
Britain and Europe: The Argument Continues

BY DAVID BAKER

BRITAIN'S relationship with the European Union has been one of the most divisive issues of domestic British politics over the last 50 years. That pattern looks likely to continue into the foreseeable future, given that federalism has become a political swear-word in certain influential circles in Britain while, in effect the European Union has been working with a federalised system of law since the early 1980s.¹ Treaties like the Maastricht Treaty on European Union have become quasi-constitutional in nature, and subject, therefore, to negotiated revision through intergovernmental conferences. The Maastricht Treaty committed member states to the Single Currency, managed by a Central European Bank, with strict oversight of common national economic policies. According to William Wallace, what has now emerged 'remains less than a federation but something more than an institutional governing regime'.² However defined, it now represents a complex picture of supranational policy and law-making, running in parallel to a series of largely autonomous and more populist domestic political arenas based upon national parliaments which have little regular or formal contact with each other except through the institution of the EU. Much of this sharing of sovereignty has been incremental and has occurred without the European political classes admitting to their electorates the extent to which it involved the loss of national autonomy.³ Europe was sold by party elites as largely a technical process of public administration, leaving political decision-making and democratic representation focussed on national governments.⁴ In Britain, this luxury of being able to insulate the impact of European 'high politics' from domestic 'low politics' is no longer possible. This is arguably the most problematic dimension of the emerging 'post-sovereign EU state'. The new European order undermines the normal process of political accountability despite the gradually democratising of the European Parliament. A leading paradox is that while governance becomes multi-level, and multi-dimensional, the elements of democratic representation, party loyalty and core political identity remain deeply rooted in the traditional institutions of the nation state. This is particularly true for Britain, where parliamentary sovereignty remains the only fully legitimate source of sovereignty to important sections of the political class and citizens alike.

The Maastricht Treaty, with its in built momentum towards economic and monetary union, was once seen in Britain as the 'high-water

mark' of European integration, but today the stakes are even higher, with pressures building up for further moves towards common employment, budgetary, taxation and defence policies. Such developments have been tracked by a growing level of populist Euroscepticism, ensuring that Europe remains near the top of the list of issues of contemporary British political angst. The 1999 Amsterdam Treaty further strengthened the powers of the Presidency, Commission and European Parliament in relation to national parliaments, establishing a deadline for the abolition of border controls and opening the way for common European foreign and defence policies. EU competencies are set to grow still further after the December 2000 Nice summit. As a result, the division of domestic public expenditure (social security, health care, transport and public housing) represents one of the last bastions of macro-economic policy-making left to British governments, as Brussels sets much of the agenda for UK domestic policy-making and is now a major focus of attention for senior British civil servants and private lobbying organisations. The implications of allowing these linkages to deepen are far-reaching for British politics—threatening the very nature of the British party system and the associated party elites. In recent years, this realisation has divided the Conservatives deeply, as their preference for a globalist, deregulatory and supply-side national economic policy and their associated commitment to British nationalism as the guardian of that neo-liberal policy preference, has brought them increasingly into confrontation with the inbuilt 'social market' bias of the EU's macro-economic system. In this scenario, both the sovereign market and its political guardian, British parliamentary sovereignty, both so often under Conservative stewardship over the past 150 years, are rightly seen as threatened by further deepening of EU.

The sovereignty issue

It is the issue of sovereignty, at once the most maligned and contentious aspect of this process, which brings us to the heart of the debate in Britain. There is a strong belief across the political spectrum that parliamentary sovereignty is a symbol of 'liberty' and 'Britishness'. Yet it is an outdated notion, with the core executive securing most of the de facto sovereignty by the end of the nineteenth century. Significantly British 'sovereignty' is sometimes used interchangeably with British 'independence'. Although both terms are largely symbolic today, the durability of belief in them is extraordinary by modern European standards. As John Peterson has demonstrated, it is an emotive concept with many meanings, including power, authority, influence, independence and individualism, along with a sense of national self-determination.⁵ The pooling of national sovereignty necessary to sustain the EU is thus often viewed a zero sum game—with each gain by the EU representing an absolute loss for Britain.

For the mass of the population, and the various mainly conservative

elites an essentially political one—should Britain sacrifice further economic sovereignty for wealth creation and in so doing lose yet more vital political sovereignty and with it the fundamental core of Britishness.

Public opinion and Europe

According to the Eurobarometer polls, majority British public opinion has generally varied from lukewarm to positively hostile over the last decade, holding at around 10% below the European average on the balance between those who see membership as a 'good' rather than a 'bad' thing. While most of the British elite have been generally more favourable to the European project than the wider population, if the issue is linked to wider questions of deepening integration and the development of a 'federal super-state' they are also sceptical. The widely held suspicion of the EU has been further stimulated by the bulk of the press and a plethora of anti-European groups which have sprung up over the past decade. The popular press (in particular the overwhelming majority of papers under Rupert Murdoch's ownership) has hounded the Blair government over the issue of keeping the pound, and constantly attacked Europe as a bureaucratic, high-tax, irredeemably undemocratic and centralising institution, adding in an anti-Franco-German subtext in many cases. Quality broadsheets including the *Financial Times*, *Guardian*, and *Observer*, offer a more balanced and pro-European line, as does the *Mirror*. But their combined readership is, dwarfed by that of the Eurosceptic press.

A clear sign of the changing climate of opinion in Britain can also be seen from the anti-European groups and single-issue parties that have emerged recently. Some are pro-European but anti-euro, including Save the Pound and Business for Sterling, the latter headed by ex-Labour, now cross-bench, peer and businessman Richard Marsh, backed with City expertise and money; New Europe, chaired by Lord Owen, former Labour Foreign Secretary and SDP leader, a group supported by former Labour Chancellor of the Exchequer, Lord Healey, and Lord Prior, a prominent 'wet' Thatcher Cabinet minister. Others are anti-euro and against any further loss of sovereignty to the EU. These include the Institute of Directors, the European Research Group (chaired by Sir Michael Spicer); the European Foundation (run by Conservative MP, Bill Cash) and the Bruges Group, the main organisation behind Lady Thatcher's famous speech condemning federalism, of which former Chancellor, Lord Lamont, is a supporter. Finally, there are the outright pro-withdrawal groups such as Global Britain, run by Lord Pearson of Rannoch; the Democracy Movement run by the Yorkshire IT millionaire Paul Sykes; and the UK Independence Party, which won three seats in the last Euro-elections.

Against them are ranged a number of much less bullish pro-European groups, which gather under the umbrella of Britain in Europe, whose

chairman, Lord Marshall, was formerly chairman of British Airways. Its board and council encompass many members of the establishment, including Lord Jenkins of Hillhead, Lord Howe, Michael Heseltine and Peter Mandelson. Affiliated groups include the European Movement; the Centre for European Reform (a centre-left think-tank); the Action Centre for Europe (a centre-right think-tank chaired by Lord Howe); the Labour Movement for Europe; the Conservative Group for Europe (chairman. John Gummer); and the Tory Reform Group (president, Kenneth Clarke). Not affiliated, but sympathetic groups include the Confederation of British Industry and the British Chamber of Commerce. Finally, the creation of a (highly unsuccessful) 'pro-European Conservative Party' for the 1999 European elections, underlined the continuing fault-lines on the centre-right of the political spectrum over EU. These groups have, with one or two exceptions, lacked the strong backing of the print media that the anti-Europeans have enjoyed. The government has also been noticeably reticent in backing them in their attempts to reverse the tide of Eurosceptic publicity, in part no doubt because it fears being accused of firing the starting pistol for a referendum on the euro.

The 1999 elections to the European parliament also signalled a change in attitudes towards Europe. As in all other EU countries, they are traditionally fought on domestic political issues and represent second-order elections in which the popularity of the governing party or coalition is tested. As such, incumbent governments tend to lose seats at European elections while opposition parties gain. The 1999 election proved particularly bad for the Labour government, receiving only 28% of the vote, with 36% for the Conservatives. This is partly explained by the exceptionally low turnout of 23% (36% in 1994) and the introduction of proportional representation that allowed Labour voters to switch to smaller parties like the Greens who took 6% of the vote. But an extra feature arose in 1999, the emergence of a bloc of anti-European voters who treated the election as a referendum on continued membership of the EU. Hague had deliberately pitched the Tory campaign to encourage this with his strongly Eurosceptic manifesto and broadcasts. The Conservatives also used the new party-list electoral system to rank pro-European candidates low on the list of preferences, leading sitting MEPs Brendan Donolley and John Stevens to found the 'Pro-European Conservative Party'. This failed to prevent their demise, a result which further emboldened the Eurosceptics of all hues and greatly disheartened the pro-Europeans.

The Conservatives and Europe

Since 1990, several factors have allowed the issue Europe to spill over into the domestic political debate. The ending of the tacit agreement between the leaderships of the two governing parties to keep Europe largely off the electoral agenda has been a significant cause of the recent

debate on Europe. But, arguably, the most important factor has been the increasing ideological division of the Conservative Party—dating back to Mrs Thatcher's Bruges speech of 1988 and the neo-liberal right's bitterness engendered by her replacement as Prime Minister by the less Eurosceptical John Major in 1991. For many leading neo-liberal Conservatives, with the terms of the domestic debate redefined as a last-ditch stand for British nationhood and its associated parliamentary sovereignty against galloping statist Euro-federalism, no amount of clever party management could paper over the cracks between those who believe this to be a fatal 'stab in the back' for British parliamentary democracy and their Europhile colleagues who and see further integration as a chance to merge the best of British and continental political, economic and legal practices. John Major's troubles over the passing of the Maastricht Bill through the Commons have been well-documented. It certainly marked a Rubicon because it became an article of faith to the neo-liberal right of the party that Europe was now on the brink of becoming a federalist super-state. Any British government which signed up for the whole post-Maastricht package (single currency, central bank, common foreign and defence policy, Social Chapter, enhanced powers for the Parliament, etc.) was ending any realistic prospect of pursuing an aggressively market-driven 'open seas' policy or resisting further political integration necessary to close the 'democratic deficit'. And in a Europe led by powerful Christian and Social Democratic parties, where much of the social welfare consensus remains intact alongside a belief in mildly regulated capitalism and regionalist protectionism, this is a bleak prospect for the neo-liberal and nationalist majority in the Conservative Party of today. The party has since faced a very difficult task in rebuilding itself, confronting as it does a confident New Labour government with an overwhelming parliamentary majority, which had adopted many of the elements of the market-orientated neo-liberal agenda, while marrying them to a social-market welfare consensus in a self-styled 'Third Way' ideology. As a result, the Conservatives now lack clear ways of differentiating themselves from New Labour electorally except on the issue of Europe, a fact not lost on the new Conservative leader William Hague and his party managers. Backed by an increasingly anti-European rank and file, he moved quickly to adopt an overtly anti-European stance, ruling out membership of the single currency for at least two parliamentary terms and arguing that Britain should be: 'In Europe, but not run by Europe'. Whatever the merits of their case, the Conservative Party Eurosceptics have certainly succeeded in getting the issue of Europe onto the national political agenda in a way not seen since the referendum in 1975.

Yet, the Conservatives are divided over policy and tactics, and remain languishing in the political doldrums. The party's shift to the right on Europe was graphically underlined during the foreign affairs debate at

the party conference in 2000, when Hague warmly shook the hand of the Danish politician Claus Bunk Pedersen, a leading 'No' campaigner in the Danish referendum. A former chairman of the European Young Conservatives with links to the post-fascist Italian Alleanza Nazionale, he received a standing ovation. This has left the 'big beasts' of the party – Clarke, Heseltine, Brittan and Patten – isolated and angry over Europe. At the same conference, speaking at a dinner organised by the 'One Nation' Tory Reform Group, Michael Heseltine launched a ferocious attack on Hague. He suggested that the party had embraced the 'psychology of the empty chair' which would damage Britain: 'The last time so substantial an abdication of British interests was advocated by a major political party occurred when the extreme left ran the Labour party in the early 1980s. It would be a curious volte-face now if the Conservatives—who have alone carved out Britain's present relationship with Europe—were to proclaim that Macmillan, Home, Heath, Thatcher and Major shared in common the fact that they had got it all wrong . . . The prospect of victory for our party at the next election can be much enhanced by attracting back to ourselves those who listened to and were convinced by the advice about our role in Europe of all our postwar Conservative prime ministers.'⁶ Hague's September 2000 mini-manifesto, rejecting any further European integration, outraged Clarke, who was reported to be 'spitting tacks', while Brittan, a long-standing mentor to Hague, who had also bequeathed him his safe seat, was apparently incensed.

There is also confusion at the highest levels about the party's stance on the euro. The shadow Chancellor, Michael Portillo, denied that he was a 'never man' who would rule out British membership under all circumstances, arguing that the Conservatives had to keep open the option of joining the euro because they could not predict what would happen in the future, but insisted that he stood by William Hague's pledge to oppose the euro for the lifetime of the next Parliament. This fuelled speculation that he was at odds with Mr Hague over Europe. All such incidents underline the continuing Tory talent for destructive infighting.

Labour and Europe

Tony Blair is aware that the issue of Europe has never offered a core election-winning strategy for either Labour or the Conservatives (for example Labour in 1983 and the Conservatives in 1997). Europe has also been an elite project of high politics and has always proved difficult (and dangerous) to translate into an electoral issue. Greatly in his favour, however, is the fact that by 1997 the battle had been won inside the Labour Party. A rump of Old Labour MPs and peers remained hostile on economic and/or political grounds. Even some on the left like Ken Livingstone once vociferously opposed the 'capitalist club' now supported the EU project. A 1998 ESRC-sponsored survey showed the

great majority of the parliamentary party was pro-euro and pro-European, especially the large intake of young Labour MPs; indeed, the EU has become something of a 'moderniser's' talisman.

Yet in spite of these factors, New Labour's response has been guarded, and in some ways little seems to have changed for Britain in its uneasy relations with Europe since John Major's defeat in 1997. After a brief flurry of Europhilia by the Blair government, enacting the Social Chapter into British law, pushing the agenda of closer defence cooperation and partially supporting the proposed EU immigration changes, things cooled noticeably. Fearing a backlash amongst the newly converted 'middle England' voters, the government failed to reverse Major's wait-and-see 'Opt Out' on the single currency. In keeping with New Labour's more sceptical credentials, the Chancellor of the Exchequer, Gordon Brown, also refused to give up Mrs Thatcher's special rebate on Britain's budget contributions, negotiated in 1984.

In exercising Major's negotiated 'Opt Out' from the Euro currency in January 1999, the Prime Minister argued that the government remained in favour 'in principle' of Britain joining if the economic conditions were favourable (i.e. convergence between the UK and European economic cycles and specific benefits for the British economy.) Before the 1997 election, he had promised a national referendum on joining the Single Currency in the event of the Treasury's 'five economic tests' being met. Since then, this endlessly repeated mantra has avoided any recommendation on entering the euro—for triggering a referendum could awaken a mass populist British Euroscepticism. A sign of his fears can be seen in Blair's initial refusal to back the Britain in Europe campaign until after the 1999 European elections.

Worse still, unless he actually calls a referendum on the euro, he could anticipate relatively muted support from the wider pro-European groups and press. In part this reflected memories of the Danish Referendum in which all the main political parties, business, unions and the government campaigned in favour of the euro and lost to a populist people's coalition orchestrated by the Danish far right and left. Moreover, few wish to promote the euro in the absence of a clear government lead, impossible given Blair and Brown's cautious 'wait and see' policies.

The dilemma of the euro

In 2000 Blair's dilemma over the euro became increasingly clear: he has tacit support of the 'One Nation' wing of the Conservative Party, most of the professional classes and cultural elites, from a majority of the financial services and export-orientated manufacturing sectors, and from at least three-quarters of the trade union movement. Against him, he has the united (although only on the surface) Conservative Party, the mass circulation conservative press, influential groups such as the

Institute of Directors and, above all, two-thirds or more of the electorate. Hardly surprising then that mixed messages kept coming from the Prime Minister's Office. In a briefing to reporters in late October 2000, he appeared to have dashed hopes that the government would mount an aggressive battle to turn the tide of public scepticism about British membership of the euro, saying that he was currently against joining the single currency. Reflecting the prevailing mood of caution following the Danish referendum and the continuing slide in the euro to a record low against the dollar (and pound), he bluntly stated that conditions were not right for the UK to enter monetary union. This led to media speculation that the remarks were an indication that Blair was now firmly behind the strategy of his Chancellor to avoid making the single currency an election issue. He was also noticeably cautious about the euro in his speech to business leaders in South Korea, on the eve of the Asia-Europe summit in Seoul, emphasising that Britain's European policy was based on national economic interest, in which the central role was one that focused on the fundamentals of economic reform rather than the politics of monetary union: 'Investors see us leading the way in putting economic reform at the centre of the European agenda, helping to build a strong Europe based on open markets, competition and economic reform; a superpower not a super-state.'⁷

The biggest obstacle the present and any future Blair government has in selling the euro is the stubborn refusal of the general population to accept it. A *Guardian*/ICM poll (November 2000) indicated that only 18% of electors wanted to join Europe's single currency, compared with 36% only twenty months before; 52% still believed that Britain would eventually drop the pound and adopt the euro—but this was down from a peak of 66%. The poll also showed that 85% of Conservative identifiers were against the euro. Can anything reverse this tide of British Euroscepticism? There is evidence that at least some of it has resulted from the single currency's woeful performance: the political unpopularity of the euro has closely tracked its unpopularity on the financial markets. The fact that even concerted European Central Bank intervention failed to prop up the single currency in October 2000 did little to change this view. The International Monetary Fund added to the pro-euro camp's problems when it gave firm backing to Brown's 'wait and see' approach. Most analysts, and the vast majority of politicians, believe that the euro is undervalued, and the event that many have been waiting for is the slowing down of the US economy. If and when this happens, the euro would almost certainly become stronger, perhaps boosting its poll ratings in Britain, having a big impact on the political conditions in which a re-elected Labour government might launch its pro-euro campaign. However, earlier assumptions that the government would move swiftly to a referendum in the event of a second general election victory have since been challenged, with Gordon Brown taking a far more cautious line than Robin Cook

and Peter Mandelson. Roger Bootle, an influential City economist, has advised his powerful blue-chip clients that they should assume Britain will stay out of the euro for ten years. And powerful elements in the Treasury continue to argue that the health service, pensions and education are bigger priorities for any British government than the euro.

Reading between the lines of his recent high profile speeches on Europe, it is clear that the Prime Minister believes that before any campaign to join the single currency can be fought and won, the case first has to be made for Britain to stay a full member of the EU. Given this, it appears unlikely that he will be able to take Britain into the single currency in the next Parliament even if he does hold a referendum, unless economic conditions change in favour of the euro. Peter Mandelson and Robin Cook, the Cabinet's two most consistent and most articulate pro-Europeans, remained determined to halt the Government's slide in a more sceptic direction. Trade minister, Stephen Byers, believes that joining swiftly is the only way to stop sterling destroying jobs. Ken Livingstone, London's mayor, fears staying out will do great damage to London's ability to compete with other European mega-cities, John Monks, the TUC general secretary speaks for many union leaders who are convinced only joining the euro can save British manufacturing. Normally this would provide a powerful policy grouping. But in a modern core executive where the Prime Minister's private office has recently grown in strength, there are some highly influential voices suggesting that Blair should make a virtue of the necessity and rule the euro out. They include the formidable partnership of Alastair Campbell, Blair's Press Secretary, reputedly an 'instinctive' euro-sceptic, and Blair's focus-group guru, Philip Gould. Gould, in particular, appears obsessed with the prospect of the government being out-flanked by the Tories on 'patriotic' issues (hence Blair's recent appointment of Michael Willis, MP as his 'patriotism envoy'.) They are joined by a powerful group including David Blunkett, Margaret Beckett, and Bill Morris, the Transport & General Workers Union leader, all of whom remain to be convinced of the need to fight for the euro.

However, Blair's Cabinet is not in danger of dividing over the euro along the lines of John Major's notoriously warring team. All its members are fairly relaxed about Britain's relations with Europe, and the divisions over the single currency are largely about tactics, not policy. The pro-European camp agrees that the government should wait until after the next election before making a decision on whether to join the single currency. The pro-Europeans also agree with Gordon Brown, who appears increasingly lukewarm on the euro (although he is more positive than Eddie George at the Bank of England) that a decision can only be made if the Chancellor's five economic tests have been met. This does not mean that all is amicable. Cook clearly believes that ministers must start to make the case for the euro now, rather than after the next election, arguing that the government could not start a

'Yes' campaign a standing start. Brown, on the other hand, believes that the euro is a dangerous distraction in an election year and that New Labour's sound management of the economy should be its chief message. This debate on tactics has sometimes become personal particularly in public and private exchanges between Brown and Cook or Brown and Mandelson, but this has a lot to do with past events rather than the question of tactics on the euro. It certainly will not be easy to persuade a seriously Eurosceptic electorate that the euro is best for Britain's future. To most people little evidence as yet indicates that Britain would have been better off in than out. The strength of Gordon Brown's position is that all options remain open. If the euro soars and Europe booms, he can seek to persuade Britain. If not, he can wait until the 'conditions are right' and his tests are met—however long that takes. But whatever the circumstances and contrary to the rhetoric of 'economic tests', adopting the euro is and will remain, a profoundly political decision. For many euro supporters, this prevarication and hesitation seems like a dangerous, loss of nerve.

Nice 2000

Tony Blair approached the December 2000 European Summit of the 15 EU members states in Nice in an exceptionally powerful position for a Labour Prime Minister six months or so away from an election: he was still relatively popular, he led a party strongly tipped by the pollsters to win the forthcoming election, and New Labour is broadly united behind an (admittedly confusing) policy mix of 'in the heart of Europe', 'constructive engagement' and 'wait and see' positions on EU.

Yet Blair still has much to fear from the issue of EU, as the Nice summit in December 2000 illustrated. The measures for discussion at Nice were designed to streamline the running of the EU in order to pave the way for the eventual inclusion of up to thirteen new states, mainly Eastern European. They required concessions he was unwilling to make for a mixture reasons. Ideologically, he feared that the measures intended to extend the use of Qualified Majority Voting to twenty further policy areas (including taxation, internal borders and the development of common foreign and defence policies) would undermine Europe's ability to restructure in a flexible manner and compete globally. In addition to his own hesitations at losing the British veto on matters of vital domestic significance, he knew that any perceived 'weakness' on the part of the British negotiating team over issues seen as ceding sovereignty to the EU, would be pounced on by the Conservative opposition, plus a hornets' nest of well-organised pressure groups and single-issue parties, not to mention portions of the press.

In the event, the meeting of the European Council at Nice proved a welcome respite for Blair on Europe. For once a British Prime Minister found himself with several allies for all his proposals and with the French President drawing the heat for his handling of the negotiations.

For Britain it was neither the fiasco nor the disaster predicted by the Tories and the Eurosceptic press. The Prime Minister could reasonably claim that the central goal of preparing for enlargement to 27 members had been achieved without damaging Britain's immediate national interests. The agreement achieved most of what he had set out in his Warsaw speech, coupling institutional reforms favouring national policy makers to enlargement by advocating a strengthened role for the European council. The favourable (to Germany, France and Britain) re-weighting of votes in the Council of Ministers allows the 'big three', with 62% of the EU's population, to block virtually anything they all disagree with as enlargement develops. In short, Nice appears to preface an enlarged Europe dominated by the leaders of the biggest nation-states rather than the Commission, still less the European Parliament.

Blair also successfully defended the British veto on general tax policy, supported by Sweden, Ireland and Luxembourg — all fearing the effects of a European-wide harmonisation of tax rates. On core social security the UK, again joined by Sweden, refused to give up the veto. Of the 29 policy areas where the national veto was replaced by Qualified Majority Voting, the most important included Blairite measures to ensure flexible markets (notably, international trade agreements covering most services; investments and intellectual property rights; external EU border control and various visa rules). In short, Blair returned with a compromise good enough to meet his key political objectives — allowing enlargement, encouraging more flexible markets, keeping the veto on tax and social security, and preserving the intergovernmental decision-making system centred on Germany, France and the UK, with Italy and Spain as junior partners, in place.

On his return to Westminster, Blair paid scant attention to the enlargement aspects of the treaty (paving the way to increase membership from 15 to 27 states), but instead gave prominence to British national interest: 'It is possible to fight Britain's corner, get the best out of Europe for Britain and exercise real authority and influence in Europe. That is as it should be. Britain is a world power. To stand aside from the key alliance — the EU — right on our doorstep is not advancing Britain's interests. It is betraying them' (*Guardian*, 12.12.00). He claimed that, far from paving the way for a European super-state, the Nice Treaty would reassert the inter-governmental model for Europe — leaving the Brussels Commission subordinate to the power of the 'big three'. His point was well put by a Dutch integrationist, who said, 'the French elephant has given birth to a mouse' (*Guardian*, 12.12.00).

Nice was thus presented as first and foremost a national victory for Britain. Apart from its intergovernmental aspects, the draft treaty's development of 'reinforced cooperation' means that the twelve members of the single currency cannot create new institutions that exclude non-participants like Britain, Denmark and Sweden. And, even on the European rapid reaction force, Blair was able to argue that it meets

Anglo-American needs and does not represent the Euro-army of Conservative critics.

In his Commons' reply William Hague levelled three accusations of failure against the Nice deal: that it is fundamentally about integration rather than enlargement; that it fails to return any decision-making power to nation-states; and that it increases EU-level competencies over British policy-making. He accused Blair and Foreign Secretary Cook, of 'a sell-out': 'Isn't the truth, when you cut through the spin, that this agreement represents major steps towards a European super-state?' He added that: 'a Conservative government will not ratify it as it stands,' demanding and promising referendums on aspects of the treaty (*The Times*, 12.12.00). This gave Blair the opportunity to mock Hague's political isolation (even amongst conservative parties in Europe) and his dubious threat to veto the treaty, suggesting that under a future Tory government: 'on the vital strategic interest, on the pensions of the court of auditors we would all troop off to the polling station' (*Guardian*, 12.12.00). Robin Cook also warned that such fundamentalist Euroscepticism would become an electoral albatross around his party's neck. The Liberal Democrat leader, Charles Kennedy, summed up the atmosphere of the Commons and media well when he said: 'The Tory fox on Europe has been well and truly shot.'

All this has allowed a confident post-Nice Tony Blair to pose as protecting national interests, whilst still appearing a good European and avoiding the very British accusation of creating a super-state by stealth. On one level the Nice summit appears to represent a triumph for the big nation-states on the enlargement battle, leaving the federalists at the Commission and Parliament humiliated and frustrated. It also appears to confirm the thrust of the Lisbon summit in March 2000—a liberalising market reform agenda, with the European Commission playing only a supporting role. But this may prove to be a new kind of intergovernmentalism based on bilateral diplomacy and exchanges between officials, laying the basis for a lot of the wheeling and dealing that has gone on before. Helen Wallace called this aspect of the Lisbon agreement as a move to 'intensive transgovernmentalism',⁸ which perhaps helps to get away from the intergovernmental super-state dichotomy that so dominates the UK discourse on Europe.

However, there are still problems for Britain. After Nice the total vote in the Council of Ministers of the six founder members of the EU will be 117, up from 48% to 51%. This means they have a potentially powerful majority if they act together. Spain, Portugal and Austria could also join on some issues, making a formidable alliance. In contrast the UK-Scandinavian bloc, is less cohesive and therefore much weaker. Britain also signed up to a 'flexibility' clause, allowing governments which wish to press ahead on fast track integration to do so as long as fundamentals like the single market are unaffected. This could allow other big players to set off on a federalist agenda in the future. Blair

has also conceded a new intergovernmental conference (to be led by Germany), with a 2004 deadline and intended to establish once and for all the lines between the EU and national governments in this union of nation-states. Finally, the British opposed the inclusion of a Charter of Rights at Nice, fearing the political capital it offered the Eurosceptics (a 'nascent European constitution') and its effect on flexible labour markets in the EU, but were unsuccessful.

Above all, Nice did not address the issue of the single currency. Britain's adoption of the euro represents the biggest decision facing any government before 2004. If Blair ducks it in a second term, it is likely that his new-found transgovernmental influence at the heart of Europe will rapidly dissipate.

Conclusion

The danger is that Blair will remain impaled on what might be termed the dilemma which beset John Major—claiming to be at 'the heart of Europe', while remaining firmly on the periphery, with Britain losing not just influence but the right to shape European institutions. Such gesture politics have never impressed our European partners. To some degree, Blair is already becoming isolated amongst the big players, having had little choice but to concede to the French and German plan for a fast-track Europe based on the present members of the euro-zone, while alienating the Commission President, Romano Prodi (a fellow Third Way moderniser), by his attitude towards the euro. So for all his undoubted domestic successes, Tony Blair may yet prove to be yet another British Prime Minister who promised so much initially on Europe only to maintain Britain's role as a semi-detached partner, as Europe moves forward on a separate agenda.

- 1 W. Wallace, 'The Sharing of Sovereignty: The European Paradox', *Political Studies*, XLVII, 1999, pp. 503–21.
- 2 W. Wallace, 'Less than a Federation, More than a Regime: The European Community as a Political System' in H. Wallace et al., *Policy-Making in the European Community*, Oxford UP, 1994, pp. 510–11.
- 3 W. Wallace, op. cit.
- 4 See K. Featherstone, 'Jean Monnet and the "Democratic Deficit" in the European Union.' *Journal of Common Market Studies*, 32, 1994; W. Wallace and J. Smith, 'Democracy or Technocracy? European Integration and the Problem of Popular Consent', *West European Politics*, 18, 1995.
- 5 J. Peterson, 'Sovereignty and Interdependence' in I. Holliday et al, *Fundamentals in British Politics*, Macmillan, 1999.
- 6 *Guardian*, 5.10.00.
- 7 Ibid.
- 8 H. Wallace, 'The Institutional Setting: Five Variations on a Theme' in H. Wallace and W. Wallace (eds), *Policy-Making in the European Union*, Oxford UP, 2000.