economic activity. The challenge facing Europe is no longer to open markets forcibly against the will of reluctant member states. Rather, it is to remain competitive in the wider world.

QMV is increasingly used as a way for countries with high costs to export those costs across the EU, thus depriving their partners of any competitive advantage. This is in no-one's long-term interest. Individual members should be allowed to avoid the regulatory burdens which other EU states may voluntarily wish to incur themselves. This will have the desirable effect of encouraging the less efficient states to deregulate, thus spreading competitiveness across Europe.

The gradual extension of majority voting to such areas as immigration and asylum is likely to cause public disquiet across the EU. Visas for non-EU nationals is a good example of an area where QMV has been extended unnecessarily and should be reversed.

2.4 THE EUROPEAN COURT OF JUSTICE

The European Treaties envisaged the European Court of Justice (ECJ) as an impartial referee, above the member states and the other institutions, having ultimate authority to interpret Community law. However, the ECJ has become increasingly politicised as the EU has developed.

Its members frequently make decisions on political grounds, ignoring the explicit text of the European Treaties. Numerous judgements since the 1960s have been manifestly legislative rather than judicial acts, in that they define what the law is to be *from that moment onwards*. Sir Patrick Neill QC, Warden of All Souls College, Oxford until 1995, has detailed the ECJ's judicial activism.¹⁶ In almost every case where the Court has exceeded the text of the European Treaties, it has done so with the aim of extending the jurisdiction of the EU and furthering European integration.¹⁷

Since the Court's judgements are final and binding (there is no appeal from them), its partisanship has become one of the most serious threats to democracy in Europe. *Quis custodiet ipsos custodes?*

Unlike the Conservative Party, Labour has shown no interest in tackling the abuses of the ECJ. Indeed, it would worsen the problem of politicisation by insisting that the appointment of judges:

*"...should require the assent of the European Parliament."*¹⁸

At a time when the overtly political nature of the Court is one of the worst problems in the EU, Labour would make its judges subject to the political prejudices of MEPs.

Some Proposals

Reform of the ECJ should be aimed at removing any inherent politicisation. This should include:

- publishing Court proceedings, so that the number of dissenting judges and their reasons for disagreement can be seen;
- requiring members of the ECJ to have experience as judges in their home countries (currently, only four of the 15 judges have held high judicial office in their own nations);
- ensuring that European law is no longer directly applicable to individuals and businesses within the EU — as it is currently deemed to be whether or not it has been incorporated by their national governments. The doctrine of *direct applicability* has enabled the ECJ to extend EU competence without the consent of the member governments. Its retention is irreconcilable with the idea of a non-federal Europe in which ultimate authority lies with national democratic bodies.

Tax and Spend in Europe

The EU has increased its budget exponentially in recent years. The budget has risen by 450 per cent since 1980, and now stands at over £55 billion. The British contribution amounts to £100 per year for every man, woman and child in the country. Much of this is lost in fraud and waste. The EU's own Court of Auditors uncovered £2 billion of fraud in 1994 and acknowledged that this sum was only a fraction of the total amount. The fastest-growing section of the budget is the money given to the poorer member states in the form of the Cohesion, Social and Structural Funds. Funding for projects is often influenced by the degree to which they might "raise awareness of the EU".

Labour boasted in its European election manifesto that:

*"...thanks to us the structural funds have been doubled."*¹⁹

It went on to stress the importance of these funds and its continued commitment to them.

Labour MEPs have consistently voted to increase the amount of money taken and spent by the EU:

- they supported the Delors II 1994 Budget which would have cost Britain £750 million;
- they supported Mr Delors' proposal to renegotiate Britain's budget rebate, won by Margaret Thatcher in 1984, which has saved our taxpayers £8.7 billion since 1991;
- they also voted for the establishment of an Economic Recovery Fund of no less than £77 billion. This would have cost British taxpayers at least £2.4 billion per year.

The establishment of the Economic Recovery Fund is a key Labour objective. Labour's latest paper on domestic economic policy is designed

to portray the party as responsible and market-oriented. The passage on Europe, however, strikes a jarring socialist note. It calls for:

*"...the creation of a European recovery fund that is unashamedly contra-cyclical, permanent and able to draw on the credit-worthiness of European institutions, able to invest not only in infrastructure but in employment projects in a recession."*²⁰

Labour's contention is that Europe can *create* jobs by pursuing more vigorously the tax-and-spend policies which led to the recession of the early 1990s in the first place. Thus it wants:

*"The establishment of a European Recovery Fund [and] a full commitment of European structural funds to assist industries facing structural change and re-skilling."*²¹

This theme has been repeated often by Mr Blair.

*"The agenda set by Jacques Delors on economic development must be pursued."*²²

*"We should ensure that every citizen and region of the European Union is able to share in prosperity. That is why we need a well-resourced and effective policy of structural funds for our regions, an active European Investment Bank and a much more active policy for developing Trans-European infrastructure networks."*²³

Labour claims, in domestic politics, to have outgrown its predilection for high taxation, high spending and high levels of borrowing. But in its European policy, it discards the pretence. It is unconcerned by the arrangement which leaves Britain, the eleventh richest state in the EU in terms of GDP per capita, as the second highest net contributor (Fig. 1). It has no proposals to remedy a system which penalises Britain uniquely and which creates the circumstances for extensive graft and corruption. Instead, it wants to *increase* the sums involved.

Some Proposals

The EU budget should be reduced. Its single biggest component is the Common Agricultural Policy, which together with structural payments

Fig. 1

The European Court of Auditors has published the following net contributions figures for 1993 (the latest available year):

Positive Net Contributors		Negative Net Contributors	
Germany	£9,210 million	Belgium	−£46 million
United Kingdom	£2,433 million	Luxembourg	−£148 million
Italy	£1,188 million	Denmark	−£293 million
Netherlands	£1,033 million	Ireland	−£1,847 million
France	£794 million	Portugal	−£1,953 million
		Spain	−£2,406 million
		Greece	−£3,220 million

totals 80 per cent of the budget. This should create the scope for very substantial cuts.

Labour ignores the fact that the method by which the contribution of member states is calculated heavily penalises nations like Britain which conduct most of their trade outside the EU. The income which the EU derives from import duties and agricultural levies also gives its institutions a vested interest in maintaining a protectionist trade policy. EU funding through "own resources" should be phased out, and the entire budget met by contributions from the member states in direct proportion to their Gross Domestic Product.

A Socialist Europe

At a time when the EU is slipping down the world's economic league tables, Labour is committed to a set of European policies which would further weaken the competitiveness of Britain's industries. The Social Chapter is part of a mass of European social regulation which Labour would impose on business. These costs will force the EU still further behind the dynamic economies of Asia and the Americas. Labour's solution is to retreat into protectionism.

4.1 FORTRESS EUROPE

*"Together we can face the economic challenge from both America and Asia, ensuring that the European model of social democracy and the welfare state survive [and] act as a counterweight to the increasing power of international finance and the global activities of transnational companies."*²⁴

Labour seems to be unaware of the vital importance of world-wide trade to the United Kingdom. More than any other member of the EU, Britain relies on global traffic and commerce. 56 per cent of Britain's total trade is outside the EU; 79 per cent of British investment is in non-EU countries — but because of the higher growth rates of these countries, this creates 88 per cent of the earnings derived from overseas investment.²⁵ Britain is the largest foreign investor in the United States, and has considerable interests in Asia and Latin America. In addition, the Commonwealth countries provide a natural market for Britain, bound together by the English language and by shared legal, commercial and accountancy practices.²⁶ Britain also attracts more inward investment than any other EU country, accounting for 40 per cent of all foreign investment in the EU.

Economic isolation or protectionism would be bad for the EU as a whole, but especially bad for Britain. This is a commercial, geographical and historical reality which no British government should ignore. However, Labour has never recognised the importance of free trade to the British economy.

*"The principle of free trade should not be used to undermine social standards in Europe. We must protect our economy from unfair trading and we must try to combat social and environmental dumping."*²⁷

Environmental standards and anti-dumping rules are the modern means by which the EU pursues traditional protectionism. The EU is prone to define "dumping" very loosely so that it can cover virtually any goods produced more competitively than they are within the EU. Anti-dumping measures are then left in place long after the price of the offending item has been raised.²⁸

Europe will not flourish by shielding itself from the wind of competition. Britain has a special interest in promoting world free trade. Labour believes in a heavily regulated and expensive socialist bloc which needs to be protected from more efficient parts of the world. This could not be further from the interests of the British people.

4.2 SOCIAL REGULATION

*"Labour will sign up to Europe's Social Chapter."*²⁹

*"The fundamental social rights included in the Social Charter should be incorporated in the Treaty [of Rome]; the UK derogation in social matters should be ended."*³⁰

Labour has aggressively promoted its belief that the Social Chapter should be imposed on Britain. But this is just one of many European social regulations which Labour would impose on businesses.

The Social Chapter was agreed by the other eleven member states at Maastricht. It implements the Social Charter which was negotiated in 1989 and covers areas such as remuneration, working conditions, collective bargaining, sex and age discrimination and worker consultation.

Implementation of its provisions is, as with other EU policies, the responsibility of the Commission and the Council. In five distinct areas

of policy — social security, dismissals, the representation of workers' and employers' interests, the employment rights of non-EU nationals and the financing of jobs schemes — unanimity in Council is required. In all other areas, the provisions of the Social Chapter are concluded on the basis of majority voting.

Labour thus wants to commit the United Kingdom to any interpretation of the Social Charter which a majority of the other states might care to make. Many EU members resent what they see as Britain's unfair competitive advantages, and are understandably keen to extend their own high cost structure to Britain. Labour would throw away all the advantages which have made Britain such a magnet for investment and which have created so many jobs.

But the Social Chapter and minimum wage are only two parts of Labour's total European social programme. Combining its belief in tax-and-spend with the now mandatory environmentalism of the Left, it also calls for:

*"...an extensive European investment programme to green European industry and put its people to work."*³¹

Labour does not make clear whether businesses or taxpayers would finance this. It does, however, believe that:

*"...some targeted forms of taxation which can improve the ecological and energy situation have a role to play."*³²

Labour even believes that unemployment in Europe can be solved by more regulation in the labour market, including the possibility of a four-day week.

*"We need also to create and maintain more jobs by reorganising work and safeguarding competitiveness with measures agreed between the social partners. These include a substantial cut in working time to ensure a better division of the available work. Several approaches are possible, including a working week of 35 hours or four days, leave for training and voluntary part-time work."*³³

Labour's European policy reveals how little it has learned since the 1970s: restrictive labour laws, higher spending, social regulation, limited working hours. As well as threatening the prosperity of Britain and the EU as a whole, it offers an insight into the mentality which still prevails in the Labour Party.

An EU Foreign Policy

For many in the EU, a common foreign and security policy has always been the most important political objective. Not only, it is argued, would such a policy make war between the member states impossible, but it would give Europe the strength with which to defend its interests against the Americans and the Asians.

The motivation behind building a common European defence is political rather than strategic. Thus, for example, the Euro-corps, which integrates troops from five EU countries under a common command, is being built up as an emblem of European unity despite the fact that its language problems and incompatible weapons systems render it militarily ineffective. It is believed to have a symbolic role as the forerunner of the EU army which will emerge from a common defence policy.

The Western European Union is the vehicle by which the EU intends to move to a common defence.³⁴ This will take place in three stages: first, the WEU will be fully absorbed into the EU institutional structure; second, all EU members, including those which are currently neutral, will be obliged to join it (perhaps in some cases being allowed to negotiate a special form of membership); then the WEU will develop a fully integrated military structure and thus become the EU's common defence force.

Labour has so far shown itself willing to go along with this process. Earlier this year, Mr Blair declared:

*"I have urged that the role of the WEU be reinforced as the defence component of the EU."*³⁵

The proposal to reinforce the WEU has nothing to do with Europe's security needs. The WEU has neither troops nor *matériel* of its own and must therefore "borrow" from its members, who are also NATO members. Only the United States is able to provide NATO with key strategic

components such as reconnaissance satellites, air- and sea-lift fleets, advanced military computers and missile defence. Building up the WEU under EU control is at best an expensive exercise in duplication, and at worst a deliberate attempt to undermine NATO so that, in fulfilment of de Gaulle's ambition, Europe can "stand up" to the United States.

Labour is well aware that a common foreign policy will mean the EU taking over international relations from its member states. It fully supports the idea.

*"Once a common foreign and security policy is in place, the question of a seat for the EU on the Security Council can be addressed."*³⁶

The acceptance of a common foreign policy clearly contradicts Mr Blair's protestation that he wants to keep foreign policy under the control of national governments. Further evidence of Labour's commitment to a foreign policy run from Brussels came in May 1995, when Labour MEPs voted for:

*"...a merger of the three pillars [of Maastricht] within a single institutional framework."*³⁷

At present, the foreign and home affairs pillars of Maastricht remain under the control of national ministers, who retain veto powers. Merging the pillars would place them under the control of the Commission and the jurisdiction of the European Court.

Some Proposals

EU foreign policy should remain intergovernmental. A common foreign policy under supranational institutions will tend to produce the policy of the lowest common denominator, the position which least offends. In Yugoslavia, the only policy capable of attracting unanimous support was one of doing essentially nothing. If the EU is to retain its dynamism in the world, its members should be free to act alone or in small groups.

Pragmatic security needs, not political dogma, should determine defence policy. NATO remains the best guarantor of Europe's security needs. The WEU should be decoupled from the EU and should remain purely under the control of its member governments.

Justice and Home Affairs

The third pillar of Maastricht covers the interior policies of the member states. Its remit extends to immigration and asylum policy, customs, border controls, civil and criminal law, international crime and policing.

At present, this pillar remains intergovernmental. Earlier this year, however, Labour MEPs voted to place it fully under EU authority when they called for "...a merger of the three pillars [of Maastricht] within a single institutional framework". Confirming the party's commitment to make these fields subject to EU jurisdiction, Labour has called for:

*"...the right of citizens to appeal to the Court of Justice in the area of the 'third pillar' (justice and home affairs)."*³⁸

Labour wants common EU policies to cover several aspects of asylum and immigration. It has argued for:

*"...common European agreements applying to all external borders and territory of the European Union."*³⁹

Moreover,

*"...illegal employment and illegal immigration will be fought at a Community level."*⁴⁰

*"Integration should be made simpler for foreigners who have lived in the EU for several years — including the right to vote at local elections, family reunifications and simplified naturalisation procedures."*⁴¹

Immigration is a sensitive area for many member states. Germany, which has accepted overwhelmingly the largest number of immigrants in Europe

since the war, is keen to promote a common immigration policy as a way of sharing the burden more widely. Citizens of other countries, however, may be deeply concerned by their loss of control of these policies.

The United Kingdom, being an island, has great advantages in terms of being able to combat smuggling, terrorism and illegal immigration. The loss of our border controls would throw these advantages away. A Europe with open borders would mean that, once in the EU, anyone could travel freely among its member states. Criminals or illegal immigrants who had successfully penetrated any part of the EU could come to Britain unhindered.

Several Labour politicians, including Pauline Green MEP, leader of the Socialist group in the European Parliament, and Neil Kinnock, the Transport Commissioner, have called publicly for Britain to give up its border controls in order to participate fully in this common European initiative. In addition, the British opt-out on border controls is incompatible with Labour's latest European policy statement which explicitly rejects:

*"...permanent opt-outs or 'variable geometry'".*⁴²

Some Proposals

Common policies on immigration and borders will create disquiet in many EU countries. But in Britain they would mean giving up the priceless advantage of being an island. It is senseless to surrender the natural advantage of having geographically secure boundaries simply for the sake of being seen to be good Europeans.

Economic and Monetary Union

Labour supports a single European currency in principle.

*"Labour supports progress towards economic and monetary union and believes that it could significantly improve the economic performance of the entire European community."*⁴³

*"Labour believes that further moves towards economic and monetary union through the creation of a single currency could produce significant benefits for Europe."*⁴⁴

Mr Blair has called monetary union:

*"...a step that is sensible and right to take."*⁴⁵

Labour says that 'real economic convergence' should precede monetary union, although it has never spelt out exactly what it means by this. Robin Cook, for example, has spoken at different times of employment rates, of growth, and of output. The closest that Labour has come to a policy statement on the conditions for EMU is the following:

*"We have long argued that the convergence criteria need to be applied flexibly, and that real economic convergence is of primary importance. Labour believes that the European Union must consider further steps to promote such convergence."*⁴⁶

Any amendment to the convergence criteria would require the unanimous approval of the other member states. Neither Mr Cook nor any of his colleagues has explained how a Labour government would achieve this.

Labour's commitment to a single currency is consistent with its belief in political union. If a European Central Bank were under the control of

a democratic European government to which citizens owed genuine allegiance, then a single currency might make sense. Europe would in effect be a large nation-state with a federal constitution, like the United States of America. Its Central Bank would play a role akin to that of the Federal Reserve.

Even in these circumstances, however, monetary union would be a costly and painful experience. The United States of America enjoys three specific advantages which a putative United States of Europe would not: first, a degree of economic affinity among its states to render a single monetary policy workable; secondly, automatic and substantial transfers of wealth from its richer to its poorer regions through federal taxation and welfare; thirdly, considerable labour mobility resting upon a common language.

Where these factors exist in large part already (such as among Germany, Austria and the Benelux states), monetary union may be possible. But any other country which joins a single currency will suffer to the extent that they are lacking.

Britain is set outside the European economic cycle by its trade and investment patterns. Moreover:

- it is the EU's only oil exporter. A change in the world oil price would affect it differently from the other members;
- it has, as a result of the reforms of the last seventeen years, a higher level of private ownership and a more flexible labour market than its European partners;
- it has a different demographic pattern from the rest of Europe with fewer citizens of retirement age and a quite exceptional level of private pension provision which will allow it to avoid the looming fiscal crisis faced by most EU states;
- it enjoys a unique level of home ownership, with most mortgages at non-fixed rates. An exceptionally large proportion of the population is therefore vulnerable to changes in interest rates.

The advantages to Britain of retaining an independent monetary policy can be seen by comparing its performance outside the ERM to that of the countries within the system. The ERM was established in 1979.

Britain pursued a wholly independent monetary policy until 1987. During this period, Britain grew consistently and significantly faster than the ERM average. Between 1979 and 1982, she reduced inflation faster than any ERM country; from 1982 until 1987 British inflation was solidly lower than the ERM average. Throughout this period, countries within the ERM suffered a greater increase in the volatility of their trade-weighted exchange rates than did Britain. In short, Britain outside the ERM possessed the advantages which membership was meant to bring in far greater measure than did the existing members. All of these advantages were lost when the Treasury abandoned domestic monetary targets as a prelude to ERM membership. Only since leaving the system has Britain again been able to prosper under a policy dictated by her own needs.

Other EU members are well aware that non-participation in a single currency would bring Britain substantial advantages. Some went so far as to support a French proposal for the establishment of an EU committee whose task would be to find ways of imposing extra costs on countries which remained outside monetary union, so as to offset their competitive advantage.⁴⁷

Labour is drawn to a single European currency for the most cynical of reasons. It knows that voters regard it as the party of economic mismanagement. If all the key economic decisions were taken in Frankfurt rather than at Westminster, Labour would remove a vote-losing issue from the political arena for good.

Some Proposals

The experience of the last three years should lead the EU to reject the Maastricht plan for monetary union. Economic convergence as spelt out in the Treaties would cause unemployment and dislocation, as well as heavy new taxes for transfer payments. A single currency should not come about except by natural evolution and with the full consent of all participating members.

Conclusion

In its current enthusiasm for all things European, Labour is willing to sacrifice vital British interests.

- Labour wants a centralised Europe, with no flexibility or national diversity among its members.
- Labour wants a socialist Europe, with increasing sums of money taken from British taxpayers to subsidise wasteful and often corrupt EU schemes.
- Labour wants to impose high European social costs on British businesses.
- Labour wants a fortress Europe, subsidised and cocooned from world competition.
- Labour would give up the British veto in key areas.
- Labour wants to hand large parts of defence, foreign and immigration policy to Brussels.
- Labour would create a politically united European superstate, with its own parliament, government and currency. Britain as a self-governing nation would cease to exist.

Labour strategists must be praying that its policies do not become widely known.

Note on the Party of European Socialists

Labour MEPs sit as part of the main Left-wing grouping in the European Parliament, the Party of European Socialists (PES). Labour is overwhelmingly the largest national contingent in the group, with 62 MEPs out of 221. The leader of the PES is a Labour MEP, Pauline Green.

The PES believes that trans-national parties at European level are an important brick in the edifice of a united Europe. To this end, it has taken steps to constitute itself as a single political party. Its candidates contest European elections on a common and binding manifesto. Labour is the dominant force in this group and has taken the lead in most of its policy initiatives.

Notes

1. See, for example, *Master Eurocrat — The Making of Jacques Delors*, by Russell Lewis, Bruges Group, 1994.
2. Article in *The Sunday Times*, 9 August, 1992.
3. Speech in Brussels, 11 January 1995.
4. Speech in Bonn, 30 May 1995.
5. *The Future of the European Union: Report on Labour's Position in Preparation for the Intergovernmental Conference 1996*, October 1995.
6. *The Future of the European Union*, *op.cit.*
7. *Manifesto for the Elections to the European Parliament of June 1994*, Labour Party, 1994.
8. E.g. *Report on the Constitution of the European Union*, Office of Official Publications of the European Communities, September 1993.
9. *Manifesto for the Elections to the European Parliament*, *op.cit.*
10. Turnout across Europe has now fallen to 54.5% despite compulsory voting in Belgium, Luxembourg and Greece, and incentivised voting in Italy.
11. *The House Magazine*, 24 April 1995.
12. *An Initial Approach to the 1996 Treaty Review Conference*, Party of European Socialists, March 1995.
13. Speech to the Friedrich-Ebert Stiftung, Bonn, 30 May 1995.
14. *Manifesto for the Elections to the European Parliament*, *op.cit.*
15. *An Initial Approach to the 1996 Treaty Review Conference*, *op.cit.*
16. Speech to the European Research Group at Brasenose College, Oxford, 16 September 1994. Later published as *The European Court*

- of Justice: a Case Study in Judicial Activism*, European Policy Forum, 1995.
17. *Netherlands v. High Authority*, 1960: "The power of the Court to rule directly on individual cases within the Member States is the *ultima ratio* enabling the Community interests, enshrined in the Treaties, to prevail over the inertia and resistance of the Member States."
 18. *An Initial Approach to the 1996 Treaty Review Conference*, *op.cit.*
 19. *Manifesto for the Elections to the European Parliament*, *op.cit.*
 20. *A New Economic Future for Britain*, The Labour Party, June 1995.
 21. *A People's Europe*, The Labour Party, August 1995.
 22. Speech in Brussels, 11 January 1995.
 23. Speech in Bonn, 30 May 1995.
 24. *Manifesto for the Elections to the European Parliament*, *op.cit.*
 25. Source: *Economic Trends 1994*, Central Statistical Office, 1995.
 26. 30 per cent of Britain's income from overseas investment comes from the Commonwealth and the UK is in the top five export markets for 30 out of 39 Commonwealth states. Growth rates in the East Asian Commonwealth countries average 8.5 per cent. *Economic Opportunities for Britain and the Commonwealth*, Katharine West, R.I.I.A., 1995.
 27. *Manifesto for the Elections to the European Parliament*, *op.cit.*
 28. See *The Resistible Appeal of a Fortress Europe* by Martin Wolf, CPS/AEI, 1994, and Brian Hindley in *Trade Policy Review 1995*, CPS, 1995.
 29. *A People's Europe*, *op.cit.*
 30. *An Initial Approach to the 1996 Treaty Review Conference*, *op.cit.*
 31. *An Initial Response to the 1996 Treaty Review Conference*, *op.cit.*
 32. *Manifesto for the Elections to the European Parliament*, *op.cit.*
 33. *Manifesto for the Elections to the European Parliament*, *op.cit.*
 34. For example, Wolfgang Schäuble, the CDU spokesman on Europe, said in Oxford on 2 November 1995: "It should be our goal to integrate the Western European Union into the European Union and thereby create a European army."

35. Speech in Bonn, 30 May 1995.
36. *Manifesto for the Elections to the European Parliament*, *op.cit.*
37. *Martin/Boulanges Report*, paragraph 1(i), European Parliament, May 1995.
38. *An Initial Response to the 1996 Treaty Review Conference*, *op.cit.*
39. *Manifesto for the Elections to the European Parliament*, *op.cit.*
40. *Manifesto for the Elections to the European Parliament*, *op.cit.*
41. *Manifesto for the Elections to the European Parliament*, *op.cit.*
42. *The Future of the European Union*, *op.cit.*
43. *Economic Renewal in the European Union: The UK Labour Party and the Delors White Paper on Growth, Competitiveness and Employment*, The Labour Party, 1994.
44. *The Future of the European Union*, *op.cit.*
45. Speech in Brussels, 11 January 1995.
46. *The Future of the European Union*, *op.cit.*
47. This proposal would, of course, be illegal under the terms of the Treaty of Rome.