

THE CHALLENGE
for the
CONSERVATIVE PARTY

The Future
for Britain and Europe

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5th October 2004

The Challenge for the Conservative Party

TO WIN, a political party has to be clear and consistent, with its principles as the foundation of its existence. The bigger the issue, the greater the need for clarity. When clarity is there, the voters' perceptions and their votes run together for the winning.

In his novel, *Coningsby*, Disraeli sums up the state of the Conservative Party at the time of the Tamworth Manifesto and the repeal of the Corn Laws – an issue of defining, historic significance for the Party as were, later, Home Rule, Tariff Reform, Franchise Reform, Appeasement and Trade Union Reform under Margaret Thatcher. “*There was a great deal of shouting,*” he writes, “*about Conservative principles, but the awkward question naturally arose – what are the principles we are supposed to conserve?*” Lack of clarity in the application of those principles to these watershed issues led to electoral disaster until they were resolved. In each case, what had been the minority view in the Party became the accepted view, and victory followed.

So it is with Europe. Indeed, it is a paramount issue because it is about who governs. Thus it is about the voter and the vote itself – our system of democratic consent and parliamentary sovereignty. The national interest lies at its heart and, as Disraeli also said, “*the Tory Party is a national Party or it is nothing.*” Not ‘nationalistic’, but ‘national’ – or *nothing* – as strong a word as can be used.

Well over 60 per cent of our laws are now made by the European Union. They already affect every aspect of our daily lives – even before the European Constitution is taken into account. They derive from the existing Treaties. They are not working, either for Europe or for the United Kingdom: much of the eurozone has low growth and high unemployment, while our businesses are being strangled by over-regulation. There needed to be a referendum on the European

Constitution and, on present reckoning, it will be rejected, but the problem of the existing Treaties will remain. It is essential that they be radically reformed.

This is where we need clarity, as I explained in the House of Commons on 9 September 2004. We cannot merely confine our renegotiation of the Treaties and laws to foreign aid, fishing and unspecified powers. We must resolve clearly the political structure of Europe itself, returning power to the voter and to Parliament. Integration under Maastricht, Amsterdam and Nice must be unravelled, and the market itself reformed, to meet the opportunities of global trade, not be hidebound by the protectionists in Europe. We must face the future with confidence and experience and be prepared to take enterprising risks, as we have down the centuries.

We need, therefore, to commit ourselves clearly to associated status (as I argued in my pamphlet *Associated, not Absorbed*, (2000)) not to integration in a rigid, institutional framework. *The Economist* on 13 June 2003 concluded from a poll of electors that, “*If that policy [associated membership] became explicit Tory policy, they might attract 8% more votes [in a General Election].*” Now, on 25 September 2004, *The Economist* has acknowledged in its survey of the EU that association agreements may indeed be part of the future of the EU.

But surely, some argue, Europe is not at the upper end of voters' concerns. This is simply because it has been badly explained. The BBC and others will not treat the subject objectively and the real connections between Europe and virtually every other area of policy are not presented to the electorate. When the penny drops, Eurorealist instincts become votes. In the meantime, we have the ludicrous spectacle of the federalist Liberal Democrats being given top rating on Europe in the Populus poll for *The Times* on 28 September 2004, according to Peter Riddell. This when every other poll rejects the euro and the European Constitution by over 60 per cent, and has done so for years.

As for Labour, Derek Scott and Stephen Wall, both former advisors to Tony Blair, have revealed that the battle between Blair and Brown greatly turns on the economics of the European issue and who governs. Brown and Jack Straw pushed Blair into the referendum on the Constitution at the same time as Straw conceded the argument which Richard Shepherd and I had fought with him in the House of Commons for six months

about the supremacy of Parliament over international and European treaties. Michael Howard has recently, and rightly, asserted this principle as respects the Common Fisheries Policy. Yes, it can take much more than a unilateral slogan to turn the ship of state. Now is the time, with the TUC last month refusing to back the 'Yes' campaign, to drive the wedge deeper between Blair and Brown on the seminal issue of Europe and parliamentary government.

So let us have clarity – promise to return real power across the board to the voters and Parliament – meet the challenge with clarity and self-confidence and, with real determination, threaten withdrawal if the other Member States refuse to listen and act accordingly. The national interest and the future of the Conservative Party are at stake. If this great, historic issue is grasped in a statesmanlike manner, we will at last be on course to win. Action today.

Fundamental Questions & Answers

What has Europe done for us?

The Common Market and its successor organisations have brought down trade barriers in Europe and provided an attractive alternative model to communism during the Cold War. Some studies suggest that the UK would be better off if we had never joined – we must now renegotiate so that we avoid its damaging aspects. Contrary to an oft repeated assertion, the EU has not been the reason for peace and security – this came from NATO. A fundamental problem arising from the EU has been its insistence on an undemocratic system and lack of accountability, and on European economic government and its damaging social agenda.

How important is this European Constitution?

Fundamentally important. It would subsume national constitutions, expanding and setting in stone the old model of a political European Union. It revokes the existing treaties and laws and reapplies them under the primacy of a European Constitution and the European Court of Justice (ECJ).

Is it a constitution of a club or the Constitution of a state?

It is called a "Constitution for Europe" and has the characteristics of a classical state Constitution. Jack Straw recently admitted that it would take precedence over the constitutional laws of Member States:

Mr Cash: On primacy, he is of course referring to article 1-5(a). I note that the word 'constitution' was eliminated from the previous text. The text now makes it clear that, "*the Constitution and law adopted by the Union's institutions in exercising competences conferred on it, shall have primacy over the law of the Member States.*"

Does the Foreign Secretary deny that the expression 'the law of the Member States' includes the constitution of the United Kingdom?

Mr Straw: Of course it does

What will happen if we vote 'No' in the referendum?

The Constitution will be stopped in its tracks, though there may be attempts to hold new referendums in some countries. If Britain alone votes 'No', this will set us on a path to renegotiating our relationship with the EU. If several countries vote 'No', then the Member States will have to start looking at different, looser models for reforming the EU. If there is a 'No' vote, then there will have to be a radical renegotiation of the existing treaties. It is the structure which is wrong, including enhanced co-operation, whose superficial attractions would merely put us in the outer ring of the constitutional wheels of the European Union. This is why we need associated status, to which reference will be made below.

Might our EU partners not agree to British demands for renegotiation?

If our demand for renegotiation were backed by a real threat of withdrawal, it would certainly create circumstances in which it could be accepted. The balance of trade between the UK and the rest of the EU puts us in a strong negotiating position. There are other Member States that would back us if we led the way.

What else can we do?

Enact my two Bills: the Sovereignty of Parliament Bill, which affirms the principle that UK judges must obey UK statutes even if they expressly conflict with EU law; and the Memoranda of European Derivation Bill, which provides for the identification of the EU origins of relevant domestic legislation – bringing real transparency to the legislative process. We should also adopt a policy of associated status, as set out in my earlier pamphlet, *Associated, not Absorbed*, which *The Economist*, on 13th June 2003, suggested would be worth an 8% share of the vote to the Conservative Party in a General Election.

Do we need to agree to the Constitution for the sake of our relations with our neighbours?

No. The Iraq crisis split the EU down the middle – it is wrong to characterise it as Europe v America. That rivalry, however, is the path down which the Constitution would take us. Political union would undermine our democracy and is not good for Europe. We must take a positive approach, namely one that is not anti-European, but pro-democracy, pro-economic freedom, pro-security; whereas Europe is not working, with low growth and high unemployment. The reason the UK economy is reasonably sound, but could be better, is despite Government policy on EMU and the ERM.

Does the Constitution return powers to the Member States?

No, it consolidates and extends the powers of the EU. No power has ever been returned to Member States and there are no examples of subsidiarity – the principle that action should be taken at EU level only if this is the most effective level – in practice.

How important is it that powers be returned – whether or not there is a 'No' vote in the referendum?

It is essential to restoring the strength of our democracy. It is also economically vital as de-regulation, if conducted at the European level, will take too long to be effective in the context of Europe's inevitable relative economic decline in the light of the *acquis communautaire* and the refusal to make necessary changes to the existing treaties. The issue of the return of powers to our parliamentary system of government is also relevant to the low turnout in our elections because they see their Parliament emasculated and they feel they cannot make changes.

Is it inevitable that we will join the euro?

No – and it is essential that we don't. The Constitution would bring the prospect of joining closer by tightening the noose of Economic and Monetary Union.

Would the European Constitution give us more rights?

It would give us different rights – and less freedom. The Charter of Fundamental Rights would not give us more rights, it would just give the ECJ jurisdiction over our rights – taking that power away from our national institutions.

What is the Conservative Party's role in all this?

The role of the Conservative Party is to represent the national interest. This means helping to ensure a 'No' vote in the referendum and planning for action ahead of the result such as putting forward proposals with a view to radically renegotiating the Treaties and preserving our democracy. This means abandoning the component parts of Maastricht, Amsterdam and Nice and reforming the Single Market. This would include adopting my Sovereignty of Parliament Bill, reasserting the supremacy of Parliament, as a matter of principle, irrespective of whether it involves an inconsistency with the European Communities Act – and insisting that judges give effect to inconsistent Acts of Parliament. This would involve repeal or amendment of the existing Treaties and laws and aspects of the role of the ECJ. In other words, we would be insisting on the democratic rights of the voters in a general election through their representatives in Parliament.

Let Battle be Joined

"Let battle be joined," the Prime Minister declared, as he announced the referendum on the Constitution for Europe. The battle is coming; a great battle – a battle for Britain and Europe. Tony Blair has already made it clear that his main weapon in this battle will be negative spin, purporting to expose 'Euromyths' – the allegation that we, as Eurorealists, are making it all up.

We who champion a 'No' vote do so because we want to save our nation. Tony Blair and Peter Mandelson want a 'Yes' vote because they want to destroy our country by transforming it in their own image. Their 'vision' is more important to them than our national interests. Most of the British public already know they can't trust Mandelson and Blair. If Labour are allowed to continue in Government, these are the men who will be running the 'Yes' campaign, which we have already had a taste of in the recent White Paper on the European Constitution – a propagandist document packed with dubious assertions. It is highly significant that the TUC has refused to support the 'Yes' vote campaign.

Rearguard Action

The dissembling of the White Paper is just the most recent manifestation of deceit from a profoundly deceitful Government. Tony Blair's sentimental fondness for the EU is based on the political strategy of New Labour: socialism by the back door. Listen to Blair's own policy advisers: the proposals of the Convention on the Future of Europe *"give us most of what we want,"* said Roger Liddle, Number 10's former chief policy adviser on Europe. *"I don't think he has got any political grasp of what has driven the European Union over the past 50 years and where it is going,"* said Derek Scott, the Prime Minister's former chief economic policy advisor; *"Peter Hain ... was all over the bloody place"* at the Convention. Mr Scott also said, *"I don't think Gordon Brown is opposed to the euro in the way that I'm opposed to it. My own feeling is that he hasn't actually thought through the economics."*

As David Heathcoat-Amory, the Conservative Parliamentary representative at the Convention, said, the British Government was not doing enough in the early stages. The pass was sold back then, and the

later, rearguard action was more spin than substance. Although the referendum was forced on them, New Labour has consistently sold out the national interest.

The Empire Strikes Back?

One of the most disingenuous claims that the Government has made is that the Constitution will give powers back to national parliaments. It is a claim that Number 10 had to make, since some of Labour's most senior MPs, including Gordon Brown and Gisela Stuart, who sat on the Convention on the Future of Europe, have insisted publicly that powers should be returned. In fact, the Constitution, as well as strengthening and formalising the legal and constitutional framework of the Union and subsuming the Constitutions of its Member States, removes the national veto in some 40 policy areas which are vital to our national interest.

The 'right of referral' in the Protocol on the Role of National parliaments, meanwhile, merely gives national Parliaments the chance to say that they think a draft piece of EU legislation doesn't comply with the principle of subsidiarity. Subsidiarity is a specious notion that New Labour uses to claim that the EU "adds value". It has never been effective because it has never had any teeth. The Constitution wouldn't give it any.

Rather, the danger is that the Constitution would take things in the opposite direction. It would apply the co-decision procedure, under which the European Parliament agrees legislation with the Council, far more extensively than at present. In the 1999-2004 session, a practice of first-reading agreements has developed in relation to the co-decision procedure. These 'fast-track' agreements between the two institutions provide for the rubber-stamping of EU legislation and short-circuit the process of scrutiny in national parliaments, as the European Scrutiny Committee has indicated in its cross-examination of Jack Straw on 15 September 2004.

Honour Bound

One of the most immediate problems in the EU is the volume of red tape piling administrative costs onto business; and the British, 'the good boys of Europe', maintain a proud record of implementing it all. My pamphlet with Bill Jamieson, of March 2004, *The Strangulation of Britain and*

British Business, showed that the six biggest regulatory burdens in Britain emanated from the EU, with a combined cost by July 2004 of around £23 billion. A recent study by the think-tank Civitas¹ estimates the current cost of EU regulation at £6.33 billion a year. Yet the Constitution will do nothing to remedy this – it will only make the problem worse. The *acquis communautaire*, the ever-expanding body of EU law (with its damaging impact on Britain and British business), will be preserved under Article IV-3 of the Constitution and added to by future EU legislation made under the Constitution.

Reclaiming powers from Europe, or indeed any national attempt at deregulation involving EU legislation (and any meaningful attempt to deregulate would necessarily involve EU legislation), will not be facilitated but rather frustrated by this Constitution and its founding statement of the supremacy of EU law, which will prevent any national legislation from touching on the now vast areas of EU legislative power.

This must not be allowed to happen. Instead, the current safeguards must be strengthened and used effectively. Digby Jones of the Confederation of British Industry recently accused MPs of being "asleep on the job", yet the CBI has made no representations at all to the Commons' European Scrutiny Committee, as I indicated in my article in *The Times* on 25 August 2004. One is left with the clear impression that the attack was based on the CBI's failure to make a difference at the early stages, both with the Government and in Brussels. Doing it their way has not worked (despite my call at the time of the Single European Act in 1986 that trade associations must work closely with the UK Parliament) but rather than looking at the alternatives, they have attempted to shift the blame onto MPs. If British business is ever to be relieved of the growing tangle of asphyxiating Euro rules, bodies like the CBI must lobby more widely at Westminster and start to take the radical alternatives seriously – such as my Sovereignty of Parliament Bill and the proposal for associated status.

Text Up

People on both sides of the debate agree that something has to be done. Europe's relative decline has become inevitable. The European Commission's own review, of December 2002, forecast a 44 per cent

decline between 2000 and 2050 in the share in global GDP of the 15 Member States that belonged to the EU at that time ('the EU 15'). The entry of 10 new Member States last May will not help: their economic vigour since 1990 has been largely a result of casting off communism, whilst their demographic future is even bleaker than that of the EU 15; some have birth rates well below replacement level. Having just returned from Malaysia and China I found it clear that there are massive opportunities for us in the global market place unless we are inhibited by protectionism.

The only effective way to mitigate this decline is by radical measures to improve efficiency and productivity – including serious de-regulation. As Michael Howard has said, "*the alternative to EU transformation is not the status quo – it is certain economic decline.*"² We must take the necessary practical steps with sufficient political will to achieve change and make the necessary difference. Yet the Union and its Member States are set not to cut the ties that bind, but to be hamstrung by a vast constitutional framework, presided over by an overbearing supreme court of Europe.

The Constitution betrays the historic potential of the European project. It embodies the Euro elite's failure to keep pace with events. Expansion to the east must entail fundamental change. The defeat of communism should mean the defeat of statism, not its creeping advancement; the reaffirmation of the free-market, liberal model of political economy, not its erosion; and the strengthening of the West, not its growing division.

Courting Disaster

If the European Constitution is adopted in the UK, our democracy will be subordinated to the European Court of Justice. Once the Constitution is in effect, that document will become the highest source of law throughout the Union. It will be interpreted by the European Court of Justice, whose interpretations will be impossible for Member States to challenge. The introduction of universal appeal rights to the ECJ, the manner in which the EU's prospective accession to the European Convention on Human Rights has been prescribed, and the ECJ's wider prospective jurisdiction based on the new Charter of Fundamental Rights will make it a fully-fledged supreme court of Europe, which determines the extent of its own

powers regardless of Member State parliaments and governments. There are issues, as I said when I was Shadow Attorney General, which must be tackled by the repeal or amendment of the Human Rights Act 1998.

Swingeing Sixties

Furthermore, Article I-5a of the Constitution makes the principle of the supremacy of EU law a founding principle of the Union. The Government protests that there is nothing new in this, yet a number of national courts, including our own, have insisted that nothing in the existing European Treaties may touch or qualify ultimate national sovereignty. The principle that European law is superior to national law was made up by the ECJ in the 1960s and, although this was incorporated at accession, it was limited to the then existing functions. These have now been outrageously extended; hence the need for the existing Treaties to be radically renegotiated. As one of our Law Lords, Lord Scott, has understatedly remarked, "*It is an oddity that European law will have primacy over member states' domestic law [under the European Constitution] even where the ECJ does not have jurisdiction.*"³

Under the European Constitution, therefore, election manifestos that conflict with judgements of the European Court will be overridden, even if a government is elected on the basis of that manifesto. This strikes at the heart of our democracy and parliamentary sovereignty. There is growing discontent in Britain about the amount of power that our domestic judges have. The Constitution would give infinitely more power to an already over-mighty court in Luxembourg – and we could not legislate to get any of that power back.

Taxing Time

'Tax harmonisation', the standardisation of tax rates across the EU, is often called a Eurosceptic scare story, but it is in fact already happening. A recent pamphlet⁴ showed that the stealthy harmonisation of corporation tax by the European Court of Justice had already cost the UK Treasury around £10 billion – no wonder Gordon Brown has adopted an increasingly Eurosceptic tone since becoming Chancellor. The rapid development of ECJ case law in this area has also had the effect of undermining legal certainty for both business and the Inland Revenue

and has interfered with the UK's network of double taxation treaties. The issue illustrates the impotence of New Labour in Europe. As the pamphlet's author says, "*the Government seems to be hoping for the best*" – as if wringing their hands would make the problem go away.

The Constitution paves the way, however, for the big bogeyman. The Government would like us to believe that the tax provisions of the draft Constitution were removed, in a victory for the British Treasury. In fact, whilst express references to tax were indeed removed, the economic and financial provisions of the Constitution grew in scope during the final negotiations. Professor Tim Congdon, a top economist, believes that the only plausible meaning of the main Article under Economic Provisions is tax harmonisation, as in the standardisation of overall fiscal policy: "*If Article III-71 ... has any substance, it is that the determination of fiscal policy guidelines is to be centralised under Ecofin just as monetary policy [for members of the euro] has been centralised under the European Central Bank.*" In fact, the European Court of Justice has already seriously invaded the realm of tax.

Can't Control that EMU

The provisions of the Constitution also tighten the noose of Economic and Monetary Union (EMU) in other ways. Under Article III-91, non-euro Member States such as the UK are to lose their voting rights in a number of areas, including: recommendations made on the basis of multilateral surveillance and measures relating to excessive deficits; decisions establishing common positions on issues of particular relevance for EMU within international financial institutions and conferences; and measures to ensure unified representation within the international financial institutions and conferences.

These exclusions might be fair enough were it not for the fact that non-euro Member States, such as the UK, are nevertheless subject to the EU laws that go with euro membership. The Constitution strengthens these, providing that; "*the Member States shall coordinate their economic and employment policies within arrangements as determined by Part III, which the Union shall have competence to provide.*"⁵ The European Council will lay down guidelines for economic policy under Article I-14(1) and a Declaration annexed to the Treaty establishing the Constitution states

that greater co-ordination of economic policy among Member States could raise economic growth potential. The Stability and Growth Pact, which was endorsed by Kenneth Clarke and John Major, and which I opposed at the time, has proved a massive failure.

Of course, whether co-ordinating economic policy would in fact improve growth potential in the EU depends on what the policies are. There is a danger that the whole EU could end up with the economic problems of France and Germany as the economy of Europe marches "*valiantly towards the '70s*".

Give us a Brake

One of the most live threats posed by the European Constitution is to our civil liberties. The Constitution is full of talk of 'rights', but the rights we are used to enjoying as British citizens would be choked off and crowded out following its incorporation into UK law.

The long-standing EU plan to create a common criminal code for Europe has always been resisted by Britain because our 'common law' legal system is fundamentally different from legal systems on the Continent. The Constitution, however, provides for EU laws to determine the definition of offences over a wide and open-ended range, procedural rules to be followed and sanctions for those found guilty. The prospect of such a significant incursion into the coercive powers of the state aroused determined opposition, so the Government, having failed to deal with the issue conclusively, negotiated an 'emergency brake' procedure: Under Articles III-171 and III-172 of the Constitution, if a Member State considers that proposed legislation would "*affect fundamental aspects of its criminal justice system,*" it may refer the proposal to the European Council, which may either request that the proposal be redrafted – or implement it in spite of the objection.

A late addition was also made to the text, providing that if the European Council does not make a decision one way or the other within four months or if, twelve months after a fresh draft has been submitted it has not been adopted, then a third of Member States may implement the proposal themselves on the basis of 'enhanced co-operation'. Thus the 'emergency brake' cannot stop the vehicle; nor does it constitute an effective opt-out from the development of an EU criminal code, since the

European Council can go ahead and implement a measure across the board, in spite of the brake being applied.

A European Public Prosecutor's Office (dubbed an "*engine of oppression*" by the European Scrutiny Committee) is also provided for in the text. Once established, its functions may be extended from combating fraud to a wide range of offences. It has been described as "*a European FBI*" and even the Government has described it as "*unnecessary*".

All this is in addition to the European Arrest Warrant and Evidence Warrant, which will have serious implications for the freedom of the press and for fairness in the judicial system. In March this year, a journalist who had been investigating the Eurostat scandal, Hans-Martin Tillack, had his home and office in Belgium ransacked and items seized at the instigation of OLAF – the EU's anti-fraud office. The fact that a journalist's home can be turned over on the authority of a foreign official should be a wake-up call even to writers at *The Guardian* and *Independent*.

Wicked Waste

A simpler solution to the problem of fraud in the EU would be to establish a proper system of double-entry accounting with sufficient oversight to guarantee the probity of EU officials.

[The Public Accounts Committee of the House of Commons and the National Audit Office have procedures, including the Chairmanship being in the hands of a leading member of the Opposition, which comprehensively deal with the problem of fraud and incompetence. This is an adequate safeguard of our parliamentary system, whereas the EU Court of Auditors, for all its efforts, continues to be unable to sign off the accounts; yet nothing changes. The Public Accounts Committee, as with other parliamentary procedures, although constantly in need of reform, provides the basis on which parliamentary accountability can be sustained.]

Fraud continues to run rampant in the EU. The Union's accounts have not been signed off for nine years, and there has been "*a vast campaign of looting*" from the EU budget. This is *after* the entire Commission was forced to resign over corruption in 1999. Indeed, in response to that fiasco, British Vice-President of the European Commission Neil Kinnock was given a specific brief to eradicate corruption, yet the last year of his

term has been dominated by the Eurostat scandal, involving millions of euros in taxpayers' money being siphoned off into private bank accounts. Once again, the whistle-blowers, not the embezzlers, have been the ones facing the sack.

Of the money that is not looted by officials, much is misallocated. EU regional subsidies are handed out partly on the basis of political negotiation, and their result is often that local economies become dependent on subsidies. The Common Agricultural Policy, which costs the average British household £20 a week, has been a disaster for Third World development, whilst in 2001, 56% of EU overseas aid did not go to poor countries. This is why the Conservative Party is committed to taking back our overseas aid policy in full – a policy commitment that we could not fulfil under the Constitution. The Common Fisheries Policy, which the Conservatives are also committed to restoring to national control, has largely destroyed our fishing industry, as well as creating an ecological disaster in the North Sea.

Taking on the Competition

The final negotiations on the Constitution entailed some slipping through of important changes. Competition policy, for example, became an exclusive competence of the EU under the final text. The Chairman of the European Scrutiny Committee wrote to Patricia Hewitt at the Department for Trade and Industry for an explanation. She said it wasn't a top priority in the negotiation.

Draft provisions on energy supplies sneaked back into the text. These had been removed after lobbying from the oil industry, but reappeared at the last moment, in revised form. (In the last few days, BP has been calling for an EU energy policy.) The Government's White Paper says that these provisions are about liberalising energy markets, but this is disingenuous. They provide for the partial ceding of control over energy policy and supplies – vital levers of the economy – to the EU.

The arms industry has been less alive to the threats posed by the European Constitution. As part of plans for a common European defence (an aspiration that has been diluted, but remains in the Constitutional text) there is to be a European Armaments Agency. In fact, this was set up shortly after negotiations were concluded and now awaits a legal basis for

the expansion of its activities, in the Constitution.

The Agency represents a consolidation of the military-industrial complex across Europe. This has several severe implications: for the independence of our arms procurement (any partner in the Agency could effectively deny the UK access to hardware and *materiel*); for the quality of military construction projects in Europe, assured by healthy competition (remember the Eurofighter?); and for the future of our domestic arms industry, which will be at the mercy of EU policymakers. It is the planned role of the Agency that has facilitated the Government's recent Defence Review. This will save a little money in the short-term, but at the cost of huge long-term financial and political risks and the emasculation of much of our foreign and defence policy.

Don't Stop the Press

Having grasped the nature and scale of the draft European Constitution, the British press acted effectively, putting sustained pressure on the Government to hold a referendum. This pressure must be maintained to stimulate turnout, so that the size of the 'No' vote sends an unmistakable message to the Euro elite that the British people will not accept a European state.

The campaign for a referendum was a breakthrough for coverage of EC/EU affairs in the UK, which has tended to be sporadic, sparked off by lobbying efforts and often focussed on the anecdotal. Events in this field are however constantly unfolding, and are now heavily integrated into our national life. Most of our new legislation now has a European origin and our domestic politics is conditioned by what goes on in Brussels.

After the general election, the referendum on the Constitution will be the big, forthcoming political event. Our media would do a service both to themselves and to the British people by throwing constant light on the European dimension of contemporary politics, not least because it shapes over 60% of domestic legislation, affecting the daily lives of the electorate and the running of our economy, including the whole question of public spending in all areas of governmental function.

The Way Forward

It is vital to ensure that we win the referendum. It is also vital, however, to consider in advance what we will do afterwards. The defeat of the Constitution in a referendum will not be the end of the matter – hardly even the end of the beginning. It will result in the European Council reconvening to consider the position. We must have staked out our position in advance of this.

What the British people want is clear: less and better Europe. The way to accomplish this is to renegotiate our relationship with the EU so as to achieve an associate status, backed by the only bottom line that counts – the real threat of withdrawal.

Meanwhile, we must start the process of reform here in Britain with two Bills, both of which I have already introduced into Parliament. The first, the Sovereignty of Parliament Bill, would put into statute the obligation of our judges to comply with our laws should they expressly conflict with any provision of EC law. The second, the Memoranda of European Derivation Bill, would identify the European origin of any new domestic legislation with a European derivation (that is, most of it). Equipped with these tools, a Conservative Government could begin the process of proper de-regulation – and the preservation of our democratic system. This, in combination with an insistence on associated status, would also show our European partners that we mean business.

This Party Conference is the crucible of policy for the general election manifesto. The Conservative Party owes it to the British people and to ourselves to promise a positive roadmap for the future – one that reveals the sunlit uplands of our future relationship with our voters, based on clearly defined principles, without prejudice to co-operation as compared to co-ordination within Europe and the world.

There are specific principles to which we must adhere: firstly, the commitment to our voters and our democratic system of government; secondly, to our system of laws, as prescribed by their Parliament on their behalf; thirdly, that we run our own economy and provide freedom for the business community and the dismantling of burdensome regulations, many of which come from the European Union's social agenda; fourthly, the opening of global markets, enterprise and risk; and fifthly, the security of our nation in an increasingly unstable and unpredictable environment

affecting the Special Relationship, our commitment to NATO and our overall security through foreign policy, defence and anti-terrorism measures.

The Constitution would be a forced marriage – what we want instead is a coherent network of relationships throughout the world, including Europe, but without prejudice to our right to enter into separate trade agreements and other treaties, within Europe and the rest of the world. It is absurd that the Conservative Party should be kept *in hoc* to a small group of Europhiles who have lost all credibility with the public.⁶ This is the most important political question of our lifetimes – we must get the answer right, in the national interest.

1 *A Cost too Far: an analysis of the net costs and benefits for the UK of EU membership*, by Ian Milne, July 2004.

2 Speech to the European Democrat Union Summer University, London, 19 July 2004.

3 Lords Hansard 21 May 2004, Column 1002 – emphasis added.

4 *EU Law and British Tax, which comes first?* by Alistair Craig, Centre for Policy Studies, 2003.

5 Article I-11(3) – emphasis added.

6 In a YouGov poll for the *Mail on Sunday*, published on 12 July 2004, only 20% of respondents thought that the Conservative Party should support Britain signing the European Constitution, as opposed to 36% who thought the Party should continue with its present policy and 28% who thought that the Conservatives should promise to withdraw from the EU.

Appendix: Myths And Realities

In his Statement to Parliament on the Treaty Establishing a Constitution for Europe, on 21 June 2004, the Prime Minister set out some “*myths*” which he said the Constitution “*demolishes*”. Here is a list of those so-called “*myths*” and the truth behind them:

- **The UK will lose its rebate.**

There were proposals in the draft Constitution to take away the national veto over arrangements for the EU budget, so that the UK’s budget rebate could be voted out of existence. The rebate remains under threat despite the retention of the veto in the final version of the Constitution. Since Tony Blair made his statement to Parliament, the European Commission has revealed new plans to scrap it.

- **The UK will lose its seat on the UN Security Council.**

Whilst the UK would retain its seat on the Security Council under the Constitution, we must “*defend the positions and interests of the Union*” in that forum and would be obliged to let the Union Minister for Foreign Affairs present the EU position where one exists.

- **Brussels will seize control of our oil supplies.**

A new area of EU powers, over energy, was introduced into the Constitution, then removed, then reintroduced in a watered down form in the final version. Meanwhile, in August 2004, the EU Energy Commissioner renewed calls for an EU oil reserve.

- **The UK taxpayer will pay for other EU countries’ pensions.**

This suspicion arises from the fact that many other EU countries’ pension systems are severely under-funded whilst the UK’s system, despite great damage done by the Government, is still sound by comparison. There is no express reference to pensions in the Constitution, but the principle of ‘burden-sharing’ among Member States is strengthened and the

European Court of Justice has a record of making judgements on the basis of the 'spirit', rather than the letter, of the text.

- **We will have to give up control of our army to Brussels.**

References in the Constitution to "*a common defence*" were watered down, but it remains the premise on which the common security and defence policy is based. The European Armaments, Research and Military Capabilities Agency, which has already been set up, is designed to bring that common defence about. This year's Defence Review was the first practical step.

- **We will be forced to join the euro.**

The UK's euro opt-out was negotiated anew only at the eleventh hour, hence the suspicion that the Government was preparing to abandon it. Despite its retention, there are a number of provisions in the Constitution that tighten the screw on non-euro members of the EU, such as the UK, whilst excluding us from extra areas of decision-making.

- **We will be forced to raise our taxes.**

Application of the existing rules of the Stability and Growth Pact would require the Chancellor either to cut spending or raise taxes over the next few years, whilst tax harmonisation may yet prove to be the effect of the Economic Provisions of the Constitution.

- **Our foreign policy will be dictated by Brussels.**

Article III-195(2) of the Constitution states: "*The Member States shall support the common foreign and security policy actively and unreservedly in a spirit of loyalty and mutual solidarity [and] shall work together to enhance and develop their mutual political solidarity. They shall refrain from any action which is contrary to the interests of the Union or likely to impair its effectiveness as a cohesive force in international relations.*"

- **We will lose control of our borders.**

The UK's Schengen opt-out on border controls, like the euro opt-out, was negotiated afresh only at the last minute, hence the suspicion that the Government was preparing to abandon it. For practical purposes, however, the Government has already lost control of our borders and is already participating in the creation of a common asylum policy. There

are signs that it may adopt the common immigration policy under the Constitution as well – based on the principle of "*solidarity*", as opposed to the concerns of national electorates.

The Prime Minister's Statement also set out some myths of its own...

- **We are in the EU for the benefits of the single market.**

You don't have to be a member of the EU to enjoy the benefits of the single market, you just have to belong to the European Free Trade Area. Conflating the EU with the Single Market is one of the Government's favourite dissembling tactics on Europe.

- **We are in the EU for the strength it gives us in trade negotiations with powerful countries like the United States and Japan.**

Whilst negotiating in a bloc gives the bloc clout, it means that our national interests are lumped together with those of all the other EU Member States. What's more, the Prime Minister's example admits by implication that Japan succeeds in being a powerful trade negotiator despite acting alone.

- **The EU's network of aid and trade relationships make an important contribution to international peace and security and development.**

Only 44 per cent of the EU international aid budget for 2001 went to poor countries. The greatest contribution the EU could make to international peace, security and development would be to abolish the wasteful and damaging Common Agricultural Policy.

- **The EU is the most successful way anyone has yet devised of managing the relations between European countries whose national rivalries had, until 60 years ago, been settled only by wars.**

The crucial factors in the ending of major European wars have been the collective security guaranteed by NATO and the spread of democracy in Europe. Democracies do not go to war with each other – whether or not they are members of the EU is irrelevant.

- **The power of the EU has helped eight countries of Eastern Central Europe achieve democratic stability.**

The USSR used to make similar claims about these countries when they were its satellites.

- **The power of the EU is transforming Turkey into a modern, democratic state.**

The great political transformation of Turkey took place after the First World War. Recent developments have been insignificant by comparison. Turkey's level of modernity and the quality of its democracy are in reality only minor factors in whether it is eventually invited to join the EU.

- **The EU is helping achieve peace in the Balkans.**

Better late than never.

- **Every EU Member State government welcomed the Treaty Establishing a Constitution for Europe.**

The two Member State governments that blocked the Treaty in December 2003 (under Miller in Poland and Aznar in Spain) have both gone. No one was willing to spoil the party this time, but it is well known that few national Governments welcomed the final text in private.

- **Many other Member States share the British view of Europe's future.**

The British people's view of Europe's future is rather different from that of the Prime Minister. Other Member States and their peoples have their own views – the idea of a shared vision is little more than a propaganda tool. This is why the Constitutional model of Europe is inappropriate in principle.

- **Opponents of the Treaty Establishing a Constitution are operating on the basis of a narrow nationalism, rather than the real British interest.**

New Labour and the Liberal Democrats are unmoved by the claims of their country. The Conservative Party is, and always has been, the party of the national interest.