

Full-Hearted Consent? Britain in Europe from Heath to Blair

Introduction

How can British relations with the EU since Britain joined the club in 1973 be explained? The previous chapter suggested the powerful legacy of post-war events. This chapter takes these analytical strands forward by exploring British relations with the EC/EU from the premiership of Edward Heath until that of Tony Blair. The chapter continues the Britain in Europe theme by exploring the preferences of British governments, the motivations for these preferences, the capacity to attain UK objectives and the ways in which preferences, motivation and capacity have changed over time. It will be shown how Britain engaged with important developments in European integration such as the Single European Act and the Maastricht Treaty. The chapter will link with the Europe in Britain themes by indicating the ways in which political changes in the UK (such as the development of Conservative Euroscepticism in the 1990s) had effects on Britain's relations with the EU and led to serious questions being asked about Britain's continued membership of the organization. The chapter will conclude with an overview of New Labour's EU policies and will ask whether they also indicate continued differential and conditional engagement with the EU and, as such, despite some of Blair's rhetorical commitment to Europe, are actually indicative of substantial continuities in Britain's EU policies.

1974–5: renegotiation and referendum

EC membership in 1973 was for Edward Heath his defining political accomplishment and the one of which he remained most proud. This counted for little when continued British economic decline and major

industrial disputes led to the fall of his government in February 1974 and his replacement as Prime Minister by Harold Wilson. As leader of the opposition Britain's membership of the EC posed something of a dilemma for Wilson. As Prime Minister he had sought EC membership in 1967, but in Britain's adversarial political system he could use EC membership as a device to criticize the Heath government. Moreover, there was deep opposition to the EC within the Labour Party and labour movement. Wilson's strategy was to oppose the terms of accession as negotiated by Heath and pledge a future Labour government to renegotiation and a referendum. This caused tensions within the Labour Party at the highest level (most notably, for the Deputy Leader and convinced pro-European, Roy Jenkins). Wilson's reasoning was that a shift to a broader public debate could avoid deep Labour Party divisions being exposed to the public with the result being, as James Callaghan put it, that the referendum was 'a life raft into which one day the whole Party [might] have to climb' (cited in Forster, 2002a: 303). Labour were involved in some opportunistic u-turns when one considers their 1967 attempt to secure membership, but the depth of opposition within the Party made a referendum an attractive proposition. Harold Wilson gave responsibility for co-ordinating Labour's opposition to the accession treaty in the House of Commons to the confirmed anti-EC duo of Michael Foot and Peter Shore. The contrast here with Conservative Party management is interesting. Heath had marginalized opponents of the EC and excluded them from the membership negotiations. Labour at this time had anti-marketeters in senior positions within the government and involved in discussions at the highest level about Britain's future in Europe.

After Labour returned to power in February 1974 renegotiation talks were led by the Foreign Secretary, James Callaghan. Callaghan has been described by his biographer as emphasizing from the start 'his coolness about the European project and his intention of dissecting it in its fundamentals'. When officials suggested that there might be some leeway on the budget and the CAP, Callaghan rebuked them, asking if they had read the Labour Party manifesto, and stated that if they had then they would discover that the Labour government's aim was a fundamental renegotiation of the Treaty of Accession (cited in Morgan, 1997: 412–13). This was hardly likely to go down well with the other member states. That the Eurosceptic Peter Shore and the pro-European Roy Hattersley then carried out the detailed discussions may have appeased Labour's pro- and anti-Common Market brigades, but it baffled other member states.

Why should other member states accede to British demands? There were many good reasons why they might find them irritating. After all, unravelling the complex EU *acquis* to favour the British might prompt other member states to seek some compensation too. For instance, if the British were to get some help with their budget contributions, then why not the West Germans who were also big contributors?

Britain gained little through the renegotiation that it could not have gained through normal Community channels. The degree of acrimony engendered by the bargaining soured Britain's relations with other members for many years. For what they were worth, the House of Commons endorsed the renegotiated terms by 396 votes to 170 in April 1975. Ominously for the Labour government, and despite pro-Community speeches from both Wilson and Callaghan, a special Labour conference on 26 April 1975 voted by 3.7 million to 1.9 million to leave the EC.

The pledge to hold a referendum helped Wilson overcome divisions within the Labour Party. Indeed, it seems likely that this was the referendum's major purpose. During the referendum campaign of 1975 Wilson suspended the convention of collective Cabinet responsibility so Cabinet ministers could speak according to their consciences. The 'Yes' campaign commanded powerful political assets despite opinion polls at the outset pointing to a 'No' vote. It had strong support from Fleet Street and from influential business interests, which provided a large part of the £1.5 million spent in the quest for an affirmative vote. It also gathered a powerful coalition of centrist politicians, including Heath, Labour's Roy Jenkins and the Liberal leader, Jeremy Thorpe. By comparison, the 'No' campaign raised just £133,000. It found itself outgunned and was weakened by its disparate character: Tony Benn from the left of the Labour Party formed a decidedly uneasy temporary alliance with right-wingers such as Enoch Powell. The outcome, on 5 June 1975, was a two to one vote in favour of continued membership on a 64 per cent turnout (Butler and Kitzinger, 1976; King, 1977). The anti-EC National Referendum Campaign soon fizzled out with the rapid disappearance of its 12 regional offices and 250 local branches (Forster, 2002a: 304).

1976–9: Callaghan's difficulties

In April 1976 James Callaghan succeeded Harold Wilson as Prime Minister and inherited a Labour Party divided over EC membership. Labour's rank and file distrusted the EC even though some prominent Labour politicians, such as Roy Jenkins and Shirley Williams, were keen

advocates of membership. There were two main areas of concern: first, it was felt that integration into a supranational community would restrict national sovereignty and the freedom of action of a Labour government; and second, the EC was seen as a 'capitalist club' with market-based purposes that offered little to working people. Arguments over EC membership were symptomatic of a creeping malaise within the Labour Party that saw the leadership frequently at odds with the membership and which culminated in a grassroots move to the left, with right-wingers splitting to form the Social Democratic Party (SDP) in January 1981.

In February 1975 the Conservatives replaced Edward Heath as leader with Margaret Thatcher. Thatcher had opposed the 1975 referendum, describing it, in a phrase that would come back to haunt her in her Euro-sceptical dotage (when she called for a referendum on the Maastricht Treaty), as a device for demagogues. She argued for a 'Yes' vote on the grounds that Britain needed to foster economic links with the European markets on its doorstep.

Callaghan's pragmatism and Atlanticism meant he held no truck with the lofty rhetoric of European union. He had a poor reputation in EC circles as a result of his dogged pursuit of national interests during the British renegotiation, and failed as premier to ease tensions caused by Britain's entry to the Community.

From March 1977 Callaghan relied on support from the Liberals to sustain his administration. This support was conditional upon the insertion of a clause introducing proportional representation as the method of voting in direct elections to the European Parliament. Such a clause was duly inserted into the European Assembly Elections Bill of 1977. However, it provoked a Cabinet revolt and, on a free vote in the House of Commons, was defeated. It also delayed direct elections, which, to the irritation of other member states, were put back from 1978 to 1979.

The British Presidency of the EC in the first six months of 1977 did little to enhance Britain's reputation. Callaghan was hamstrung by a Euro-sceptical party and by domestic economic problems. In a letter to the General Secretary of the Labour Party at the start of the British Presidency, he outlined three basic principles that informed the Labour government's stance on the EC:

- maintenance of the authority of EC nation states and national parliaments, with no increase in the powers of the European Parliament
- emphasis on the necessity for national governments to achieve their own economic, regional and industrial objectives
- reform of the budget procedure.

Contained within these policy principles is a clear restatement of Britain's suspicion of supranationalism and continued concern over the high level of budget contributions. Margaret Thatcher shared these concerns when she became Prime Minister in May 1979. Thus while she became well known for battling for a budget rebate and opposing extensions of supranational authority, Britain's reputation as an awkward partner both preceded and survived her.

British membership of the EC was advocated on pragmatic economic grounds. Many British people seemed to think that they were joining a Common Market – an economic organization that was little more than a glorified free trade area – although the political intent of the European Community had been clear since its foundation in the 1950s. The idea that the EC was essentially designed as a glorified free trade area was not true. Suffice to recall that Britain's alternative to the EC in the form of EFTA was just such an organization, but this largely failed. Yet the pragmatic acceptance of membership by Britain and the understanding propagated by some of the original purposes of the 'Common Market' mean that Britain has tended to judge the EC by utilitarian standards: what does it have to pay and what does it get out of it? Britain was paying a lot in the late 1970s and early 1980s and seemed to be getting little in return. Not surprisingly, enthusiasm for the EC did not run deep.

1979–84: the budget rebate

When Margaret Thatcher took office in 1979, the Conservatives were seen as a pro-European party. In her 1981 speech to the Conservative Party conference Thatcher reflected on British membership of the EC and noted that:

it is vital that we get it right. Forty-three out of every hundred pounds that we earn abroad comes from the Common Market. Over two million jobs depend on our trade with Europe, two million jobs which will be put at risk by Britain's withdrawal [Labour's policy at the time]. And even if we kept two thirds of our trade with the Common Market after we had flounced out – and that is pretty optimistic – there would be a million more to join the dole queues. (Harris, 1997: 147)

But Thatcher's pro-Europeanism was distinct from that of her predecessor, Heath. While Heath 'lived and breathed the air of Europe', Thatcher tended to depict European unity as desirable in terms of anti-Soviet policy

(H. Young, 1989: 184). From the mid-1980s onwards, Thatcher began to take a more populist line on Europe and viewed the EC, its institutions and other European leaders with much suspicion (see Chapter 9 for more discussion of Euroscepticism).

Europe was, however, not a central political theme of the first two Thatcher governments (1979–83 and 1983–7), which focused on domestic economic policy and external events such as the miners' strike, the Falklands War (1982–3) and the US bombing of Libya (1986). Probably the most pressing issue was the British contribution to the EC budget. By the end of the 1970s Britain was the second largest contributor to the budget and was in danger of becoming the largest, paying over £1 billion a year, even though it had the third-lowest GDP per capita of the nine member states.

A series of often acrimonious negotiations – ‘patient’ and ‘a little impatient diplomacy’ as Thatcher put it in her speech to the 1984 Conservative Party conference – were held between 1979 and 1984. The then Commission President, Roy Jenkins, writes in his memoirs of long hours spent discussing the BBQ: the British Budget Question (or, as he preferred to put it, the Bloody British Question). He notes how Thatcher made a bad start at the Strasbourg Summit in 1979 when she had a strong case but succeeded in alienating other leaders whose support she needed if a deal were to be struck. Britain's partners in the Community were unwilling to receive lectures on the issue from Thatcher and were alienated by suggestions that the budget mechanisms were tantamount to theft of British money, particularly as Britain had known the budgetary implications when it had joined (Jenkins, 1991: 495). The issue was finally resolved at the Fontainebleau summit in June 1984 when a rebate was agreed amounting to 66 per cent of the difference between Britain's value added tax (VAT) contributions to the budget and its receipts. The next chapter shows that the UK remains the second largest contributor to the EU budget, behind Germany.

The Fontainebleau agreement was important as it meant that EC leaders could lift their sights from interminable squabbles over the budget and begin to think strategically about the future of the Community. ‘More generally, the resolution of this dispute meant that the Community could now press ahead with the enlargement [to Portugal and Spain] and with the Single Market measures which I wanted to see’, as Thatcher put it (Thatcher, 1993: 545). The British government's preferences had been clearly stated in a paper, entitled ‘Europe: The Future’, circulated at the Fontainebleau summit (HM Government, 1984). The paper called for the attainment by 1990 of a single market within which goods, services, people

and capital could move freely. It very clearly reflected the deregulatory zeal that Thatcher brought to domestic politics. The legacy of these ideas about deregulation and liberalization have also been strongly felt in British government preferences towards European integration in the administrations that have come since Margaret Thatcher left office in 1990. Buller (2000) argues that the single market project was seen as a way of enshrining core Thatcherite principles at EC level. The fact that this Thatcherite vision of a liberalized, deregulated EC was not widely accepted by other member states can help explain the development of Conservative Euroscepticism in the late 1980s and through the 1990s.

There is another point here too. Thatcherism also changed the rules of the game of domestic economic and social policy and shifted ideas about the respective roles of the state and market. Even though they may not have been widely accepted at EU level they have had major effects on British domestic politics with implications that can be traced through to current dilemmas, such as New Labour's position on replacing the pound with the Euro.

1984–7: towards the single market

In Britain Thatcher had sought to 'roll back the frontiers of the state' and allow free enterprise and market forces to flourish. Thatcherism embodied what has been characterized as the amalgam of the free economy and the strong state (Gamble, 1988). For Thatcherites the EC was a stultifying bureaucracy that could do with a dose of Thatcherite free market vigour, whether it liked it or not.

In order to secure the single market promoted in the Fontainebleau paper Britain needed allies amongst its EC partners. There were potential allies at both the national and supranational level, as shown below:

- 1 The two key member states, France and West Germany, were amenable to single market reforms. The French Socialist government elected in 1981 had abandoned its reflationary economic policies in 1983 (under the then Finance Minister, Jacques Delors), and the Christian Democrat-led coalition of Chancellor Kohl in West Germany supported the creation of a single market
- 2 The new Commission President, Jacques Delors, took office in 1985 and seized upon the single market as his 'big idea' to restart integration and shake off the 'Eurosclerosis' of the 1970s and early 1980s.

The Commissioner responsible for the internal market, the former Conservative Cabinet minister, Lord Cockfield, assisted Delors in his ambitions.

A White Paper prepared by the Commission put forward 300 legislative proposals for the single market. These were later whittled down to 282. Heads of government at the Milan summit in June 1985 accepted the proposals. In the face of objections from the Danes, Greeks and British, an intergovernmental conference was convened to consider reform of the EC's decision-making process to accompany the single market plan.

Whilst Britain was hostile to strengthening Community institutions, France and West Germany asserted that attainment of the single market in fact necessitated increased powers for supranational institutions such as the European Parliament in order to ensure that decision-making efficiency and a measure of democratic accountability followed the transfer of authority to the supranational level. The British did not see it that way and thought the single market could be achieved without reform of the EC's institutions. In her memoirs, Thatcher recalled that, 'it would have been better if, as I had wanted originally, there had been no IGC [intergovernmental conference], no new treaty and just some limited practical arrangements'. The British government compromised on some issues such as increased use of qualified majority voting in order to secure more prized single market objectives. The resultant Single European Act (SEA) had three main features (the first of which was actively supported by the British government, while the latter two were not):

- 1 Establishment of a target date, the end of 1992, for completion of the internal market and attainment of the 'four freedoms': freedom of movement of people, goods, services and capital.
- 2 Strengthening of EC institutional structures, with qualified majority voting (QMV) introduced in the Council of Ministers to cover new policy areas relating to harmonization measures necessary to achieve the single market. Increased use of QMV ensured swifter decision-making. Unanimity was still required for fiscal policy, the free movement of persons and employees' rights legislation. The European Parliament's role was strengthened by introduction of the 'co-operation procedure', which gave power to suggest amendments to Community legislation. The Council retained the right to reject Parliament's amendments.
- 3 A new chapter of the Treaty was added covering 'Social and Economic Cohesion'.

The Thatcherite vision was of a limited ‘regulatory’ European state (as discussed in Chapter 3) within which the role of European institutions would be to police the single market without becoming involved in the core allocative and distributive questions that would remain largely the concern of national governments and market forces. The Commission’s White Paper put forward by the Commission identified three kinds of barriers to trade that needed to come down if the single market was to be attained:

- physical barriers (mainly customs and border controls)
- fiscal barriers (indirect taxes vary in the Community and constitute a barrier to trade)
- technical barriers; these were very significant because member states had developed their own product standards which differed widely and formed a substantial barrier to free trade.

The single market programme and ideas about what it should involve provided a backdrop for Conservative Euroscepticism. For Thatcherites, the single market was an end in itself that could raise to a European stage the liberalizing and deregulatory elements of the Thatcherite project. For many other member states, the SEA was a means to an end, that end being deeper economic and political integration with the EC taking a bigger role in flanking areas such as social and regional policy, while also moving towards far more ambitious projects such as economic and monetary union. This gap between many other member states and the Thatcher governments centred on the respective roles of the state and market. This gap grew in the 1990s because of the acceptance among Eurosceptics that European integration would bring with it Brussels-imposed re-regulation of the UK economy.

1987–90: Thatcher’s last hurrah

The final years of Margaret Thatcher’s premiership were characterized by an almost incessant battle against spillover effects generated by the SEA. For the French and Germans, who had been key single market allies, adoption of a plan to complete the single market was a new beginning for integration. They sought to consolidate the success of the SEA by promoting integration in other areas. Plans were hatched for EMU and for Community social policies to ensure minimum rights for workers in the wake of the freedoms given to capital by the SEA.

Thatcher firmly set herself against the integrative consequences of the SEA. This was particularly evident in her response to questioning in the House of Commons following the Berlin summit meeting of EU heads of government in October 1990. During her responses, she departed from the pre-arranged and carefully worded text to launch into an attack on the integrative ambitions of other EC member states and the docility in front of this threat (as she saw it) of the opposition Labour Party. A section of Thatcher's response is cited below:

Yes, the Commission wants to increase its powers. Yes, it is a non-elected body and I do not want the Commission to increase its powers at the expense of the House, so of course we differ. The President of the Commission, Mr. Delors, said at a press conference the other day that he wanted the European Parliament to be the democratic body of the Community, he wanted the Commission to be the Executive and he wanted the Council of Ministers to be the Senate. No. No. No.

Perhaps the Labour party would give all those things up easily. Perhaps it would agree to a single currency and abolition of the pound sterling. Perhaps, being totally incompetent in monetary matters, it would be only too delighted to hand over full responsibility to a central bank, as it did to the IMF. The fact is that the Labour party has no competence on money and no competence on the economy – so, yes, the right hon. Gentleman [referring to opposition leader Neil Kinnock] would be glad to hand it all over. What is the point of trying to get elected to Parliament only to hand over sterling and the powers of this House to Europe? (*Hansard*, Vol. 178, Col. 869, 30 October 1990)

This statement exposed divisions within the Conservative Party and was the breaking point for the Leader of the House of Commons (as well as the ex-Chancellor of the Exchequer and Foreign Secretary), Sir Geoffrey Howe. Moreover, as the Conservatives languished in the opinion polls in 1990 and the disastrous 'poll tax' prompted massive civil disobedience across the country, many Conservative MPs began to see Margaret Thatcher as an electoral liability (Watkins, 1991). The final straw for Howe was Thatcher's response to questioning after the Berlin summit. He resigned from the cabinet and used his resignation statement to bitterly criticize her leadership style. Howe's speech was the beginning of the end for Thatcher's premiership. Howe (1995: 667) stated that 'the Prime Minister's perceived attitude towards Europe is running increasingly serious risks for the future of our nation. It risks minimizing

our influence and maximizing once again our chances of being once again shut out.' Howe's statement prompted the long-standing opponent of Thatcherism, Michael Heseltine, to launch a leadership challenge, although he was deeply unpopular amongst many Conservative MPs who remained attached to Thatcherite ideas, even if the lady herself had left office. This allowed John Major to come through the middle as the candidate who would maintain the Thatcher legacy while bringing a more emollient style to government and international relations, or at least that was the thinking of many Conservative MPs. Major was perceived as the inheritor of the Thatcherite mantle, not least by Thatcher herself. Major had enjoyed a rapid ascent of the government hierarchy, including a remarkably brief stint as Foreign Secretary (July – October 1989), but his views on Europe were unclear. They remained so for much of his premiership.

1990–3: Major, the Exchange Rate Mechanism and Maastricht

Within the EC John Major adopted a more conciliatory tone than his predecessor and expressed the intention of placing Britain 'at the heart of Europe'. In particular there was an attempt to improve relations with Germany that had become frosty, not least because of a seminar organized by the Prime Minister at her country residence, Chequers, to 'analyse' the German character. In a summary of the meeting that was strongly disputed by many of the participants (see, for example, Urban, 1996), the following were identified in the minutes of the meeting as aspects of the German character: 'angst, aggressiveness, assertiveness, bullying, egotism, inferiority complex, sentimentality', accompanied by 'a capacity for excess' and 'a tendency to over-estimate their own strengths and capabilities' (Urban, 1996: 151). These conclusions, drafted by Thatcher's foreign policy adviser, Charles Powell, outraged many of those present who had actually focused during the meeting on the remarkable transformation and stability of the Federal Republic.

Much of the fear among Conservative Eurosceptics was based on the power of the German economy and reunified Germany's key role as the largest EU member state. This was the sub-text for development of the plan for EMU in the late 1980s. France, in particular, was a keen advocate of EMU because it was seen as securing Germany within the EU and thus, as Chancellor Kohl once put it, giving Germany a European roof rather than Europe a German one. The British Conservative government was deeply divided about the plan for EMU

and its forerunners, the European Monetary System (EMS) and the ERM. Thatcher was growing more sceptical about European integration and opposed EMU as a threat to national sovereignty, while her Foreign Secretary Howe and Chancellor Lawson supported ERM membership. At the June 1989 Madrid summit Thatcher was pressured by her Chancellor, Nigel Lawson, and her Foreign Secretary, Sir Geoffrey Howe, to set a date for ERM membership. She resisted, but was forced to set a series of conditions that were to be met if Britain was to sign up to ERM (although these were not met when the UK did join a year later).

Chancellor Lawson saw ERM as strongly related to domestic anti-inflationary policy. As he put it in his resignation statement to the House of Commons on 31 October 1989:

Full UK membership of the EMS ... would signally enhance the credibility of our anti-inflationary resolve in general and the role of exchange rate discipline in particular ... there is also a vital political dimension ... I have little doubt that we [Britain] will not be able to exert ... influence effectively and successfully provide ... leadership, as long as we remain outside. (cited in Balls, 2002)

Lawson and Howe both left their high offices for reasons linked to these divisions over Britain and Europe, but their successors (Major in the Treasury and Douglas Hurd in the Foreign Office) were equally strong advocates of British participation in the ERM. By June 1990 Thatcher was forced to concede because, as she put it in her memoirs, 'I had too few allies left to resist and win the day' (Thatcher, 1993: 772). ERM membership tied sterling to the Deutschmark at a rate of £1 to DM2.95 and required market interventions to maintain exchange rate parities at levels 6 per cent below or above this central rate. A crucial reason for membership was the attainment of domestic economic objectives and to add external credibility to anti-inflationary policies. The downside was that it was far from clear that these external commitments would tally with the domestic economic situation. There was little direct evidence to suggest that the ERM would necessarily bring stability. Moreover, the enormous economic consequences of German reunification and subsequent high German interest rates could well place unsustainable pressure on sterling's ERM parities. While German interest rates remained high then so too would British interest rates, even though the UK economy was struggling to emerge from recession and required lower interest rates. Stephens (1996: 259) argues that the main mistake was 'the elevation of exchange rate parity into

a badge of pride ... ensuring that when defeat came it was devastating'. As will be discussed in Chapters 7 and 9, the ERM fiasco was to shatter the reputation of the Conservative Party for economic competence and impel Tory Eurosceptic rebellion (see Chapter 9).

Major also faced the issue of the IGCs convened to discuss deeper economic and political integration. Despite Major's softer style there were within the British government's negotiating position at Maastricht in December 1991 a number of continuities linking Thatcher and Major:

- 1 An opt-out from the Social Chapter. The Secretary of State for Employment, Michael Howard, had said that he would resign if the Social Chapter were accepted (Lamont, 1997: 133).
- 2 The right for the British Parliament to decide whether Britain would enter the third stage of the plan for EMU when a single currency would be introduced.
- 3 Promotion of the notion of subsidiarity which, in the eyes of the Conservative government, was a way of reinforcing national perspectives on Community decision-making.
- 4 Advocacy of intergovernmental co-operation rather than supranational integration as the basis of cohesion in foreign, defence and interior policy. Intergovernmental 'pillars' were incorporated into the Maastricht Treaty.

Unconstrained by high office, Thatcher remarked that she would never have signed the Maastricht Treaty. However, the treaty Major negotiated and signed could be seen as reflecting inherited policy preferences. In addition, Major also reaped the integrative whirlwind which Thatcher had helped initiate when she signed the SEA in 1986.

Major's deal at Maastricht temporarily assuaged Tory divisions over Europe and helped lay the foundations for his April 1992 general election victory. A conspicuous feature of the election campaign was lack of debate about Britain's place in the EU. Both Conservative and Labour Party managers knew their parties to be divided on the issue, and tacitly conspired to keep silent about it. Eurosceptics were thus not entirely unjustified in later complaining that the British people had not in fact endorsed Maastricht at the 1992 general election, and that they should therefore be allowed a referendum on the issue.

Safely returned to government, Conservative divisions over Europe could no longer be hidden and were to be exposed by a series of calamities in the summer and autumn of 1992 (analysed more fully in Chapter 9). An important point in relation to the Europe in Britain theme is that the

Major government was hamstrung by domestic divisions and unable to formulate either a clear or effective policy towards European integration. Major had to straddle the pro- and anti-EU wings of his Party and was unable to provide strong leadership. Thus while there were clear continuities in British preferences (intergovernmentalism and free trade with a Thatcherite twist) the capacity to achieve these preferences was chronically undermined by domestic political turmoil within the Conservative Party. Other member states became rather like rubberneckers observing a car accident: they would slow down and swerve to avoid the wreckage, but would continue with their own journey towards ambitious forms of economic and political integration. The Britain in Europe and Europe in Britain themes were connected by a rudderless government pre-occupied with domestic divisions, a series of setpiece confrontations (such as the Ioannina compromise) at which Major would draw a 'line in the sand' only to see it swiftly washed away, and Britain weakened in Europe because not only did it fail to articulate a clear line, but also because fundamental questions about British membership were being asked.

Chapter 9 discusses more fully the ways in which a determined band of Eurosceptics frequently defied the government by calling for a referendum on Maastricht and trying to block the passage of the Maastricht Bill through the House of Commons. Major was forced into a complex balancing act because he also had pro-European cabinet ministers such as Kenneth Clarke and Michael Heseltine in prominent government roles. The Eurosceptics' rebellion culminated in July 1993 when they contributed to a government defeat on a Labour amendment incorporating the Social Chapter into the Maastricht Treaty. This was a mischievous move by the Tory Euro-rebels who hated the Social Chapter, but loathed the Maastricht Treaty even more. Major's response was to 'go nuclear' and turn the issue of Maastricht into one of confidence in the government. In the face of near-certain defeat in a general election and the return of a pro-European Labour government, most of the Tory rebels returned to the party fold. This did little to ease divisions within the Conservative Party, which reached into the cabinet. For a participant's insight into the in-fighting, loathing, bitterness and acrimony that descended on the Conservative Party, see Gardiner (1999).

During the 1997 general election campaign, the deep divisions within the Conservative Party became all too evident. Even government ministers distanced themselves from the Party's policy to 'negotiate and decide' (more commonly known as 'wait and see') on EMU. Major felt powerless to dismiss the dissenting ministers because of the effects he feared such action would have on an already damaged Party (Geddes, 1997). In 1992,

after Major had left the Maastricht negotiating chamber, one of his advisers unwisely claimed 'game, set and match' for Britain. With hindsight, this appears a rather rash judgement. Instead, the Maastricht deal lit the blue touch paper beneath the Conservative Party, which ignited to cause civil war within the Party and played an important part in Labour's landslide victories of 1997 and 2001.

'Modernization' under New Labour

Philip Stephens (2001: 67) has argued that while Tony Blair – 'the most instinctively pro-European Prime Minister since Edward Heath' – has been able to make Britain's case in Europe he has been unable to make the case for Europe in Britain. This remains a core dilemma for New Labour which is best represented by equivocation on the Euro.

In a speech delivered (in French) to the French National Assembly in October 1998, Blair noted that his first ever vote had been cast in favour of Britain's EC membership in the June 1975 referendum (although in 1983 he stood as a candidate for a Party committed to withdrawal). In government after 1997 Blair could expect far fewer EU-related problems than his predecessor because of his crushing parliamentary majority. To this advantage can be added the conversion to the merits of European integration experienced by many within the Labour Party and labour movement since 1983. Yet controversial and potentially divisive issues still linger, particularly on the question of the Euro. Moreover, a key victory for Eurosceptic campaigning was to ensure that the debate on the Euro would not just be for MPs, but that any decision to join would depend on a referendum. This takes a key EU issue beyond the realm of the House of Commons and the grasp of the party managers and places it in the public arena with all the associated uncertainties that this can bring.

The key point with regards to Labour's position on the EU is the transition from outright advocacy of withdrawal in 1983 to its current, more pro-EU position. Labour fought the 1983 election on the basis of a manifesto that developed an Alternative Economic Strategy for the UK that would involve large scale state intervention and controls over the economy. These were incompatible with continued EC membership. By the end of the 1980s, it was possible to argue that Labour was the more pro-European of the two main parties. Two factors explain the shift, one ideological and the other strategic. In ideological terms Labour underwent a dramatic shift in its EU policy after the catastrophic 1983 defeat.

The new party leader, Neil Kinnock, had been a staunch and eloquent left-wing opponent of the EC throughout the 1970s. He was now to begin a personal and political odyssey that would see him advocate the 'modernization' of the Labour Party, endorse positive engagement with the EC, and conclude with him moving to Brussels to become a European Commissioner. Almost as soon as Kinnock became party leader the commitment to outright withdrawal was watered down to a commitment to withdraw if satisfactory renegotiated terms could not be secured.

By the 1989 European Parliament elections, Labour was advocating active engagement with the EC at a time when the Conservative Euroscepticism was beginning to emerge in the late 1980s. The intellectual ballast for this pro-European ideology was provided by examples taken from other EU member states (particularly West Germany), whose economies and social welfare systems had performed better than the UK and who offered the prospect of a more consensual form of capitalism with a stronger emphasis on welfare and social protection. Labour's modernization in its early stages was thus linked to mainstream aspects of European social democracy. This domestic ideological shift was reinforced by supranational developments that saw the EC develop its 'social dimension'. No longer could the EC be passed off as a capitalist club that offered little to working people. Indeed, Thatcher's strong opposition to the social dimension sustained the left-wing view that perhaps Europe really could offer new opportunities for progressive politics (at least on the basis that my enemy's enemy is my friend). This was particularly so for the beleaguered trade unions that Thatcher labelled as the enemy within and that experienced a legislative onslaught through new employment legislation. European integration's opportunities for trade unions was a point made by the Commission President, Jacques Delors, in a 1988 speech to the TUC annual conference, much to Thatcher's annoyance as she was not happy to see the Commission President being so supportive of her opponents (Rosamond, 1998).

The second reason for Labour's shift to a more pro-European stance is linked to the strategic concerns of an opposition party facing a government that was becoming, as the 1980s progressed, more vocal in its opposition to European integration. The case for European integration had been a powerful feature of the political centre ground in British politics with a broad measure of agreement between centrist elements in all three main parties that Britain's place was within the EC. As the Conservatives appeared to abandon this centre ground then Labour could occupy it (facilitated by the ideological shifts outlined above) and portray themselves as a reinvented, moderate and mainstream party that

had ditched the extremist policies which had been damaging in 1983. To be European was to be modern and to be modern was to be European.

This reorientation would suggest that the New Labour government elected in 1997 and re-elected in 2001 with overwhelming majorities would be more positive in its European policies. There were early signs that it might be. Tony Blair announced a new era of constructive engagement, while *The Observer* newspaper felt moved to herald the New Labour approach to foreign policy with the headline 'Goodbye Xenophobia'. The Labour government announced that it would sign up to the Social Chapter while the negotiation of the Amsterdam Treaty in June 1997 indicated both a new and more open British government approach (certainly when compared to the disastrous final years of the Major administration). This was marked by acceptance of both legislative and institutional changes such as the addition of a new employment chapter to the Treaty, the inclusion of a new Article 13 within the Treaty that greatly extended the anti-discrimination measures, as well as agreement to increase the use of QMV and bolster the role of the European Parliament. On a personal level, Blair seemed much more comfortable with other European leaders than his two Conservative predecessors.

It is, however, also possible to detect some continuity in New Labour's EU policy. For instance, the Amsterdam negotiations saw the UK government maintain a consistent line with that pursued by its predecessors on border controls, CAP reform and the role of NATO (Hughes and Smith, 1998; Fella, 2002). New Labour also hedged its bets on the Euro. Furthermore, as New Labour's enthusiasm for the German model of social capitalism faded then that of Blair and Gordon Brown at the Treasury seemed to grow for US-style market liberalization. Divisions became apparent between Blair's 'third way' and European social democracy (Clift, 2000; Gamble and Kelly, 2000).

Elements of continuity are also apparent. The first is the preference for intergovernmentalism and the maintenance of links with the USA. New Labour expounds a vision of Europe that enshrines the central role of the nation state as the key building block of international politics. The fact that New Labour sees the EU as a union of sovereign states is consistent with the attitudes of previous British governments. This combines with a continued emphasis on transatlantic ties and the UK's self-positioning as the USA's closest ally in Europe. These Atlantic ties came under close scrutiny during and after the war in Iraq when a serious division emerged between Britain and France. The status of the USA as the world's only superpower, combined with the neo-conservative foreign policies of the Bush administration and fears of US

unilateralism, led to real tensions in the US–European alliance (Kagan, 2002). In a speech to the Foreign Office conference of British Ambassadors on 7 January 2003, Blair (2003) stated what the principles of British foreign policy should be:

First, we should remain the closest ally of the US, and as allies influence them to continue broadening their agenda. We are the ally of the US not because they are powerful, but because we share their values. I am not surprised by anti-Americanism; but it is a foolish indulgence. For all their faults and all nations have them, the US are a force for good; they have liberal and democratic traditions of which any nation can be proud ... it is massively in our self-interest to remain close allies. Bluntly there are not many countries who wouldn't wish for the same relationship as we have with the US and that includes most of the ones most critical of it in public.

Blair then added that:

Britain must be at the centre of Europe. By 2004, the EU will consist of 25 nations. In time others including Turkey will join. It will be the largest market in the world. It will be the most integrated political union between nations. It will only grow in power. To separate ourselves from it would be madness. If we are in, we should be in whole-heartedly. That must include, provided the economic conditions are right, membership of the single currency. For 50 years we have hesitated over Europe. It has never profited us. And there is no greater error in international politics than to believe that strong in Europe means weaker with the US. The roles reinforce each other. What is more there can be no international consensus unless Europe and the US stand together. Whenever they are divided, the forces of progress, the values of liberty and democracy, the requirements of security and peace, suffer. We can indeed help to be a bridge between the US and Europe and such understanding is always needed. Europe should partner the US not be its rival.

This intention to be a bridge illustrates the ways in which British politics remains between Europe and the USA (Gamble, 2003). The gap between Europe and the USA became more difficult to bridge in the run-up to, and aftermath of, the invasion of Iraq when major divisions emerged between the UK and the French and German governments. Tony Blair showed himself to be at least, if not more, pro-US than any

of his post-war predecessors in Number 10 Downing Street, and this indicates strong transatlantic continuities in British foreign policy.

The second element of New Labour's approach to the EU is linked to the UK's socio-economic model and those in other EU member states (as well as the nascent EU approach). New Labour can be understood as 'open regionalists' (Baker, Gamble and Ludlam, 2002) in the sense that the majority of Labour MPs believe that economic and social objectives can best be attained within the framework of the EU and within a competitive and fair European economy. This reflects a re-evaluation of Party commitments undertaken when Kinnock and John Smith were the Party leaders. But there is another, 'third way' element of open regionalism as 'part of the means by which the party claims to be navigating between the polar opposites of old-style social democratic collectivism and neo-liberalism' with key importance attached to market liberalization as the basis for British full-hearted participation (Heffernan, 2002). Europe needs to become a little more British if Britain is to become fully engaged with it. Thatcher believed that the EC required a healthy dose of Thatcherism, whether it liked it or not. The fact that other member states balked at this prescription then became a basis for Conservative hostility to European integration. New Labour now argue that participation in deeper integration depends on other member states 'modernizing' their economies and social welfare systems. Without these changes then the chances of New Labour endorsing membership of the Euro recede. New Labour are leading advocates of a European economic reform agenda that seeks more flexible and dynamic labour markets (HM Treasury 2001). Moreover, the adoption of economic reforms that mirror those that have been introduced in the UK has become a core component of the Treasury's evaluation of whether adoption of the Euro would be in Britain's interests. New Labour's commitment to Europe is conditional in the sense that it requires adaptation by other EU member states, although (as was the case with Thatcher) it is not necessarily clear why British strictures will be accepted by other member states.

British pragmatism in Europe

This chapter has examined the preferences and motivation of British governments, their capacity to attain these objectives and the reasons for the shifts in these preferences that have occurred over time. The chapter has sought to develop the 'Britain in Europe' theme through examination of Britain's relations with developing structures of EU governance while

also broaching the issue of 'Europe in Britain' and the ways in which European integration has been absorbed as part of the organizational and ideological logic of British politics (a theme which will be developed more fully in later chapters). It has been shown that there are strong elements of continuity marked by continued preference for intergovernmental co-operation, the view that the nation state should remain the central unit within the EU and that the Atlantic partnership should remain a core element of the UK's international identity.

There have also been important shifts too. The Conservatives went from being a pro-European integration party, albeit based on a pragmatic acceptance of the EC as good for business to a hostility towards European integration that was strongly based on the Thatcherite legacy. Labour also fundamentally re-evaluated its stance on European integration and moved from advocacy of outright withdrawal in the early 1980s to a pro-integration stance by the early 1990s. Yet even this apparent shift from Conservative hostility to Labour pro-Europeanism contains some elements of continuity. Thatcherite Euroscepticism was informed at least in part by dismay that other EC member states were unprepared to accept Thatcherite strictures and that, for these other member states, the single market was a means to an end (that end being deeper economic and political integration) rather than an end in itself (i.e., Thatcherite deregulation and liberalization). New Labour too – following a brief flirtation with European social democracy – have defined their relationship to core EU economic objectives around the attainment by the EU of certain economic reform prerequisites. If these are satisfied then New Labour is prepared to engage with important developments such as EMU. New Labour, then, has maintained a long-standing British preference for conditional engagement with the EU.