



**AUTHOR(S):**

**TITLE:**

**YEAR:**

**Publisher citation:**

**OpenAIR citation:**

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(ISBN \_\_\_\_\_; eISBN \_\_\_\_\_; ISSN \_\_\_\_\_).

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## The European Union and other international institutions<sup>[1]</sup>

For more than forty-four years, Britain has been a member of one of the world's most powerful supranational trading and political alliances: the European Union (EU). But, in a seismic turn of events which was greeted with a mix of irritation and incomprehension by its twenty-seven fellow member states, on 23 June 2016 the country's electorate voted by a 52 to 48 per cent margin to leave the Union, in a national referendum which is certain to have long-lasting repercussions for its standing in the world.

The immediate background to (and fallout from) 'Brexit'—shorthand for 'British exit'—is examined in detail later in this chapter. For now, though, the UK remains a full participating member of the EU, at least until such time as it formally invokes Article 50 of the 2007 Treaty of Lisbon (see 9.1). This clause in its membership contract will set the stopwatch ticking on the two-year period departing states are given to prepare for the exit doors. Moreover, with some senior politicians - notably Jeremy Corbyn's unsuccessful challenger for the Labour leadership, Owen Smith<sup>[AM2][j3]</sup>, and Liberal Democrat leader Tim Farron - arguing that a second referendum will be needed to sanction Britain's final withdrawal, once negotiations on the terms of its future relationship with the EU are concluded, there remains the slim possibility that the country could still be a member for years to come. For the time being, then, the obligations and opportunities arising from EU membership continue to have a direct impact on the day-to-day lives and well-being of British citizens—making a knowledge of the Union, and its component institutions, as essential for journalists as ever.

What, then, *does* EU membership mean for Britain, and how did it originally come about?

### 9.1 Britain's twisty path to EU membership

The European 'Common Market' (as it was widely known in Britain until the 1970s) began slowly emerging in the post-war period, as the continent struggled to rebuild itself. But although it shared

many of the same economic interests as its neighbours, for a long time Britain's attitude towards them was lukewarm. Buffered by the existence of its Commonwealth of dependent nations, on the one hand (see 9.8.6) and its nascent 'special relationship' with the United States on the other, it was reluctant to be too tied to the activities of its Continental cousins.

By 1961, however, the positive economic impact membership of the then European Economic Community (EEC) appeared to be having for its member states encouraged the UK, under Conservative Prime Minister Harold Macmillan, to apply for membership alongside Denmark, Ireland, and Norway. At the time, its application was blocked by France's, President Charles de Gaulle, who twice obstructed it (in 1963 and 1967), but following his resignation in 1969, negotiations began in earnest for Britain's accession. It was duly admitted under Edward Heath's Conservative government in 1973. Ireland and Denmark joined at the same time.

Yet any hopes that the UK's entry would put an end to its years of squabbling with its European neighbours—not to mention infighting over the European Community (EC) within the UK's main political parties—were short-lived. By the time Heath was succeeded by Labour's Harold Wilson, in 1974, divisions were so marked that the stage was set for Britain's first referendum on the subject. In a then unprecedented move that would be replicated four decades later by Tory premier David Cameron, Wilson waived the decades-old convention of collective responsibility (see 3.2.2) to let members of his government opposed to his pro-EC stance actively campaign against the country's continued membership. His opponents at the Cabinet table included then Industry Secretary Tony Benn and Employment Secretary Michael Foot, who argued that free trade between Britain and its Continental neighbours was allowing cheap imports to flood high-street shops, undermining the profits of British-based manufacturers and leading to job cuts.

Despite the efforts of the 'no' lobby, Wilson got his way decisively enough to lay to rest the EC membership debate for a generation: his 'Yes' campaign clinched more than two-thirds of votes in the referendum, on a 64 per cent turnout. His triumph was, however, pyrrhic: Britain's admission into the EU marked the beginning of what would continue to be a troubled and deeply conflicted

relationship with the Union. At various points during its membership, the country has refused to toe the line—negotiating ‘opt-outs’ from clauses to treaties that bind most, if not all, of its peers (for example John Major’s refusal to sign the Social Chapter of the ‘Maastricht Treaty’ and David Cameron’s rejection of the Fiscal Compact approved by all other member states save the Czech Republic in December 2011) and struggling to win parliamentary approval for various others. In 1992, Mr Major’s government was almost felled by its own backbenchers over ‘Maastricht’—an episode explored in depth later in this chapter—while Tony Blair and Gordon Brown both resisted the clamour for a referendum on the ‘Lisbon Treaty’, a similarly controversial agreement that many ‘Euro sceptics’ (and some ‘Europhiles’, such as Tory Kenneth Clarke) argued was essentially the same document as the ill-fated ‘EU Constitution’ (see 9.5). Hardly surprising, perhaps, that, despite vowing more than a decade earlier to stop his party ‘banging on about Europe’, by the time of the 2015 general election Mr Cameron was leader of a party still so riven with splits over the EU that he was forced to promise a decisive ‘in-out referendum’ in the event of being returned to government. Aside from Sweden and Denmark, Britain is the only EU state to have held out against joining the euro (see 9.4.2), while its refusal to sign the Schengen Agreement (see Table 9.1) is the reason why Britons are still expected to show their national passports when crossing internal EU borders—and citizens of other member states to do likewise when entering the UK—while freedom of movement brings with it no such obligations elsewhere.

## 9.2 Evolution of the European Union (EU)

So how did today’s EU come about? And how was it transformed from a loose confederation of states cooperating over trade in core post-war raw materials (principally steel and coal) into a sprawling supranational alliance exercising a degree of control—often contentiously—over everything from employment rights to economic migration?

**Table 9.1** Chronology of main EU treaties

Agreement	Year signed	Main provisions
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Treaty of Paris	1951	Established European Coal and Steel Community (ECSC), to initiate joint production of two materials most central to war effort (coal and steel) and fledgling European assembly, which met for first time in Strasbourg in September 1952.
Treaties of Rome	1957	<p>These twin treaties spawned two organizations later to coalesce: European Economic Community (EEC) and European Atomic Energy Community (EURATOM). Joint aim was to foster trade between member states by ending tariffs and other distortions in market and:</p> <ol style="list-style-type: none"><li>1. introducing Common Agricultural Policy (CAP)—encouraging free trade in agricultural products, while guaranteeing farmers' incomes in relation to competition from third-party countries through subsidies; and</li><li>2. creating 'common market' for free movement of goods,</li></ol>

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		services, and capital between member states (in practice, only free trade in goods followed until Single European Act 1986).
Merger of three European Unions	1965	Led to 1967 merger of ECSC, EURATOM, and EEC into single European Community (EC), framed around four core institutions: European Commission; European Assembly (later renamed European Parliament (EP)); European Court of Justice (ECJ); and future Council of Ministers.
Launch of European Monetary System (EMS)	1979	Relaxed exchange rates between member states leading to launch of euro.
Enlargement	1981	Greece admitted into EC.
Single European Act and further enlargement	1986	First full-scale revision of original 1957 European Treaties, defining structure of new-look EC, and paving way for following extensions of community: <ul style="list-style-type: none"> <li>1. greater economic integration;</li> <li>2. strengthened supranational institutions; and</li> </ul>

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		<p>3. practical moves towards single European currency and linked exchange rates in form of economic and monetary union (EMU). In same year, Spain and Portugal entered EC.</p>
<p>Treaty on the European Union ('Maastricht Treaty')</p>	<p>1992</p>	<p>EC formally renamed 'European Union' (EU), adding new areas of responsibility. Although signed in February 1992, had to be formally ratified by each state and passage was far from smooth in Britain. It:</p> <ol style="list-style-type: none"> <li>1. introduced EU-wide commitment to move towards full EMU—and eventual single currency or 'common' one (native currencies retained, in parallel with EU one);</li> <li>2. established single European Union from existing communities;</li> <li>3. set up framework for potential common foreign and security policy;</li> </ol>

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		<ol style="list-style-type: none"> <li>4. increased cooperation on domestic issues, particularly criminal justice;</li> <li>5. established principle of subsidiarity— system defining EU institutions as ‘subsidiary to’ those of individual member states and safeguarding their ability to run own internal affairs without consulting EU unless unable to achieve national objectives unilaterally; and</li> <li>6. introduced concept of ‘EU citizenship’.</li> </ol>
Corfu Treaty	1994	Allowed Austria, Finland, and Sweden to join EU in January 1995, and paved way for Norway’s accession (though it has never joined).
Amsterdam Treaty	1997	<p>Arose out of 1996 Intergovernmental Conference (IGC) convened by heads of EU states.</p> <p>Extended rights of EU citizens in relation to:</p> <ol style="list-style-type: none"> <li>1. consumer protection;</li> </ol>

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2. fight against crime and drugs; and
  3. environmental protection.

Treaty also introduced Charter on Fundamental Workers' Rights.

Britain, Ireland, and Denmark opted out of common EU immigration/asylum policy, leaving rest to form Schengen Group, which UK declined to join in 2000. Its name referred to the **Schengen Agreement**—signed in two stages, in 1985 and 1990—abolishing border controls between participating nations.

Helsinki Summit

1999

Removed existing system under which notional target dates set for accession of specific countries to EU membership. From now on, any country meeting conditions would be eligible for swift entry.

*Agenda 2000, For a Stronger 2000 and Wider Europe*

Document proposing blueprint for onward development of Community in twenty-first century. Many provisions intended to prevent future disagreements

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between members like those provoked by discussion of EMU, proposed common defence policy, and CAP. Also signalled attempt to set firm rules for acceptance of new countries. Among its stipulations were:

1. any new country wishing to join EU must meet economic and political criteria for membership and adopt *acquis communautaire*—laws and policies of EU—before being accepted;
  2. redefining CAP and ‘structural funds’ used to ensure equitable socio-economic infrastructure across Europe;
  3. expressing then Commission’s view on proposed accession to EU of central/eastern European states; and
  4. proposing new budgetary framework for EU, with initial proposals for
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Nice Treaty	2000	<p data-bbox="1011 145 1307 293">Community-wide budget ‘not exceeding 1.27% of EU’s GNP’.</p> <p data-bbox="916 324 1307 801">‘Proclaimed’ EU Charter of Fundamental Rights (conflation of principles outlined in preceding European Convention on Human Rights—see 1.1.1.1). Charter’s 53 ‘Articles’ not legally binding, but expressed shared set of aims, including:</p> <ol data-bbox="963 831 1307 1451" style="list-style-type: none"> <li data-bbox="963 831 1307 920">1. equality between men and women;</li> <li data-bbox="963 949 1307 1039">2. fair and just working conditions;</li> <li data-bbox="963 1068 1307 1216">3. workers’ rights to collective bargaining and industrial action;</li> <li data-bbox="963 1245 1307 1335">4. public rights to access EU documents; and</li> <li data-bbox="963 1364 1307 1451">5. right of elderly to life of ‘dignity’.</li> </ol> <p data-bbox="916 1480 1307 1733">Consensus emerged that EU’s main governing institutions would have to change over time for following reasons:</p> <ol data-bbox="963 1762 1307 2065" style="list-style-type: none"> <li data-bbox="963 1762 1307 2065">1. arrival of twelve potential new members meant they needed votes in Council of Ministers, own EU</li> </ol>
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		<p>commissioners, seats in EP, and judges;</p> <p>2. reunification of Germany, following 1990 fall of Berlin Wall; and</p> <p>3. impact of EU enlargement on asylum, immigration, and economic migration.</p>
Göteborg Summit	2001	<p>Focused on perceived conflict between EU membership and Irish Constitution, particularly regarding province's neutrality. Around same time, Ireland voted 'No' in referendum on EU membership. Another controversy stemmed from realization of larger member states that enlargement might result in reductions in funds they received from EU.</p> <p>1.</p>
Enlargement of the Union	2004	<p>Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia, Malta, and Greek Cyprus joined EU.</p>
Enlargement	2007	<p>Romania and Bulgaria joined.</p>

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European Union Reform Treaty ('Treaty of Lisbon')	2007	<p>Succeeded short-lived 'EU Constitution'—abandoned after being rejected in French and Dutch referendums. 'Lisbon Treaty' also rejected by Ireland (initially), but eventually came into force in December 2009. Main provisions were to:</p> <ol style="list-style-type: none"> <li>1. make Charter of Fundamental Rights legally binding;</li> <li>2. extend role of directly elected European Parliament;</li> <li>3. introduce permanent president of European Council to replace 'rotating presidency' and formally recognize Council as fifth EU governing institution; and</li> <li>4. give EU legal status as single entity capable of signing international treaties with other institutions or bodies.</li> </ol>
Enlargement	2013	Croatia joined.

The EU's evolution can best be charted with reference to the treaties and summits that paved the way for it to become the hugely influential entity it is today. The most significant stages in the EU's evolution are outlined in Table 9.1.

Of all treaties listed, the British government found it most difficult to ratify ‘Maastricht’ (see later in this chapter). It was not alone: in its own 1992 national referendum, Danish citizens rejected it and their government only squeaked it through eleven months later, after negotiating ‘opt-outs’ from two of its key provisions: economic and monetary union (EMU) and then moves towards a common European defence policy.

## 9.3 The main EU institutions

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As with almost any subject, the most newsworthy EU stories have tended to arise out of conflict and division. Notwithstanding ongoing wrangles over the Union’s future direction and scope, many contentious issues have emerged from day-to-day deliberations of the EU’s five principal governing institutions:

- European Commission (EC);
- European Parliament (EP);
- Council of the European Union (Council of Ministers);
- Court of Justice of the European Union (CJEU); and
- European Council.

Each institution is chaired by its own president, elected or appointed in a distinct way.

### 9.3.1 The European Commission

Formed in 1951 and based in Brussels, the **European Commission** is the EU's civil service and executive rolled into one. It employs 25,000 staff working at various levels across more than thirty 'departments and services', known as *Directorates-General*.

Each Directorate-General is headed by one of twenty-eight commissioners (one from each member state, appointed for a five-year period). Meetings are chaired by one of their number, elected president by the European Parliament (on the recommendation of the European Council, or Summit). The president chairs meetings of the Commission much as a prime minister sitting in Cabinet. Although the Council of Ministers, composed of representatives from each member state's government, takes most final decisions on major political developments and structural changes in the EU, the Commission is responsible for *initiating* policy. It does this in much the same way as national policy is originated through Cabinet government, with commissioners sitting around a table developing ideas for prospective legislation.

What makes the Commission more controversial is that none of its members is elected; rather, all are 'proposed' (nominated) by the governments of their native countries. The fact that they are chosen by democratically elected politicians arguably gives them some degree of legitimacy, but they are not directly answerable to the European citizens whose lives their proposals affect. This perceived lack of accountability was famously described in a 1980s pamphlet as a 'democratic deficit' by Liberal Democrat MEP Bill Newton Dunn.

The Commission issues its policy proposals in three broad guises: regulations, decisions, and directives. Both regulations and directives must be scrutinized by the European Parliament and Council of Ministers before they can be enacted, but this is where any similarity between them ends. Regulations are EU-wide laws similar to British primary legislation, which, once passed in Council, will automatically apply in all member states. Directives are broader 'end results' that must be achieved in each state, but it is left up to individual members to decide how to implement them. Decisions, meanwhile, are binding laws (akin to private Bills in the UK—see 2.4.1.1) used to impose

conditions or confer rights on individuals or authorities in a particular state: e.g. forcing a government department to issue new guidelines to local authorities on road signage or recycling.

Not that policies devised by the Commission are automatically a done deal: contrary to popular myths about ‘Brussels diktats’, elected MEPs have ample opportunity to scrutinize and even reject them, and the final say on new regulations rests with the Council of Ministers. Moreover, although it has far greater political clout than the British Civil Service—which is merely tasked with implementing government policy ‘on the ground’ once Parliament has approved it—the Commission also fulfils this basic administrative function.

In addition, the European Parliament may dismiss the Commission in exceptional circumstances—although, curiously, it is prevented from removing individual commissioners and must instead sack *all* of them. This scenario has arisen more than once. In March 1999, the Commission, under then President Jacques Santer, resigned en masse following publication of a damning report into its alleged nepotism. Although it stopped short of suggesting that any commissioner was directly involved in corrupt practices, the 144-page report, by five independent ‘wise persons’, singled out former French Prime Minister Edith Cresson for her ‘dysfunctional’ organization and favouritism in staff appointments.

Although unelected, commissioners are invariably experienced politicians or public figures who have previously served in senior positions in their home countries. Until the EU’s membership expanded from fifteen to twenty-five states in 2004, the countries with the biggest populations—Britain, Germany, France, and Italy—had two each, with smaller states having just one. Among those who served in this capacity were former Labour leader Neil Kinnock, who was Commissioner for Transport, and the late Sir Leon Brittan, an ex-Conservative Home Secretary. Former Northern Ireland Secretary Lord Mandelson became Britain’s first single Commissioner in 2004 (overseeing trade), but after being recalled to the British Cabinet in Mr Brown’s second reshuffle he was replaced by Baroness Ashton of Upholland four years into his term. Following implementation of the Lisbon Treaty in December 2009, the Commission was dissolved and reconstituted, and Lady Ashton was

elevated to the newly created role of **High Representative for Foreign Affairs and Security Policy** (and one of seven vice-presidential positions). Her swift promotion was interpreted by some in the media as a consolation prize for Britain in the wake of the EU's 'snub' to former Prime Minister Mr Blair's designs on the first permanent 'EU presidency'. At time of writing, Mr Cameron's appointee, Lord Hill, had recently quit as Baroness Ashton's successor, in response to the outcome of the June 2016 'Brexit' referendum. Lord Hill, who had held the then newly created brief overseeing financial stability, financial services, and capital markets, was replaced by Sir Julian King, Britain's former ambassador to France, in one of Mr Cameron's final acts in office. While there may have been a sense of déjà vu about some aspects of Sir Julian's new role—he was put in charge of organized crime and counter-terrorism (an echo of Baroness Ashton's responsibilities)—a pointed 'mission letter' by EC president Jean-Claude Juncker emphasized that none of the powers of existing commissioners would be handed to the new incumbent. This means that overarching authority over security policy remains with the home affairs commissioner (currently Dimitris Avramopoulos), who continues to represent the Commission in the European Parliament and Council of Ministers.

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Enduring controversy over the Commission's composition, powers, and privileges has led to repeated attempts to reform it. Its mammoth expenses bill is often cited as a concern for EU taxpayers, and terms like 'Brussels bureaucrats' and 'gravy train' are staple clichés in Britain's tabloids. Expenses were somewhat addressed in the 1999 report and subsequent reforms, and in proposals for several further changes in early drafts of the 'Lisbon Treaty'. These were to have included a reduction in the number of commissioners, with only two-thirds of member states being represented at any one time from 2014 and seats distributed fairly on a rotating basis. However,

Ireland's initial rejection of Lisbon in its 2008 referendum prompted the European Council to take the executive decision to retain the existing 'one member, one commissioner' system for the foreseeable future, by way of a peace offering to it and other smaller nations. The European Council's ability to do this was itself formalized by Lisbon, which gives it the right to alter the number of commissioners unilaterally at any time, subject to unanimous approval by its members.

The Commission's present composition is outlined in table 9A to be found on the **Online Resource Centre** that accompanies this book.

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### 9.3.2 The European Parliament

Although the **European Parliament** is the one directly elected EU institution, until recently it had considerably less influence on law-making than either Commission or Council of Ministers.

Traditionally, it has tended to be *consulted* on decisions, rather than taking them itself, rather like a giant House of Commons select committee, rather than a legislative assembly per se. For this reason, it has often been caricatured as a supine talking shop. However, Maastricht gave it the ability to *reject* legislation it disliked, according it 'joint' legislative status with the Council of Ministers in certain areas, under a process known as 'co-decision'. Briefly, this works as follows: the Commission will pass a proposal for a new regulation or directive to the Parliament, which then expresses its opinion at a 'first reading'. If the Council approves of this opinion, the 'law' is passed; if not, it will deliver its own verdict to the EP, together with an accompanying explanation. The

Parliament then enters a ‘second reading’ stage, at which it can either approve the Council’s changes (in which case the law is passed), amend them, or reject the law outright. All the while, the Commission will also be giving its opinions on suggested amendments and, if it rejects any, the Council must vote to approve the amended law unanimously, rather than by a majority. If, on the other hand, a stalemate between the Parliament and Council lasts more than three months, the presidents of the two institutions may convene a conciliation committee, made up of equal numbers of MEPs and Council members, to broker a compromise.

This drawn-out, to some overly bureaucratic, approach to law-making—renamed the ‘ordinary legislative procedure’ (OLP) under Lisbon—used to exist in relation to only a few areas, such as health, culture, science, sport, and some aspects of asylum policy. But Lisbon extended it to most others—including agriculture, transport, and decisions over how to allocate European structural funds. The Parliament also has powers to legislate in relation to the smooth operation of the ‘eurozone’ and, crucially, veto the EU budget. And (subject to agreement with the Council of Ministers) it may take action over other aspects of economic policy: in July 2010, the Parliament passed legislation capping bankers’ bonuses. Since January 2011, upfront cash bonuses have been limited to a quarter of the total (or 20 per cent for ‘particularly large’ bonuses), with 40–60 per cent deferred. In a move designed to deter excessive risk-taking by bankers, the rules also stipulated that at least half the total bonus should be paid as ‘contingent capital’—meaning that it would be the first money to be called upon in the case of future debt or liquidity problems. On 1 January 2014, new rules were also introduced to cap bonuses at no more than 100 per cent of bankers’ annual salaries, or twice that level if shareholders explicitly approved after being approved by the Parliament.

Despite its title, when originally christened in 1958, the EP’s representatives were not elected at all, but appointed—one by each member country. But, since 1979, it has been fully elected. By the time of its first election, the number of representatives—today known as **members of the European Parliament (MEPs)**—had increased from 142 to 410.

The current membership numbers 751. Elections are held every five years and, prior to 1999, were conducted on a ‘first-past-the-post’ (FPTP) system analogous to that used in UK general elections (see 4.2.1). The European Parliament Act 1999 changed this by introducing proportional representation (PR), generally based on the party list system. Parties are now awarded a number of seats proportional to their share of the vote.

Britain is currently divided into twelve European electoral regions (including Northern Ireland, which uses the Single Transferrable Vote/STV—see 4.5.2). Each region returns between three and ten MEPs, depending on its population. There are seventy-two British MEPs altogether (down from seventy-eight since the recent enlargements): fifty-nine in England, six in Scotland, four in Wales, and three in Northern Ireland.

Like the Commission, the European Parliament has its own president, elected by absolute majority in a secret ballot of members for renewable two-and-a-half-year terms, and its principal base is in Brussels, where it sits for three weeks a month. For the other week, its members travel to Strasbourg in France, convening in an identical chamber (a long-time cause of controversy, given the relocation costs involved).

As in Britain’s Parliament, MEPs sit in political groupings reflecting their ideological affiliations, rather than regional or national delegations.

Following the June 2015 formation of a new alliance of right-wing parties, the Europe of Nations and Freedom (ENF), led by Marine le Pen’s Front National, There are currently eight political groupings. At the time of writing, though, fifteen MEPs remained ‘non-attached’ (‘non-inscrit’).

The groupings sit at designated points around the ‘hemispherical’ (semi-circular) parliamentary chamber, according to their notional position on the Left–Right political spectrum. Communist MEPs will therefore sit to the far left of the central seat occupied by the Parliament’s president, while fascists and extreme Right parties occupy seats on the far right.

To be recognized as a legitimate grouping (and, since 2011, entitled to additional funding), an interparty alliance needs to number at least twenty-five MEPs from a minimum of seven member states. The current political groupings are:

- European People's Party (EPP)—215 members;
- Progressive Alliance of Socialists and Democrats (S&D)—189 members;
- Alliance of Liberals and Democrats for Europe (ALDE)—67 members;
- The Greens/European Free Alliance (Greens/EFA)—50 members;
- European Conservatives and Reformists (ECR)—74 members;
- European United Left/Nordic Green Left (EUL/NGL)—52 members;
- Europe of Freedom and Direct Democracy (EFDD)—46 members; and
- Europe of Nations and Freedom (ENF)—39 members.

While Britain's Labour Party has long been part of the socialist grouping, after much internal debate the Conservatives acted on a long-standing promise to pull out of the centre-right EPP after the June 2009 European elections. Mr Cameron, who had made this pledge a central plank of his 2005 campaign for the party's leadership, announced the formation of the European Conservatives and Reformists (ECR): a Eurosceptic alliance including several 'extremist' parties, among them Poland's Law and Justice Party (which draws much of its support from ultra-conservative Catholics) and Latvia's Fatherland and Freedom Party, which counts among its members former recruits to Hitler's Waffen SS. The Tories' decision to quit the EPP earned it barbs from centre-right European leaders including then French President Nicolas Sarkozy and German Chancellor Angela Merkel.

EP administrative functions are overseen by yet another layer of EU bureaucracy: a 'bureau' run by the president, fourteen vice-presidents, and five 'quaestors' (civil servants responsible for

accounting matters directly affecting MEPs themselves). All these officials are elected, like the president, for two-and-a-half years at a time.

### 9.3.3 The Council of Ministers

The **Council of the European Union** (or **Council of Ministers**) is the single most powerful EU institution. Comprising departmental ministers from each of the twenty-eight member states, its precise composition varies according to the issue being debated on a given day. If the Council is debating health policy, a health minister from each member state will attend, while discussions about crime, policing, and security will involve interior ministers (in Britain's case, the Home Secretary or another Home Office minister).

The Council has ten 'configurations', reflecting the broad policy areas under its jurisdiction:

- General Affairs;
- Foreign Affairs;
- Economic and Financial Affairs;
- Justice and Home Affairs;
- Employment, Social Policy, Health, and Consumer Affairs;
- Competitiveness;
- Transport, Telecommunications, and Energy;
- Agriculture and Fisheries;
- Environment; and
- Education, Youth, Culture, and Sport.

Although policy ideas are often proactively proposed by the Commission, all but the most minor must be formally approved by the Council to make them 'law'. To this end, it is supported by a

related institution, the Committee of Permanent Representatives (COREPER), comprising civil servants or ambassadors seconded from each member state (and itself backed by another 150 committees and working groups).

All Council meetings are chaired by a senior politician (normally the president or prime minister) from the country currently holding the rotating EU presidency. Britain last held the presidency in 2005. In view of the need for continuity emphasized by this rota, the Council has its own dedicated civil service: the General Secretariat of the Council.

### 9.3.3.1 Qualified majority voting (QMV)

The voting system used in the Council is complex and, as such, warrants its own section, given its importance in determining the direction of EU policy.

Unanimous approval by member states is normally required to pass major decisions with implications for the future of the EU—such as whether to admit additional countries into the Union. The annual confirmation of the EU's Budget also traditionally requires unanimity. Since Maastricht, however, an increasing number of (often significant) decisions have been agreed through a process known as **qualified majority voting (QMV)**. As its name suggests, the premise of QMV is for policy agreements to be reached without the need for every member state's approval—that is, on a majority basis. This majority system is 'qualified', however, in two respects:

- Member states are not accorded an equal say in the Council; rather, the number of votes allocated to each is weighted to reflect its population size, giving some countries greater clout than others.
- A simple majority system (like that which determines whether Acts are passed in the UK Parliament) used to require only one more 'Yes' vote than the total number of 'No' votes, but this system was later amended to stipulate that decisions needed the backing of 74.8 per cent of weighted votes in the Council (258 out of 345), representing 62 per cent of the EU's population (on the request of a member state). As of 1 November 2014, the bar has been

raised even higher, though, and today a ‘qualified majority’, requires a ‘double majority’ to be achieved for a motion to be carried. In other words, at least 55 per cent of member states (fifteen countries), representing 65 per cent or more of the EU’s population, must have approved it—with a minimum of four states needing to join forces to block it. The rationale behind this new variant of QMV is that it is ‘fairer’ both to larger and smaller countries: by weighting decisions to take account of both states with large populations and the sovereign voting rights of *individual* countries, no matter how small. Although this system is now firmly established, between 2014 and 31 March 2017 any member state was still within its rights to request that the old one be used.

Of the bigger states, France, Britain, Germany, and Italy presently have the most votes, with twenty-nine apiece. The least populated country, Malta, has just three. The overall breakdown of vote allocations under QMV is spelt out in table 9B to be found on the **Online Resource Centre**.

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Perhaps unsurprisingly, QMV remains divisive. Some smaller states continue to complain of having policies foisted on them—regardless of their views—by more heavily populated ones. Eurosceptics, meanwhile, see the absence of a ‘one member, one vote’ system as evidence that individual countries are increasingly being subsumed within an embryonic ‘European superstate’, rather than treated as a confederation of independent (and equal) countries.

### 9.3.4 The Court of Justice of the European Union (CJEU)

Established in 1952, the **Court of Justice of the European Union**—formerly the European Court of Justice—is the EU’s supreme legal institution. Unlike other bodies, it is based in Luxembourg City, but like them it has its own president (appointed by fellow judges on a renewable three-year term).

Again like the other key EU institutions, the Court comprises twenty-eight members: one judge per member state. For practical reasons, a maximum of fifteen judges will usually hear a case at any one time, sitting as a ‘grand chamber’. The judges are assisted by eleven *advocates-general*: lawyers tasked with presenting to them impartial ‘opinions’ on individual cases. Judgments are made in a collegiate way and must be unanimous.

Judges are nominated by the member states from which they hail, on renewable six-year terms. Six advocates-general are nominated by the biggest EU member states—Britain, France, Germany, Italy, Spain, and Poland—with the others rotating in alphabetical order between the remaining twenty-two. Under Lisbon, it is possible for eleven advocates-general to be enlisted, if the Court requests this.

The Court may be required to pass judgment in a variety of circumstances—for example, if there is evidence that a member state has not implemented a treaty or directive or if a complainant alleges that a governmental institution, non-government organization (NGO), or commercial business has in some other way broken EU law.

Areas of EU law covered include:

- free trade and the movement of goods and services in the EU single market;
- employment law and the European Social Chapter;
- competition law (cartels, monopolies, mergers, and acquisitions); and
- public sector regulation.

In practice, it is unusual for a case involving an individual or small group of individuals to go before the Court of Justice itself. And even when a case *is* heard in this way, this will often be by a smaller

chamber of three or five judges. Only in exceptional cases (such as when an EU commissioner is alleged to have seriously failed to fulfil his or her obligations) will it ever sit as a grand chamber, and even then only as a quorum of fifteen judges—rather than the full complement of twenty-eight.

In lesser cases, hearings are convened by a junior body established in 1988 to deal with the growing number of routine complaints being generated as the EU extended its influence: the General Court (until Lisbon, the ‘Court of First Instance’). Today this boasts thirty-eight judges (at least one from each member state) and a president appointed by them for renewable three-year terms. Again, cases may either be heard by smaller chambers (of one, three, or five judges) or, if legally complex, a grand chamber of fifteen. Unlike the main Court of Justice, however, the General Court has no advocates-general, so a judge from among its own number is sometimes nominated to this role. A ‘judge-rapporteur’ will also be appointed to oversee proceedings and draft a provisional judgment—to be deliberated on by the judges—after hearing representations from complainant and respondent.

The General Court’s responsibilities encompass the following policy areas:

- agriculture;
- state aid;
- competition;
- commercial policy;
- regional policy;
- social policy;
- institutional law;
- trademark law; and
- transport.

It has the authority to impose various penalties, as outlined in table 9C to be found on the **Online Resource Centre**.

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Judgments by the General Court are subject to appeals to the Court of Justice. In addition to the General Court, two further courts exist to deal with more specific cases: the Civil Service Tribunal, which handles complaints about maladministration by EU employees, and the Court of Auditors, which oversees its accounts.

For individual member states, the extent to which European law can be said to take precedence over national legislatures, judiciaries, and (where relevant) constitutions has been a subject of intense interest and ongoing debate. In recent years, however, a series of landmark Court judgments have pointed towards a growing sense that the EU holds supreme. In 1999, Mr Blair's government faced a compensation bill of up to £100 million after the ECJ ruled that Margaret Thatcher had broken European law by passing a 1988 Act intended to ban Spanish trawlermen from using UK-registered boats to fish in UK waters—a practice known as 'quota-hopping'. The final judgment in this case, known as *Factortame* (after the name of one of the 100-plus Spanish fishing companies that brought the original action), came only after a decade of legal ping-pong between London and Luxembourg.

Several 'test case' rulings have focused on the scope of EU employment law—in particular, the extent to which commercial companies and other non-government organizations can be bound by it. In the 1986 case *M. H. Marshall v. Southampton and South-West Hampshire Area Health Authority*, Ms Marshall sued her employer after being dismissed from her job on reaching the then State Pension age for women (sixty). She argued that this contravened the 1976 Equal Treatment Directive, because men were not expected to retire before the age of sixty-five and the Directive

created rights that could be enforced ‘horizontally’ between individuals. The then ECJ ruled against this interpretation—stipulating that directives generally applied only ‘vertically’ (that is, through the aegis of the specific individuals or organizations at whom they were directed). However, there was a silver lining for Ms Marshall: because the health authority employing her was ‘an organ of the state’ (meaning that it was bound by the Directive on a vertical basis), she still won her case.

Some judgments have proved so momentous that new legal concepts have been named after them: in 1991, a group of Italian workers who lost their jobs when their employer became insolvent successfully sued the country’s government for failing to implement the 1980 Insolvency Protection Directive, which would have guaranteed them compensation. The ECJ’s ruling in favour of the workers established the principle of member states being liable for compliance with EU law by all bodies based on their soil, including private companies. This has been christened the ‘*Frankovich* principle’ (after the surname of one victor).

But not all ECJ rulings have gone the claimant’s way, and some outcomes suggest a rather less clear-cut balance of power between UK courts and the EU. In the 1974 case *Van Duyn v. Home Office*, the ECJ found in favour of Britain after a Dutch national, Yvonne Van Duyn, sued under the Treaty of Rome for being denied entry to the country because she was a practising Scientologist. The Court ruled that member states could bar individuals on the basis of their ‘personal conduct’ if this conflicted with national ‘public policy’ objectives—and UK policy was to prevent the spread of Scientology. More significantly, in 1993, the German judicial system successfully asserted its supremacy over the EU in internal constitutional matters. In *Brunner v. the European Union Treaty*, the German Constitutional Court ruled that it was for it alone to determine whether European laws, and the powers conferred on individual Union institutions, were compatible with Germany’s constitution. And, in a warning similar to Mr Cameron’s refusal to cede any further powers to the EU without consulting the British public first, it ruled that the country would not be bound by any interpretation of the Treaty that extended the Union’s overall remit (or *kompetenz*), or any laws

subsequently adopted by the EU that increased its existing powers—unless German law decided such laws should apply.

### 9.3.5 The European Council

For many years referred to as the ‘European Summit’ (to avoid confusion with the Council of Ministers), the **European Council** finally gained official status as an EU governing institution in the Lisbon Treaty. Composed of heads of state or government of all member states, it meets up to four times a year, usually in the Justus Lipsius Building in Brussels: headquarters of the Council of Ministers.

The Council is today chaired by a full-time, ‘permanent’ **president of the European Council** selected by members for up to two terms of two-and-a-half years. The present incumbent, former Polish prime minister Donald Tusk, was due to end his first term on 31 May 2017.

Under new rules, presidents must now reflect the political complexion of the European Parliament at any given time. Previously, chairmanship of the Council rotated between member states, with individual heads of government taking it in turns to hold it for six months at a time, in tandem with their parallel presidency of the Council of Ministers. While the European Council has no legislative power (unlike its near-namesake), a member state may complain formally to it if it disputes a decision taken in the Council of Ministers, under ‘emergency brake’ procedures. The Council may then choose to settle the matter by holding its own vote—giving it what some observers see as the ultimate veto over disputed EU policy. Since Lisbon, it has also been charged officially with mapping the EU’s overall future strategic direction.

In February 2016, Mr Cameron negotiated a partial ‘emergency brake’ for Britain, in his frantic efforts to appease Eurosceptics over one of the most contentious aspects of EU policy, ahead of the then impending referendum (see 9.7): the ‘free movement’ of people (and, specifically, mobility of labour) between member states. Right-wing critics, including the United Kingdom Independence Party (UKIP), elements of the press, and many of his Tory colleagues, had long argued that the

influx of economic migrants from poorer EU states over previous years had been motivated, in part, by the supposed generosity of Britain's welfare system (see Chapter 7). To allay concerns about 'benefit tourism', Mr Cameron secured permission to restrict access to in-work benefits for new migrant workers for up to four years—but only in circumstances when inward migration had been of 'exceptional magnitude' and 'over an extended period of time'. His attempt to portray the deal as a breakthrough was further undermined by other caveats—including the fact that the new arrangements apply to *all* EU states (not just Britain) and can only be invoked at times when a sustained inflow of foreign workers is shown to have damaged 'essential aspects' of a country's social security system; put 'exceptional pressure' on its public services; or caused problems in its employment market.

## **9.4 Evolution of the euro**

Moves towards some form of single European currency quietly fermented for decades. But what started out as the seed of an idea in the minds of European commissioners in the late 1960s took some thirty years to reach fruition.

### **9.4.1 The exchange rate mechanism (ERM) debacle and 'Black Wednesday'**

The first tentative moves towards economic and monetary union (EMU) in the EU began in 1979, when, in an effort to curb inflation, encourage trade, and stabilize exchange rates between individual member states, it introduced the *exchange rate mechanism (ERM)*. The ERM was based on the idea of fixing narrower margins between which the relative values of individual states' currencies would be permitted to fluctuate—effectively 'pegging' one country's exchange rate to another's. Before the ERM, bilateral exchange rates between EU states were based on the European currency unit (ecu), a 'virtual' European currency traded in stock markets. As a condition of EU membership, states were required to contain fluctuations in the value of their currencies within a 2.25 per cent margin either side of their bilateral exchange rates (except Italy, which was allowed a variance of up to 6 per cent).

The Maastricht Treaty envisaged the European monetary system (EMS) moving towards full monetary union in three stages, as set out in table 9D to be found on the **Online Resource Centre**.

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As with many EU innovations, Britain was slow to sign up. It finally did so in 1990, when Mr Major was Chancellor, but his successor, Norman Lamont, pulled out dramatically on 16 September 1992, after a panic-stricken day of stock market speculation and interest rate hikes.

‘Black Wednesday’—as it came to be known—arose out of the unsustainable position of the British currency (the pound sterling) during the months after the country signed up to the ERM. Throughout much of the 1980s, Margaret Thatcher’s Chancellor Nigel Lawson had ‘shadowed’ the German Deutschmark when deciding whether to raise or lower interest rates to maintain sterling’s value. By September 1992, this had had the effect of valuing sterling unrealistically high compared to the US dollar. Because many British exports were valued in dollars, not sterling, the UK was potentially losing considerable income from overseas markets by allowing the gap between dollar and pound to widen. But with Britain pegged to the ecu in the ERM, there was limited room for the Chancellor to ‘devalue’ sterling (as he otherwise might have done) to remedy this.

The approaching crisis reached its tipping point when US speculators, including billionaire George Soros, began frenziedly borrowing pounds and selling them for Deutschmarks in mid-September, in the belief that sterling was about to be devalued and that they could therefore profit by repaying their loans at deflated prices. This prompted Mr Lamont to raise interest rates from 10 to 12 per cent on 16 September alone (with the ‘promise’ of a further increase, to 15 per cent, later the same day), to stop sterling’s value falling too far by tempting speculators to buy pounds. But, apparently disbelieving him, speculators continued selling pounds in anticipation of a slump in value.

With sterling plummeting as a consequence, at 7 p.m. Mr Lamont withdrew Britain from the ERM: freezing temporarily interest rates at 12 per cent, rather than raising them to the promised 15 per cent. During the course of a single day, he had spent billions of pounds of foreign currency reserves propping up the pound. By the time the Conservatives lost to Labour five years later, the ultimate cost to the taxpayer of ‘Black Wednesday’ was £3.3 billion, according to Treasury papers released in 2005. The Tories’ previous reputation for economic competence was dealt a body blow by the events of that day, from which it took years to recover.

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## 9.4.2 The launch of the euro and growth of the eurozone

The **euro** (€) has existed in ‘non-physical’ form—in the guise of travellers’ cheques, electronic transfers, etc.—since 1 January 1999, but it officially came into being on 1 January 2002, when the **European Central Bank (ECB)** in Frankfurt began issuing notes and coins in the twelve EU member states that had signed up to join. At the time, there were only fifteen EU states, and membership of the euro has since been extended to include seven of the additional thirteen countries admitted through enlargement: Malta, Cyprus, Slovenia, Estonia, Slovakia, Latvia, and Lithuania (the newest member, having joined on 1 January 2015). Of the ‘original’ fifteen EU members, Britain, Sweden, and Denmark are the only three to have resisted joining. Both Swedish and Danish populations have rejected the single currency in national referendums (the latter twice), and the former has since circumvented any pressure from ‘eurozone’ states to make a fresh attempt to join them by failing to adhere to the ‘convergence criteria’ that countries are expected to meet before being accepted into the euro.

The main convergence criteria, designed to promote price stability across participating states, require an applicant to achieve the following:

- an inflation rate no more than 1.5 per cent higher than that of the three lowest-inflation member states of the EU;
- a ratio of no more than 3 per cent between annual government deficit and gross domestic product (GDP) at the end of the preceding tax year;
- a ratio of gross government debt to GDP no greater than 60 per cent at the end of the preceding tax year (although it is sometimes acceptable to approach this target);
- membership of the successor to the original ERM—‘ERM II’—for at least two consecutive years without at any point simultaneously devaluing the applicant’s currency; and
- nominal long-term interest rates no more than 2 per cent higher than that of the three lowest-inflation EU member states.

At time of writing, the nineteen countries in the eurozone were (in alphabetical order): Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain. In addition, several European states outside the EU now using the euro—Monaco, San Marino, and Vatican City—have all signed formal agreements allowing them to issue their own euro coinage, while Andorra has a monetary agreement with the Union allowing it to do so, and aspiring EU members Kosovo and Montenegro have adopted it as their official currency, but without any formal recognition allowing them to mint coins.

Britain has always remained a refusenik. Mr Major’s government negotiated an ‘opt-out protocol’ before belatedly signing Maastricht—removing any obligation on its part to move from stage two to stage three of EMU. Mr Blair repeatedly promised to hold a referendum before committing the UK to the single currency (of which they was thought to be broadly in favour). In

practice, however, any hope of doing so was thwarted by the insistence of his Chancellor, Mr Brown, that Britain would have to meet five (somewhat nebulous) ‘economic tests’ before it was safe to sacrifice the strength of sterling to the untested vagaries of the euro.

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### 9.4.3 The ‘sovereign debt crisis’

Because several EU member states have yet to join the single currency, the Union has often been described as a ‘two-speed’ Europe. Until recently, many observers argued that (whatever their preferences) a time would one day come when Britain and all other member states outside the euro would be forced to join—if only to retain their influence at the negotiating table over other issues affecting the Union.

However, tumultuous recent events in the eurozone sparked by sovereign debt crises in several member states—notably the dismissively termed ‘PIGS’ economies of Portugal, Ireland, Greece, and Spain—only sharpened opposition to joining within Britain’s political establishment. Sparked, in part, by the 2008–9 banking collapse (see 7.3.4), there have been so many twists in this escalating emergency that it is impossible to give a definitive account of it here. Nonetheless, it would be remiss not to include a broad overview of the origins of the crisis and its most immediate ramifications.

In May 2010, the euro was plunged into the biggest slump in its short history after first Greece, then several other EU states using the single currency, became the subject of intense concern over the extent of their ‘sovereign debt’: the individual budget deficits they had accumulated following the global financial meltdown and (in some cases) their previous levels of borrowing.

Trouble began in Greece, where a package of austerity measures unveiled by the then government provoked a wave of wildcat public sector strikes and violent demonstrations. Financial ratings agency Standard & Poor's swiftly reduced the status of the country's government bonds to 'junk'. To contain Greece's downturn—preventing it from having a knock-on effect on the euro and, by extension, other states' economies—on 2 May the eurozone countries teamed up with the International Monetary Fund (IMF) to offer the country an unprecedented €110 billion (£93 billion) loan bailout, on condition that it imposed harsh domestic spending cuts. Within a week, though, a further massive cash injection was required to stabilize the euro. This saw Europe's finance ministers collectively approve a loans package worth £624 billion aimed at ensuring financial stability across Europe by shoring up the sixteen states by that point struggling to service their debts. In one of his last actions as Chancellor, Labour's Alistair Darling signed off the deal—committing Britain to providing between £9.6 billion and £13 billion to support a new £95 billion 'stabilization mechanism' designed to stop individual countries' economies collapsing.

In ensuing weeks, governments in a succession of other eurozone states, including Spain, Portugal, and Italy, began implementing similar austerity. But as international money markets indicated a new wariness towards the previously unassailable euro, the crisis came closer to home, as Ireland had to accept a joint €85 billion (£71 billion) bailout by the IMF and the eurozone countries.

The following two years saw more bailouts—and further waves of painful austerity in states forced to accept them. In unprecedented scenes, two countries paralysed by their deepening debt problems, Greece and Italy, formed temporary governments led by so-called 'technocrats': unelected officials with extensive professional experience of working in the financial sector, but no democratic mandate. Central to the often fraught negotiations among member states—including Britain and others outside the euro—was the question of how far the country with the strongest economy, Germany, was willing to 'prop up' those in crisis to avoid collapse of the eurozone. At various stages, the idea was mooted that Greece (the state in the weakest financial position) might be forced to 'default' on its debt, or even withdraw from the euro and/or EU altogether. This would allow it to

devalue in the hope of boosting export areas, such as tourism and shipping, in which it had a ‘comparative advantage’ (defined in economics as goods or services that a country can afford to produce at lower marginal costs than its competitors).

At the height of the sovereign debt storm, in December 2011, eurozone members led by Germany and France proposed a twin-pronged strategy for limiting the likelihood of future financial crises on the scale of that which had begun three years earlier. The first element was a new **Fiscal Compact**, which (although boycotted by Britain and the Czech Republic) now effectively allows the ECB to vet individual member states’ national budget plans. Officially entitled the ‘Treaty on Stability, Coordination, and Governance in the Economic and Monetary Union’, the Compact requires all signatories to introduce into their domestic laws formal requirements that future governments keep their annual budgets in balance or surplus. Any state breaking this pledge will be fined 0.1 per cent of its GDP by the ECJ. The Compact was eventually ratified by sixteen signatories (four more than the required twelve) and came into force in those states on 1 January 2013. The second element of this eurozone ‘firewall’ would be a EU ‘financial transaction tax’ (FTT), which, if enacted according to the EC’s proposals, will see a charge of 0.1 per cent imposed against the exchange of shares and bonds, and 0.01 per cent against derivatives contracts transacted between financial institutions in all signatory states. The FTT has, however, been the subject of protracted, and ever more tortuous, negotiations and legal challenges—notably from the UK, whose financial centre in the City of London, critics argue, could be disproportionately affected by it, despite Britain’s refusal to sign up to the levy. It was the proposal to raise some €57 billion a year through the FTT, more than the planned Compact, that prompted Mr Cameron to stage his equally celebrated and derided ‘walkout’ from negotiations in December 2011. At time of writing, agreement appeared to be as elusive as ever on the timetable for implementing a FTT, or indeed what form it would finally take, following repeated postponements of its introduction—the latest taking it to at least September 2016. Nearly seven years down the line, meanwhile, the underlying sovereign debt crisis is far from over. Though it is widely agreed that a certain amount of stability has finally returned to the eurozone, one long-

term reform still favoured by some member states (but viewed cautiously by Germany) is for an additional bulwark against future financial collapse to be introduced, in the form of a eurozone-wide 'banking union' to supplement the extant financial one. This would offer centralized deposit insurance guarantees, bank regulation, and mechanisms allowing for future failing banks to be recapitalized, if necessary, from joint eurozone funds.

## **9.5 Towards an EU 'superstate'?**

The EU-related concern that has preoccupied Britain's political classes more than any other over the years has been the perceived shift over time from what was once little more than a trading alliance between fully independent nation states towards a closer, more all-embracing 'political' union akin to the United States of America. By the late 1980s, the perception that many mainland European countries (particularly France and Germany) wanted to create a 'European superstate' or 'United States of Europe' was meeting staunch resistance from Mrs Thatcher and other Eurosceptic ministers to almost any prospect of further UK involvement. Famously, during a 1990 Commons debate on then EC President Jacques Delors' plans to accelerate EU integration, she declared 'No, no, no'.

Although, as leader of the Opposition, Mrs Thatcher had supported the 'Yes' campaign for Britain to remain in the then EEC, by the end of her premiership she saw things differently. Not only had the pace of integration accelerated by that point, but the likes of Mr Delors and German Chancellor Helmut Kohl were championing ever-closer ties between member states, with the contents of the Maastricht Treaty a particular concern. High-profile resignations by pro-European Cabinet colleagues, such as Chancellor Nigel Lawson and Foreign Secretary Sir Geoffrey Howe, did little to dent her resolve. It was the Tories' growing internal rift over Europe as much as the Poll Tax riots that led to her ultimate downfall (see 3.1.3.4).

Despite producing a more mild-mannered replacement, the ensuing leadership election failed to heal party wounds. Mr Major did much to placate his Eurosceptic colleagues: in particular, negotiating British opt-outs to various clauses in Maastricht, notably the Social Chapter enshrining

new rights for EU workers, including the Working Time Directive barring employers from forcing staff to work more than forty-eight hours a week (later signed by Mr Blair).

But such fillips to the Right could only delay an inevitable confrontation over Maastricht (which effectively *had* to be signed if Britain were to remain in the EU). By May 1992, having just secured a narrow fourth successive Tory victory, Mr Major was effectively held to ransom by a hard core of Eurosceptic backbenchers, known collectively as the ‘Maastricht rebels’. Only by temporarily withdrawing the whip from these MPs, forging a fractious alliance with the Ulster Unionists and Democratic Unionists, and threatening his party with a further election (which it would almost certainly have lost) did he force through the European Communities (Amendment) Bill on a wafer-thin majority. Among those actively rebelling from the backbenches were bullish former Employment Secretary Lord Tebbit and one Mrs Thatcher. In addition to the usual suspects, such as stalwart Eurosceptic Bill Cash, the rebels included no fewer than three future Coalition ministers: David Willetts, Liam Fox, and Iain Duncan Smith.

It was to be a dozen years or more before the furore over Maastricht came close to being matched: this time over another supposedly ‘red-line’ proposal, the draft 2004 Constitutional Treaty (dubbed the ‘EU Constitution’ by critics—see 9.5). Though ultimately supplanted by the Lisbon Treaty, of all EU agreements this putative deal was the one that most clearly enshrined the concept of **subsidiarity**: the *antithesis* of **federalism**, the US-style multi-state system of government so feared by the defenders of British sovereignty. The EU definition of subsidiarity defines member states as paramount and the Union as only a ‘last port of call’ should individual countries’ self-determination falter. The Constitutional Treaty also set out, for the first time, practical exit strategies for states keen to withdraw from the EU altogether. Nonetheless, under mounting pressure from the Tories and his own backbenchers, Mr Blair promised a referendum on it if he were to win a third term in the 2005 election (although, by then, his pledge was redundant, as both France and the Netherlands had, by then, already rejected it).

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Lisbon (to all intents and purposes a rewrite of the ill-fated ‘Constitution’) also proved divisive. Yet, after months of pressure from his own backbenchers and a Commons debate lasting twelve days, Mr Blair’s successor, Mr Brown, formally settled the issue in February 2008 with a slim victory approving ratification on a three-line whip. With twenty-nine Labour MPs defying the party whip by backing a referendum, it was only then Liberal Democrat leader Nick Clegg’s decision to whip his MPs into abstaining (rather than opposing the government) that carried the day for the prime minister. In doing so, he angered some in his own ranks: three frontbenchers resigned and fifteen voted for a referendum, despite his using a three-line whip to discipline them. While Lisbon ultimately had a smoother passage than the abortive Constitution, Britain was not the only country to have trouble ratifying it. On 13 June 2008, the only EU nation granted a referendum, Ireland, rejected it by 53.4 to 46.6 per cent (paving the way for a failed last-ditch attempt by Tory peers to delay it in the Lords). Facing the threat of isolation or, worse, expulsion from the EU, Ireland finally approved the treaty in October 2009. But it was not until December that year—eighteen months after it had been signed by EU leaders—that it came into force.

## 9.6 Other issues facing the EU

Before turning to the question of the UK’s decision to leave the EU, it is worth giving some space to a brief consideration of some of the contentious issues relating to its membership—aside from those, like monetary union, we have already examined. The most significant are summarized in Table 9.2.

**Table 9.2** Major issues facing Britain’s membership of the EU

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Issue	Explanation
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Common Agricultural Policy (CAP) and the British rebate

CAP takes biggest annual chunk of EU Budget—equivalent to 44% of spending each year. Mrs Thatcher negotiated generous yearly rebate for Britain from CAP and other subsidies in late 1980s, because UK receives less than more farming-dependent states. In December 2005, Mr Blair accepted £1bn annual cut in Britain's £3.6bn rebate following row with French President Mr Chirac that briefly paralysed EU Budget negotiations. His opponents argued that increased subsidies from richer western European countries were needed to help new members: e.g. ex-Soviet countries.

Common Fisheries Policy (CFP)

Long-standing protection of European fish and seafood stocks using 'quota' system for fishing rights, allocated among relevant member states. In mid-1990s, frequent confrontations occurred between Britain and Spain over 'quota-hopping': Spanish trawlers' alleged practice of fishing in British waters using boats registered under third-country 'flags of convenience', so they could exceed Spain's quota. Many UK trawlermen scrapped boats because of strict quotas introduced in British waters.

Common Defence Policy

Concept of greater cooperation over defence formally introduced in Maastricht. Idea of EU 'Rapid Reaction Force' designed to intervene swiftly if member state threatened or invaded still on table.

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Economic migration

EU expansion to encompass former Eastern Bloc countries led to more economic migration from poorer to richer countries, fostered by free movement of labour enshrined in various treaties. Community relations and public services strained in some areas—creating tensions between migrants and indigenous peoples. In 2007, Britain became first member state to introduce new restrictions on migrant workers from two newest EU entrants: Bulgaria and Romania (removed in 2014). Curbs on free access to NHS and ‘emergency brake’ allowing government to limit in-work benefits for new migrants negotiated by Britain.

Transatlantic Trade and Investment Partnership (TTIP)

Modelled on existing Trans-Pacific Trade Partnership (TPTC) between United States and twelve Pacific Rim countries, this proposed deal would introduce new US/EU-wide free trade zone. Still under prolonged negotiation, it would cover three broad areas: access to markets for US and EU firms; regulation; and other rules and principles underpinning trade within and between the two blocs. Critics warn TTIP could prioritize profit and economic growth over environmental protection, and some fear it could promote further privatization of public services, like the NHS (see Chapter 6), by forcing them to operate like other free markets and enabling firms to sue for loss of

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contracts and access to those restricted to government and/or charitable providers.

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## 9.7 Brexit

In hindsight, Britain's impending departure from the EU has been a long time coming. As much of this chapter has demonstrated, UK governments—representing an island state located on the far north-western fringes of the European continent—have generally been lukewarm, if not decidedly frosty, in their dealings with the Union. And this ambivalence is hardly unreciprocated. Decades after those infamous tussles between Macmillan and de Gaulle, and Mrs Thatcher's run-ins with Mr Delors, member states' collective response to the 2016 referendum result was most memorably symbolized by EC president Mr Juncker's quip that, while Britain's exit was unlikely to be 'an amicable divorce', the years of its membership had hardly been a 'tight love affair'.

But how and why did the referendum come about in the first place—and what does the short- to medium-term hold for Britain, now that the country has voted to go it alone? Though it is impossible to give any kind of definitive account of the origins of 'Brexit' in a book of this nature, it would be fair to attribute it, in large part, to the longstanding divisions within the Conservative Party over the pace and trajectory of EU integration in recent decades. Back in the 1990s, at the time of the Maastricht debacle (see 9.5), these divisions had been framed primarily around questions of sovereignty: specifically, the perceived erosion of the primacy of the Westminster Parliament by increasingly assertive EU institutions. But by the time the Tories returned to power in 2010, after thirteen years of Labour government, this issue had been eclipsed by another factor which, if anything, proved even more of an influence on the eventual outcome of the European 'debate': immigration or, to put it correctly, economic migration (otherwise known as freedom of movement/mobility of labour). During the intervening years, Conservative Eurosceptics had been emboldened by the growing fear of losing ground to Nigel Farage's UKIP. By gradually insinuating itself into the political mainstream, UKIP had successfully mobilized an unholy alliance of flag-waving 'little Englanders' from the Tory shires and disaffected white, working-class voters (many of

them former Labour loyalists) who had come to feel buffeted by a toxic mix of global market forces and competition from migrant workers for the same (often scarce) jobs and public services. In short, UKIP's time had come. What had started out as an anti-EU protest movement redolent of the short-lived Referendum Party that helped send several prominent Tories packing in 1997 had, by 2010, transformed itself into a formidable (if often unruly and outrageous) electoral force.

While in coalition with the Europhile Lib Dems, it proved impossible for Mr Cameron to stage the 'in-out referendum' he had long mooted as a means of silencing his party's Eurosceptics (whatever the result). Having pledged to do so in his 2015 manifesto, however, no such get-out clause awaited him when the Tories unexpectedly clawed their way to a slim parliamentary majority that May. Although it only managed to secure a single seat in the general election itself (for Douglas Carswell, one of two ex-Tory MPs who had defected the previous year), UKIP was by this point Britain's biggest party in the European Parliament, having surged from third place in 2009 to win twenty-four seats to Labour's twenty and the Tories' nineteen in 2014. Not only that: its Westminster candidates had come second to Labour in a string of formerly solid northern strongholds and, within a year, it would boast a total of 488 local councillors and seven Assembly members (AMs) in the Welsh Assembly (including the Tories' own disgraced ex-minister, Neil Hamilton—see 1.1.1.1).

By May 2015, then, the die was cast, and all that remained was for the government, under the watchful eye of the Electoral Commission (see 4.4.1), to set a date and ground rules for the now-unavoidable vote. Yet, if anyone naively hoped this might be a smooth and uncontroversial process, they were sorely mistaken. From the moment the starter pistol was fired on the (initially informal) referendum campaign, deep divisions began to be exposed not only in Tory ranks, but also in Labour's and even UKIP's—both about the question of Britain's continued EU membership itself and the manner in which campaigning should be conducted. Even after the Commission finally decided on two 'official' camps—'Remain' (fronted by Mr Cameron himself) and 'Vote Leave' (led by his supposed friends, ex-London Mayor Boris Johnson and then Justice Secretary Michael Gove)—the field was cluttered by a torrent of competing, and conflicting, voices. Anxious to avoid a

repeat of its electorally disastrous decision to share the podium with prominent Tories in the run-up to the 2014 Scottish referendum (see 1.3.3), Labour launched a separate ‘In’ campaign of its own, chaired by former Cabinet minister Alan Johnson: the clunkily titled ‘Labour In for Britain’. Its efforts were somewhat undermined, however, by the decision of fellow former party bigwigs Harriet Harman and Ed Balls to break ranks by appearing on the campaign trail alongside Mr Cameron and Mr Osborne respectively. To add to the confusion, a handful of Labour *Eurosceptics*, including Vauxhall MP Kate Hoey, unveiled an opposing faction, ‘Labour Leave’—even as her parliamentary colleague, Gisela Stewart, was hosting joint press conferences with Messrs Johnson and Gove. Meanwhile, the long-term architect of the whole exercise, Mr Farage, had to play second fiddle to the *official* ‘Out’ campaign by launching his own ‘anti-establishment’ effort: ‘Grassroots Out’.

The bewildering, and ill-disciplined, nature of the rival/opposing alignments was reflected in the equally befuddling (and frequently bad-tempered) tone and content of the referendum ‘debate’. With ‘In’ campaigners warning of dire peril for Britain’s economic stability if it left the EU single market, ‘Outers’ sloganized about the need to ‘take back control’ of the country’s destiny, while cautioning about the risk of its being swamped with migrants should it opt to stay. If truth be told, *neither* side distinguished itself with a very positive vision of the country’s future should their campaign succeed.

The rest, as they say, is history—at least to the extent that, on 23 June 2016, in a 72 per cent turnout, the British electorate voted to leave the Union, by a margin of 51.9 to 42.1 per cent; Mr Cameron resigned as prime minister, to be swiftly replaced by Theresa May; and Labour descended into a bitter internal feud, sparked by allegations about its leader’s half-hearted contribution to the ‘In’ cause, that may well resurface in future. But, though the immediate decision has been taken, so many questions remain about the precise timing (and nature) of the UK’s departure from the EU that the shape of its ongoing relationship with Europe (and the wider world) seems far from certain. Indeed, by November the road to departure looked more thorny than ever, thanks to a High Court judgment upholding a demand by investment manager Gina Miller, London-based hairdresser Deir Dos Santos, and the crowd-funded People’s Challenge group that Parliament must be consulted in a

formal vote before ministers are authorized to invoke Article 50. The ruling was a constitutional milestone, in that it upheld the principle that parliamentary sovereignty, in the end, trumps the Executive's exercise of prerogative powers (see 1.1.1.1). Although ministers' immediate reaction was to set in train an appeal to the UK Supreme Court, at time of writing 'Remainers' from all parties were urging them to abandon this costly challenge, in light of confirmation that Scotland and Wales's most senior law officers, the Lord Advocate and Counsel General for Wales respectively, would be allowed to participate in any such hearing. This raised the prospect of Northern Ireland, too, being represented, in addition to an unlikely further party: the Independent Workers' Union of Great Britain, which represents freelance, agency, and low-paid migrant workers, and was formally permitted to take part at the same time as Wales and Scotland. At time of writing, ministers were preparing a simple, three-line Bill to authorize the Article 50 process if all else failed. Given the constitutional quagmire they would otherwise face, this looked the most viable option – particularly after a further lawsuit was launched, weeks after the first, by a group of lawyers going under the name British Influence. They argued that, by including only a single question on the referendum ballot paper, ministers had failed to give voters a say on the UK's future in the single market itself.

Assuming all goes to plan, Mrs May aimed to introduce a 'Great Repeal Bill' during the 2017-18 parliamentary session, to formally end the Union's authority over the UK in one fell swoop on the day Brexit finally occurs, by converting all EU provisions into British law. The 1972 European Communities Act, which originally paved the way for Britain's accession, would be repealed at the same time. Beyond this, though no one can predict exactly how 'Brexit' will turn out in the end, it is possible to sketch out some broad alternative scenarios—and it is to these that we now turn.

### **9.7.1 Britain joins the European Economic Area (EEA) and retains access to the single market**

For all her clarity on entering Downing Street that 'Brexit means Brexit', and her stated determination to invoke Article 50 by the end of March 2017, Mrs May has since faltered in setting out how she will achieve an exit deal that preserves as many of the economic benefits of EU

membership as possible, while somehow sidestepping the UK's previous obligations. Central to this conundrum is the long-cherished ideal of so-called 'soft' Brexiteers that Britain might be allowed to opt out of the free movement of peoples (thus curbing inward migration), while retaining full or partial access to the 'single market': tariff-free reciprocal trade of goods and services between states.

Opinion is divided, however, about whether this is an option: while Mrs May's new 'Brexit Secretary', David Davis, has suggested a 'generous settlement' along these lines can be negotiated, her Chancellor, Philip Hammond, has repeatedly stated that Britain will be forced out of the single market, even if it can subsequently negotiate more or less equitable access to the trading bloc as a partner in the **European Economic Area (EEA)**<sup>[AM5][J6]</sup>. Established by the European Economic Area Agreement in 1992, the EEA is effectively an extension of the single-market region, and currently encompasses three countries that are members of the European Free Trade Association (EFTA), rather than EU: Liechtenstein, Iceland, and Norway. The fourth member of the EFTA, Switzerland, has a unique relationship with the EU, enjoying access to the single market while also restricting incoming migrants, following a 2014 referendum in which its population rejected free movement (though it has repeatedly been told to re-stage this vote, as the result breaches the terms of its deal).

Although forging a relationship along these lines should theoretically be a formality, the sticking-point (as with Switzerland) is likely to be whether it agrees to the *quid pro quo* for renewed single-market access: continued acceptance of EU free movement rules, but without the ability to any longer *influence* those rules, as a non-member. Given that the scale of immigration from fellow member states was a decisive factor in the referendum result (net EU migration to Britain was 184,000 in 2015), this would prove a difficult deal to 'sell' to a wary public. Yet Switzerland and Norway's dealings with the EU—for long years held up by Eurosceptics as a model of how Britain might forge a rosy European future outside the Union—have been predicated on such arrangements. Moreover, 2014 figures produced by independent think tank Open Europe show that net inward EU migration to Switzerland has been much higher than that to Britain in recent years (hence that year's

referendum). As of 2013, EU citizens accounted for 15.6 per cent of the Swiss population—nearly four times as many as the 4.2 per cent of Britain’s populace made up of non-UK EU nationals. Moreover, the price of retaining single-market access could be high: contrary to repeated claims by ‘leave’ campaigners that quitting the EU would save Britons billions of pounds each year, as the UK will no longer need to contribute to its budget, EEA states in fact pay substantial annuities to the Union. Analysis published by Open Europe in October 2015 showed that Norway makes a net per capita contribution to the EU of 107.4 Euros, compared to 139 Euros for each UK citizen.

### **9.7.2 Britain leaves both EU and single market and enters new bilateral trade partnerships**

Were the prospect of securing ongoing single-market access only in return for continued acceptance of largescale EU migration to prove too politically unpalatable for ministers, the other obvious alternative would be for Britain to broker what has come to be known as a ‘hard Brexit’ option: i.e. forging its own bilateral, or multilateral, trade deals. Given its comparative advantage in some specialist hi-tech industries and, especially, financial services, in theory this should be feasible. Indeed, within days of his appointment, Mrs May’s International Trade Secretary, Liam Fox, told the *Sunday Times* in July 2016 that he was already ‘scoping out’ up to a dozen potential agreements. Among Britain’s most likely prospective partners, given the countries’ long-touted ‘special relationship’, would be the USA, while the so-called ‘Osborne Doctrine’ pursued by Mr Hammond’s predecessor saw the UK forge ever-closer ties with China—to the dismay of human rights campaigners and some in the security lobby. In September 2013, Mr Osborne announced plans to make China Britain’s second biggest trading partner (after the US) by 2025, while one of his final actions, in July 2016, was to sign a deal ensuring future UK nuclear power plants will be part-funded by Chinese investors. Though relations between Britain and Russia remain frosty following the latter’s 2014 invasion of Ukraine, there is also scope for other deals with individual ‘BRIC’ states (the acronym often used for the fast-developing economies of Brazil, Russia, India, and China).

### **9.7.3 Britain holds a second referendum-and votes to stay**<sup>[7]</sup>

Though the ‘spirit’ of the statute that paved the way for the 2016 referendum, the European Referendum Act 2015, suggested it would be legally binding, lawyers and campaigners on either side continue to dispute whether the ‘letter’ of the law actually *states* this—with prominent voices on the ‘In’ side arguing it should be treated only as ‘advisory’. A handful, including Labour backbencher David Lammy, have even suggested that Parliament should simply ignore the will of the people and resist pressure to invoke Article 50, in the ‘best interests’ of the country. Others, like fellow Opposition MP Mr Smith and former prime ministers Mr Blair and Sir John Major, have steered a middle way—arguing it would be legitimate to hold a second referendum, to re-confirm the ‘out’ vote, as soon as Britain has sight of a final ‘deal’ outlining what it will gain (and lose) on leaving the EU. Mr Farron even pledged that the Lib Dems would campaign on a ‘second referendum’ ticket at the 2020 election. If Britons declared they had changed their minds at that time, he argued, so be it.

#### **9.7.4 Britain leaves the EU (in whatever form)—but Scotland and/or Northern Ireland stay**

If, as expected, the UK does withdraw from the EU in due course, a question mark remains over whether the slim overall ‘Out’ vote is automatically binding on the two nations that voted to remain: Scotland and Northern Ireland. Several Scottish Nationalist Party politicians, including depute leadership hopeful Tommy Sheppard, have repeatedly mooted the idea of helping an alliance of pro-EU MPs block any government attempt to obtain formal backing from the Commons to invoke Article 50, if ministers fail to offer ‘special arrangements’ for Scotland. More seriously, perhaps, SNP First Minister Nicola Sturgeon has raised the prospect of the Scottish Parliament using its devolved powers to veto ‘Brexit’—though it is unlikely that the courts would regard this as constitutionally legitimate. More realistic, arguably, is the prospect of a further Scottish independence referendum in the event that ministers activate Article 50 without first trying to persuade the European Commission to let Scotland remain (as six out of ten Scots voters had hoped).

Though such a deal might sound far-fetched to some, in fact it has clear precedents: although the British protectorate of Gibraltar stands to leave the EU, having been consulted in the referendum,

several other UK territories (notably Jersey, Guernsey, and the Isle of Man) have never been in the Union, while Greenland, part of the state of Denmark, voted to leave the then EEC in 1985, though the rest of the country remained. Perhaps unsurprisingly, Northern Ireland's vote to stay in the EU (by 56 to 44 per cent) has also reopened thorny constitutional questions across the Irish Sea.

Although its First Minister, Democratic Unionist leader Arlene Foster (a 'leave' supporter), was quick to embrace the UK-wide result, her Sinn Féin deputy, Martin McGuinness, used Brexit as an opportunity to renew his party's call for the reunification of Ireland as a whole, citing concerns that Northern Ireland's departure would otherwise lead to new border controls between the province and the Republic of Ireland in the south, undermining tenets of the 'Good Friday Agreement' (see 1.3.5).

## **9.8 Other international institutions**

Though the EU is by far the most influential supranational organization of which Britain is (for now) a member, it would be remiss to conclude this chapter without briefly mentioning the other significant alliances in which it is involved.

### **9.8.1 The United Nations (UN)**

The **United Nations (UN)** is a global body set up after the Second World War with the stated aim of promoting peace, preventing future conflicts, and achieving international cooperation on economic, social, cultural, and humanitarian issues. Committed to solving disputes between nations by peaceful means, when it sends troops into countries this tends to be in a 'peacekeeping' capacity—to police borders, refugees, or aid routes, rather than engage in active hostilities.

Formally established in October 1945 and based in New York, the UN set out to avoid the perceived errors of its precursor, the League of Nations. The League—born out of the First World War—had imposed crippling reparations on Germany, in so doing contributing to the dire economic woes that fostered the popularity of Nazism. Initially founded by fifty-one states, today the UN

embraces 193—with the then newly created state of South Sudan welcomed into its fold in July 2011. The most senior UN official is its Secretary-General (until 31 December 2016, Ban Ki-Moon), and its main governing bodies are the *UN Security Council (UNSC)* and the *UN General Assembly*. The former is (as its name suggests) in charge of the security/military aspects of the UN's role. Decisions are taken by five permanent members—the UK, France, China, and Russia—and a further ten rotating members, elected by the UN's 'parliament', the General Assembly, every other year. As a mark of its seniority, each permanent member has the right to veto prospective UN actions. It was this fact that presented the biggest stumbling block to the Anglo–American campaign to win support for invading Iraq in 2003. Both then French President Jacques Chirac and his Russian counterpart, Vladimir Putin, refused to back any further resolution authorizing military strikes without conclusive proof that Saddam was stockpiling weapons of mass destruction (WMDs): the ostensible pretext for action. The General Assembly's primary purpose is to approve the UN's annual budget and drive collective policymaking by member states on areas requiring global cooperation, such as international aid and climate change. The UN also has a number of agencies, brief outlines of which are given in table 9E to be found on the **Online Resource Centre**.

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## 9.8.2 NATO

Founded in 1949 and based in Brussels, the **North Atlantic Treaty Organization (NATO)** is a *military* alliance, established against the backdrop of the Cold War between East and West. NATO comprises twenty-eight members—the United States, Canada, and several western European states—although since the Soviet Union's collapse it has also embraced several former Eastern Bloc nations.

The foundation-stone of NATO was the North Atlantic Treaty, the most oft-cited clause of which is Article V, which sets down the principle of ‘collective defence’. Its opening sentence reads:

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‘The Parties of NATO agreed that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all.’

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Article V was invoked in the aftermath of the 11 September attacks on New York, when the US government argued that the terrorist strikes on the World Trade Center amounted to a military attack on the country and therefore required a joint response from NATO members. There was some dispute about whether the usual rules applied, given that precise nationalities of some of the terrorists were not immediately known—making any decision to target a specific country in retaliation problematic. Having asserted an Al-Qaeda link, the United States argued that the Taliban in Afghanistan was principally answerable, since its then leader, the late Mullah Omar, was believed to be harbouring Al-Qaeda’s leader, Osama bin Laden. In the event, action in defence of the United States was authorized on 4 October 2001 (despite rowdy scenes in some meetings) and the alliance participated in two further related operations. Whether the US itself continues to abide by the rules of ‘collective defence’ in response to threats to its NATO allies over coming years remains to be seen, following US President Donald Trump’s recent criticisms of states that failed to pay their ‘fair share’ of its budget. NATO’s main governing body is the *North Atlantic Council (NAC)* and it, too, has a Secretary-General (since October 2014, former Norwegian Prime Minister Jens Stoltenberg). Operational decisions are taken by senior Armed Forces representatives on its *Military Committee*.

### **9.8.3 The Council of Europe**

Founded in 1949, the **Council of Europe** pre-dates the EU (with which it and its institutions are often confused) by two years. As such, it is the longest-running organization dedicated to promoting European integration and cooperation. It has forty-seven member states and aims to foster members' adoption of common legal standards and human rights. To this end its most famous institution is the **European Court of Human Rights (ECtHR)** in Strasbourg, and its most celebrated (if often disputed) achievement the European Convention on Human Rights (ECHR) (see 1.1.1.1).

### 9.8.4 The G8 and G20

The **G8**—or 'Group of Eight'—is not a formal body like many others in this list, but rather a forum comprising the world's biggest industrialized nations and military superpowers. Its membership is as follows: Canada, France, Germany, Italy, Japan, Russia, the UK, and the US. Even today, the group sometimes convenes in Russia's absence (as the 'Group of Seven' or G7)—and this has happened several times during the West's ongoing dispute with President Putin over his decision to annex the Crimea from Ukraine in 2014, following a referendum in the region supporting its return to Russian rule. The G7/8's origins date back to the economic turmoil created in Europe by the 1973 oil crisis—pitting the United States, Japan, Britain, and other western European countries against Arab nations aligned to the Organization of the Petroleum Exporting Countries (OPEC). And, aptly, it was another international economic crisis, the 2008–9 banking collapse, that saw it eclipsed in influence (and media coverage) by the then newly convened **G20** ('Group of 20'). Though the G20's material achievements have since been patchy, in the aftermath of the 'crash' it established an international *Financial Stability Board (FSB)*, charged with introducing a raft of measures to guard against future crises. Many of its proposals—including a global crackdown on 'tax havens' and the regulation of hedge funds and private equity firms—have, however, yet to materialize.

### 9.8.5 Global financial institutions

Long pre-dating the FSB, the *International Monetary Fund (IMF)* is tasked with maintaining/restoring stability in the global financial sector and preventing widespread recessions,

using mechanisms like exchange-rate agreements and short-term financial aid. One of its key roles since its formation in 1945 has been to loan money to countries experiencing temporary economic blips—borrowing funds from a pool contributed to by member states. The IMF today boasts 189 members, comprising all UN states bar North Korea, Cuba, Andorra, Monaco, and Liechtenstein.

Based, like the IMF, in Washington DC, *The World Bank* (or, to use its full title, International Bank for Reconstruction and Development) was set up on 27 December 1945. Its remit now mainly revolves around globally agreed ‘Millennium Development Goals’ to end child poverty and improve education and human rights for the poorest nations, yet it has encountered increasing hostility from some development charities because of the ‘conditionalities’ it imposes before agreeing to assist struggling states. Some see its criteria, typically involving market deregulation and/or privatization of state assets, as an attempt to impose a Western-influenced neoliberal economic model on nations whose indigenous institutions and sociocultural make-up do not sit easily with it.

Other noteworthy bodies include the *World Trade Organization (WTO)*, which promotes free and fair trade between nations, and the Paris-based *Organization for Economic Co-operation and Development (OECD)*, which allies a similar focus on global free trade with promoting human rights.

### 9.8.6 The Commonwealth of Nations

The vestiges of the one-time British Empire, today’s residual Commonwealth comprises fifty-three countries—most (but not all) former British colonies. Its current membership is outlined in table 9F to be found on the **Online Resource Centre**.

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## Topical feature idea

Britain's impending departure from the European Union has sparked concerns among EU economic migrants already living and working in the UK that they might be asked to leave the country once it has formally left. These fears have been stoked by Mrs May's refusal to confirm their long-term status and Brexit Secretary Mr Davis's suggestion that some could be deported. Mindful that there is a large Polish population in your paper's catchment area, your editor wants you to write a balanced backgrounder on this subject. How would you find firm statistics on the numbers of migrants living locally, and which sources would you go to for both sides of the migration debate?

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## Current issues

- **Negotiating Brexit** With the UK having opted out of the EU, Theresa May's government faces the having to negotiate a deal on its future partnership with the Union (and other states) that will give British companies and consumers favourable access to markets without forcing the country to accept conditions that undermine its decision to leave (e.g. free movement).
- **Further EU enlargement** Negotiations over Turkey's accession to the EU began seriously in 2004, but its questionable human rights record, particularly after President Erdogan's 2016 crackdown following a failed military coup, have slowed progress. Kosovo is currently lobbying for entry and looks set to be accepted before Turkey.
- **Controversy over TTIP** The EU and the United States are currently locked in ongoing negotiations over the terms of a putative Transatlantic Trade and Investment Partnership (TTIP), which would liberalize trade between the two economic blocs. Critics argue that one

consequence of the deregulation it envisages would be to allow private firms to force taxpayer-funded public services, like the NHS, to offer more contracts to commercial firms.

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## Key points

1. The European Union (EU) is a community of states initially formed to promote free trade, but which has developed cooperative policies on employment rights, asylum and immigration, and security and policing. It currently comprises twenty-eight (soon to be twenty-seven) members.
2. Eighteen EU member states share a joint currency: the euro. This is issued by the European Central Bank (ECB), based in Frankfurt.
3. There are four main governing EU institutions, each with a permanent president: the European Council; the European Commission; European Parliament; and the Council of the European Union (Council of Ministers). The last is the most powerful.
4. Membership of the Council of Ministers varies, depending on which issue is being debated (for example finance ministers attend if it is debating the economy). It votes using a system called qualified majority voting (QMV), weighted to give the biggest say to states with the largest populations.
5. Prosecutions under EU law may be brought to the Court of Justice of the European Union (CJEU), based in Strasbourg. Cases are normally held by its lower court, the General Court.

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## Further reading

Bennett, O. (2016) *The Brexit Club: The Inside Story of the Leave Campaign's Shock Victory*, London: Biteback Publishing. **Political journalist Owen Bennett's engrossing 'insider's account' of the tactics UKIP and other Leave campaigners used to swing the 2016 referendum.**

Geddes, A. (2013) *Britain and the European Union*, Basingstoke: Palgrave Macmillan. **Candid analysis of Britain's chequered history as a member of the EU.**

Kenealey, D., Peterson, J., and Corbett, R. (eds) (2015) *The European Union: How Does it Work?*, 4th edn, Oxford: Oxford University Press. **Fully revised edition of this invaluable introductory text for demystifying key EU institutions and their sometimes byzantine governing procedures.**

McCormick, J. (2014) *Understanding the European Union: A Concise Introduction*, 6th edn, Basingstoke: Palgrave Macmillan. **Leading introductory text to the history, institutions, and treaties of the EU. Latest edition includes a comprehensive assessment of the Lisbon Treaty and impact of EU enlargement.**

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