

# **Meeting the European Challenge**

*Proposals for the 1996  
Intergovernmental Conference*



**Policy Paper 19**

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# Summary

The 1996 Intergovernmental Conference represents both risks and opportunities for Britain. It risks the emergence of an inner group of European states - a hard core from which Britain would be excluded. Alternatively, it offers the opportunity to reshape the EU to fit the needs of a transformed Europe, extending prosperity, democracy and security throughout the European continent.

The Maastricht Treaty established new European level competences in the form of the “pillar structure”, new powers for the European Parliament, and the project for a single currency. When the Treaty was negotiated in 1991, it was agreed to defer reform of the institutional structure of the EU. This can no longer be postponed.

The key aims of Liberal Democrat policy for the IGC are:

† Reforming the European Union to empower its citizens and to reflect their rights and aspirations, adapting its institutions and policies and insuring that it can function in an enlarged community.

† Defending Britain’s national interest so that it is in the core group of EU members in a reformed structure, at the forefront of shaping a new Europe, rather than being relegated to a second tier through opt-outs.

† Securing for Britain a leading role in a more democratic, accountable and efficient European Union. A decentralised, federal Europe which becomes more relevant to the people of Britain and whose institutions command wide public confidence.

## The Liberal Democrat Approach

The next IGC is to be the instrument for building on the foundations of a new European structure. All the governments of Western Europe have been slow to react to the historic opportunity presented by the collapse of communism in central and Eastern Europe. Those states now look west to the EU and NATO as guarantors of their future stability and prosperity. Their successful incorporation into the family of open democratic states which constitutes the EU is a central British foreign policy priority.

Liberal Democrats recognise that in a decentralised European Union there is pooling of power: state sovereignty is shared in the Council and popular sovereignty in the European Parliament. Entrenched subsidiarity provides the means of achieving decentralisation; and legitimacy and accountability are the tools of governance. In essence we pool our sovereignty in the greater interests of the British citizen.

We are determined that changes proposed through the IGC have popular support. We propose that *if the IGC agrees to a new constitutional settlement within the EU states,*

*then Liberal Democrats believe that British people must be able to voice their support for the changes through a referendum.*

## **Institutional Reform**

Liberal Democrats are positive and practical about achieving reform of the EU's institutions. We believe there are real benefits - social, political and economic - to be obtained through working closely with our European partners. All our proposals for reforming the EU are designed to empower the citizen - to build an EU which reflects their rights, duties and aspirations. To this end Liberal Democrats envisage:

† Extending Qualified Majority Voting to all EC law-making except constitutional matters (such as enlargement and Treaty amendment) and the EU's financing system (including the UK rebate) as well as its overall budget ceiling.

† Enhancing the democratic role of the European Parliament through increasing the law-making role of the EP. We would extend co-decision to all legislative questions where QMV applies in the Council and simplify the EC's legislative process by reducing the procedures to three: codecision, assent and consultation.

† Improving the links between the work of national parliaments and the European Parliament to improve democratic scrutiny, especially in the fields of Common Foreign & Security Policy (CFSP) and Cooperation in Justice and Home Affairs (CJHA).

## **Common Foreign and Security Policy**

For Liberal Democrats, working with our European partners is vital to maintaining the peace and stability of the European continent, a condition recognised in over 50 years of British participation in NATO and WEU. In the post cold-war world, sharing a foreign and security policy with other members of the EU is entirely consistent with our work in NATO. A European defence policy is a recognition of the obligation on Europe to take greater responsibility for its own defence.

The institutional arrangements for the Common Foreign and Security Policy form part of the pillar structure of the EU. This means that they are wholly intergovernmental, with decisions taken by unanimity, making progress very slow and substance very feeble - a situation likely to be exacerbated with enlargement.

Liberal Democrats would:

† Allow decisions relating to foreign policy to be taken by QMV on implementation of "joint actions" once the principles of "common positions" have been approved by unanimity.

† Unanimity would be retained for decisions relating to troop deployment. British troops could only be sent into action by the British Government.

† Incorporate WEU, in the longer term, into the EU as its defence component. This would be complementary to NATO, rather than an alternative.

## **Cooperation on Justice and Home Affairs**

The Liberal Democrat approach to Cooperation on Justice and Home Affairs, the “third pillar”, is founded on a respect for the rights of citizens. Under the current system, the crucial areas of citizenship and immigration are still resolved at European level, outside the scrutiny of the European Parliament and without the protection of the European Court of Justice. The challenge for the IGC is therefore to ensure that decisions affecting the rights of citizens are undertaken openly and with a right to redress. Liberal Democrats would work to achieve this by:

† Absorbing the third pillar into the European Community, making decisions subject to the scrutiny of the European Parliament and the legal control of the European Court of Justice.

† Giving the Court of Justice powers to rule on the legality of decisions taken under Cooperation on Justice and Home Affairs.

† Allowing the Ombudsman of the European Parliament to examine cases arising from acts taken under the justice and home affairs pillar.

## **Economic & Monetary Union**

Liberal Democrats support the principle of Economic and Monetary Union as a logical extension of the single market and a necessary step in the development of the EU. We do not underestimate the challenges that achieving monetary union will present to Britain and to Europe. However, we are clear it is in Britain’s interests to participate as and when Stage III commences. Our policy is therefore one of economic realism matched with political commitment to monetary union.

# *Introduction*

**1.0.1 The 1996 Inter-governmental Conference presents both immense risks and immense opportunities for Britain. It risks the emergence of an inner group of European states - a “hard core” - from which Britain would be deliberately excluded. It offers the opportunity to reshape the EU to fit the needs of a transformed Europe, extending prosperity, democracy and security to the former communist states of central and south-eastern Europe. The Conference starts before the forthcoming British election, but is unlikely to finish until after a new government takes office. The approaches taken by both the Conservative Government and by its successor will significantly affect the package of policy priorities and institutional changes which will emerge some time in 1997 for ratification by member governments.**

1.0.2 The end of the cold war has altered the whole shape of Europe. The implications of this transformation for the EU - and for the pursuit of Britain’s interests within it - are profound. Three new members (Austria, Sweden and Finland) joined in January 1995, taking a Community originally designed for six states up to fifteen members. The European Council in Madrid in December 1995 agreed - with John Major’s strong support - to open negotiations with a dozen more states within six months after the end of the IGC. The EU may well therefore expand to more than 25 members within the next ten years, giving it borders with the Black Sea and Ukraine as well as with Russia. If its members manage this transition successfully, we will have constructed a stable and democratic European order. If we fail, new divisions will emerge between a prosperous Western Europe and unstable and insecure states to the east and south.

1.0.3 Enlargement carries unavoidable implications for EU institutions and decision-making. The retention of the national “veto” is one area of contention. Unanimous decisions among six governments - even among nine (after British entry in 1973) - were difficult, but not impossible to manage. Among twelve (after Greek entry in 1981, and Spanish and Portuguese in 1986) the likelihood of deadlock after long drawn-out debate was strong enough to persuade Margaret Thatcher, as Prime Minister, to agree in the Single European Act to a significant extension of decision-making by qualified majority voting. The larger the EU, the greater the need for carefully considered adjustments in EU institutions and decision-making rules to enable member governments to pursue common tasks efficiently and effectively.

1.0.4 The agenda of the IGC also includes a number of issues that were not resolved in the Maastricht negotiations five years ago. The organisation of common foreign policy interests and defence, through NATO, through the Western European Union (WEU) and through the EU was left to one side. This will need to be reconsidered before the 50-year review clause in the WEU Treaty comes into operation in 1998. Governments agreed to manage cooperation among police forces, intelligence services and interior ministries (such as the Home office) in a separate “pillar”, accepting that they would return to this question in 1996. The negotiators struggled unsuccessfully during the Maastricht IGC to address the problem of popular mistrust of the secretive processes of “Brussels”. The depth of public resistance to ratification, in country after country, has made issues of openness, democratic accountability and legitimacy even more important this time.

## 1.1 Britain's National Interest

1.1.1 Britain cannot opt out of Europe. Tying ourselves to America's coat tails or chasing after closer links with East Asia is not a realistic option. British foreign policy, now as for hundreds of years before the cold war, revolves first and foremost around relations with our neighbours on the European continent. The security and prosperity of Europe is integral to Britain's security and central to its interests and those of its people. Britain went to war in 1914 in a continental conflict which stemmed from regional rivalries in Bosnia. We refused to go to war to defend Czechoslovakia in 1938, but honoured our security guarantee to Poland the following year; Czech and Polish pilots in their turn made a crucial contribution to our national defence in the Battle of Britain. Our major defence commitment for the past fifty years has been to the European continent. Generations of British soldiers and airmen have served in Germany, while British ships have worked increasingly closely with their NATO allies in the North Sea, the Channel and the Mediterranean.

1.1.2 More than 60 percent of Britain's trade is with our partners in the EU; foreign investment flows into Britain in order to gain access to the EU's 370 million consumers within the Single Market. Millions of British students, tourists and business people cross the Channel, while their Dutch, French, German and Italian counterparts flow in and out of Britain. Hundreds of thousands of British citizens now own second homes on the European continent. Mrs. Thatcher's government changed our electoral law to allow the many British residents in Spain and France to vote in national elections.

1.1.3 Once before a Conservative Government misunderstood Britain's interests and allowed itself to be excluded from the development of closer European integration. In 1955-7 ministers persuaded themselves that negotiations to form an economic community were unlikely to be successful, and that Britain could if necessary dictate the terms on which it would be associated with whatever emerged. As a result of the arrogance and complacency in Westminster and Whitehall, the institutions and policies of the EEC were designed by other countries, before British ministers recognised how strongly it was in Britain's interests to join. Once again British

ministers are displaying a mixture of arrogance and complacency, strengthening the feeling in other European capitals that it would be easier to move ahead without such an awkward partner.

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**"The whole record of Britain's dealings with the Union is first to stay out of each stage and then to complain about the rules when it tries to join later"**  
**Samuel Brittan, Financial Times, 29 January 1996**

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1.1.4 Britain's influence over the agenda of the forthcoming IGC has been reduced by the Government's obstructive approach taken in preparatory discussions. Conservative ministers have placed appeasement of their Europhobe right-wing faction ahead of the pursuit of Britain's long-term interests in cooperating with our partners. British national interests cannot be successfully achieved in splendid isolation; xenophobic rhetoric, claims that we alone understand the issues at stake, simply antagonise governments with whom we have to work. The intelligent pursuit of foreign policy requires recognition that other governments have legitimate national interests of their own. Intelligent diplomacy is based on successfully combining our interests with those of others.

1.1.5 The British government which emerges after the next election will therefore start from a highly unfavourable position: half-way through the IGC negotiations, taking over from a Conservative administration which has prepared for the IGC inadequately and has done almost nothing to educate Parliament or the public about the issues at stake. This government's negative and aggressive style has built up a widespread resentment within our partner governments, which is likely to make it more difficult to get reasoned criticisms across. Preparations for the IGC have left many important questions unresolved, and some urgent issues off the agenda. The continued determination in Germany and France for a "core Europe" of five or six states, built around monetary union, does not fit easily with the pursuit of common policies among all member states in other areas. It is incompatible with the spirit of enlargement which will bring into the EU the other states of central and eastern Europe.

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**“... the Conservative and Liberal Parties declare that national sovereignty is not inviolable, and that it may be resolutely diminished for the sake of all the men in all the lands finding their way home together.”**

**- Winston Churchill. House of Commons European debate, 27 January 1950**

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1.1.6 There is a danger that distracted governments committed to contradictory objectives will cobble together a package of measures as unsatisfactory as that which emerged from

Maastricht; leaving the EU divided, and feeding popular discontent. Such an outcome would give the English Nationalists in the Conservative Party immediate pleasure. But it would do immense harm to British - and European - long-term interests. A more constructive approach from Britain would have helped to expose the underlying choices to be made.

1.1.7 The next British government, coming into the middle of negotiations under way, must show the leadership that has been so lacking or so long in Europe. It must explain to its own citizens what is at stake and persuade its partners that its priorities promote shared interests.

# ***The Liberal Democrat Approach***

**2.0.1 Liberal Democrats have two fundamental objectives in our approach to this IGC: to make a distinctive British contribution to the construction of a new Europe, and to make Europe more relevant to the people of Britain. We wish to secure for Britain a leading role in a wider, more democratic and efficient European community. We want the institutions of a wider and deeper Europe to become a model for other regions of the world.**

2.0.2 All the governments of Western Europe have been slow to react to the historic opportunity presented by the collapse of communist regimes in central and eastern Europe. All of the successor governments have looked west to the EU and NATO as guarantors of their future stability and prosperity. Their successful incorporation into the family of open democratic states which constitutes the European Union is a central British foreign policy priority. Progress in adapting EU institutions and policies to the requirements of enlargement is one of the most important tasks of the IGC.

2.0.3 Institutional reform of the EU is also essential to restore public confidence in Britain and in other countries. The plethora of committees and ministerial meetings through which the EU reaches its decisions is impossible for outsiders to understand. They are unnecessarily secretive, and largely unaccountable either to the European Parliament or to national parliaments. Procedures need to be simplified, priorities spelt out in language freed from Community jargon. Liberal Democrats look for a more effective EU, focusing on a narrower range of policy areas, with detailed regulation wherever effective returned to lower levels of government.

## **2.1 A Federal Britain in a Federal Europe**

2.1.1 Institutional reform in Europe is directly linked to constitutional reform within Britain. Our over-centralised national government, its parliament dominated by the executive, is also secretive and increasingly unaccountable. Public distrust for Brussels is paralleled within Britain by rising distrust for Westminster and Whitehall. Regional and local governments in other EU countries play a constructive part in European policy-making: cooperating across borders, promoting local and regional enterprise. The concentration of power in London has made Britain the most centralised state in Europe, with a Conservative government that resists sharing its authority either with its partners in the EU or with democratic regional or local government within Britain.

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**The current secretive and unaccountable system of decision-making where technocracy substitutes for democracy is indefensible**

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2.1.2 Liberal Democrats will work to develop a decentralised federal United Kingdom, within a decentralised federal European Union. This will be a European Union where state sovereignty is shared in the Council and popular sovereignty is given voice in the European Parliament. In federal structures power is spread democratically and accountably; decisions are best taken and policies are best administered at the lowest possible level. The current secretive and unaccountable system of decision-making where technocracy substitutes for democracy is indefensible. Liberal Democrats seek a more transparent federal structure that disperses

governance to where sovereignty actually resides - with the people.

## 2.2 Our Priorities for Europe

2.2.1 Britain has gained a great deal from European integration. There is peace in Western Europe, and there have been vast economic gains through membership of the EU. It has a population of 370 million consumers and is the world's largest trading block. The Single Market has enhanced competitiveness and increased investment. Working together with other partners, Britain has played its part in towards building a common foreign policy, solving environmental problems and combating international terrorism.

2.2.2 But much remains to be accomplished. Britain cannot go it alone. The political and economic stability of central and eastern Europe is a vital component of our own security. Unemployment is still much too high. The potential gains of the Single Market have not been fully realised. Fundamental reform of the CAP and the common fisheries policy are pressing. Action on improving the environment still has a way to go before our quality of life is improved.

2.2.3 Britain must take a constructive role at this IGC if it is to have effective control over events which have moved outside the reach of a single state acting alone. Liberal Democrats want to work with our partners for a Europe that:

‡ *Invests in people*, with economic measures to tackle unemployment and create jobs; providing opportunities through education and training, to making the most of the EU's combined resources.

‡ *Builds new bonds between the EU and its citizens*, restoring confidence in our institutions;

creating effective bodies capable of withstanding the pressures of further enlargement of the EU; ensuring that decision-making is more democratic and efficient; decentralising so as to allocate powers to the lowest effective level and coordinating policy to ensure that our joint efforts deliver greater progress than we could achieve alone.

‡ *Builds for the longer term*, addressing the problems of the Common Agricultural Policy; building a framework for stable, sustainable economic growth, through a single currency; reducing pollution and raising environmental standards; and combating international drug-trafficking, crime and fraud.

## 2.3 Legitimacy for Change

2.3.1 Progress in achieving our common European goals such as widespread reform of institutions or greater economic integration will require an increase in the pooling of sovereignty. This reality was reluctantly grasped by Mrs Thatcher when she agreed the Single European Act, and by John Major when he negotiated Maastricht. Large extensions in Qualified Majority Voting and a strengthening of the federal structures were undertaken through these treaties. However, they did not adequately redress the gap between the EU and its citizens.

2.3.2 Liberal Democrats are unambiguous about the need for Britain to take its rightful place in affecting the changes needed in Europe. We are determined to ensure that these changes have popular support: *if the IGC agrees to a new constitutional settlement within the European Union states, then Liberal Democrats believe British people have a right to voice their support for the changes through a referendum.*

# ***Institutional Reform***

**3.0.1 Liberal Democrats are positive and practical about achieving reform of the EU's institutions. We believe there are real benefits - social, political and economic - to be obtained through working closely with our European partners. Political reform is about enabling people to take part in effective decision-making over their own lives. This is the area where the EU must concentrate, and this is the challenge for the 1996 IGC. All our proposals for reforming the EU are designed to empower the citizen - to build an EU which reflects their rights, duties and aspirations.**

3.0.2 A European Union originally designed for six members is increasingly incapable of taking us into the next millennium. With the prospect of a future union of more than 25 member states, the forthcoming IGC will take place against the backdrop of enlargement. Its success will rest on whether or not its institutions have been rendered capable of meeting their primary aims: to improve the efficiency and effectiveness of the EU; to make its decision-making processes more transparent and less complicated; and to increase the legitimacy and accountability of European governance.

3.0.3 It is not easy for citizens to understand how the EU works. There is no simple text-book separation of powers; and the decision-making process is complicated by 27 different procedures. The European Parliament shares legislative authority with the Commission and the Council. Executive authority is shared between the Commission, Council and EU member governments. National parliaments in general, and the UK parliament in particular, have taken a limited role. The EU is further divided into a "pillar" structure, composed of firstly, the European Community, secondly, the Common Foreign and Security Policy, and thirdly, Cooperation in Justice and Home Affairs. Many decisions, particular in pillars two and three are taken by behind closed doors, secretly, by national ministers and civil servants. In sectors where decision-making has moved away from national parliaments, but has not yet extended to the

European Parliament, there is little accountability or parliamentary scrutiny to reduce the "democratic deficit".

3.0.4 The institutions of the EU must be made more democratic. Decision-making must become more transparent, so that citizens can understand the origins of laws affecting them and hold their politicians accountable. And where legislative decisions are taken at European level, these should fall within the law-making structure of the EC, rather than being taken through secret intergovernmental committees. Only those decisions that need to be taken at a European level should be taken by the EU - a need recognised through the application of subsidiarity.

3.0.5 The Conservatives do not share these aims. Given the Party's deep divisions, it is in their interests for government ministers to negotiate secretly; for our elected European parliamentarians to have little scrutiny over legislation; and for national bureaucrats to "gold-plate" legislation adding additional conditions under the guise that they originated in the EU. Labour also has historic divisions on the question of Britain's role in Europe. Its position on the IGC is increasingly similar to that of the Conservatives. Labour retains a fundamentally intergovernmental approach to reform of the institutional structure.

3.0.6 The Liberal Democrats see this IGC as making Europe more accountable and answerable to its citizens. The changes we envisage build on a range of policies we have advocated since the establishment of the EC. The broader approach would consist of:

- \* Reforming the inter-governmental three pillar structure.
- \* Opening up the Council of Ministers.
- \* Revising and extending Qualified Majority Voting.
- \* Extending co-decision for the European parliament.

## 3.1 The Council of Ministers

3.1.1 The Council of Minister represents the governments of the EU member states, and is its most powerful political institution. The Council meets, deliberates and decides behind closed doors. Invariably, when decisions that may be unpopular are arrived at, they are presented in terms of the national governments' domestic political slant, with no explanation of the actual position.

3.1.2 To increase openness in the Council, Liberal Democrats would:

† Ensure that, when acting as a legislative body, that the Council's proceedings are open.

† Subject government ministers to greater scrutiny through the Commons Select Committee system or through improved reporting to Parliament.

3.1.3 The extended network of committees of national officials under the Council, and the parallel network of advisory and implementing committees attached to the Commission, present further barriers to public understanding and accountability. We would work to simplify the structure, and to require national governments to report regularly to their parliaments on the activities of these committees and on national representatives who participate in them.

## 3.2 Qualified Majority Voting

3.2.1 Qualified Majority Voting (QMV) has generated more heat than light. It is clear that unanimous decision-making has not worked well due to the exercise by single states of their "veto" for changes they do not want. With enlargement to an EU of 20 or 25 member states, if unanimity were retained, decision-making could only result in a permanent state of paralysis for the EU. Urgently needed reforms, such as the consolidation of the Single Market, renegotiation of the Common Agricultural Policy, or improving the environment will only be achieved if there is a recognition of the value of persuasion rather than waving the national veto. It is in the British national interest to recognise that other states, our partners, have national interests too.

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**"We supported qualified majority voting for areas in which we thought it would be useful ... It has promoted one of our country's greatest successes in Europe - the development of the single market." - David Davis, Minister for Europe, House of Commons, 29 November 1995**

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3.2.2 Liberal Democrats regard the extension of qualified majority voting as sensible and necessary. Except constitutional matters (such as enlargement and Treaty amendment) and the EU's financing system (including the UK rebate) and "financial perspectives" which determine the level of overall EU spending, we propose that many decisions by the Council in the field of foreign policy should be taken by QMV - albeit with a "double majority" that is, of the vote of states and a majority of the EU's population.

## 3.3 The European Parliament

3.3.1 The European Parliament represents the interests of the citizens of the union. However, the EP's work is undermined by the extent to which the UK's first past the post electoral system adversely affects its composition by exporting our domestic electoral distortions. Liberal Democrats insist that British MEPs, like their counterparts in Northern Ireland, are elected as part of a proportional electoral procedure. We see no reason why the British citizen should not have access to fairer representation. We support moves towards a uniform electoral procedure throughout the EU for European elections.

3.3.2 With its democratic mandate, the European Parliament is the most appropriate body to represent the citizen in Europe and is the most effective body to call to account the other institutions of the European Union. The EP is the forum most able to bring the day to day workings of Europe closer to the nations, regions and peoples of the Union. To promote greater direct access by citizens to their European institutions, Liberal Democrats advocate enhancing the

democratic role of the European Parliament. Decision-making between the EU institutions is extremely complex with a plethora of different procedures by which the EP participates in the legislative process. These should be simplified and gradually reduced to three: codecision, assent and consultation.

3.3.3 The European Parliament works from three locations, Brussels, Strasbourg and Luxembourg. The choice of a seat for the European Parliament is currently an inter-governmental matter, often used as a bargaining chip by member states to win concessions in other areas of policy. We are convinced that the European Parliament itself should participate in decisions regarding its seat.

### **3.4 Involvement of National Parliaments**

3.4.1 Under Britain's antiquated constitutional arrangements, the Government dominates parliament to an excessive degree. The public's representatives cannot adequately hold the Executive to account over European policy, and Ministers are able to act without giving the Houses of Commons an opportunity to express an opinion. Improving the links between the work of national parliaments and the European Parliament will improve democratic scrutiny, especially in the fields of Common Foreign and Security Policy and Cooperation on Justice and Home Affairs, where many decisions are taken by committees of national bureaucrats. We propose:

† Joint committees of MPs and MEPs to exercise scrutiny in these areas.

† Requiring UK nominations for the Commission to be approved by the House of Commons.

### **3.5 The European Commission**

3.5.1 The European Union needs an effective Commission. The larger the EU, the more essential it will be to have an effective Commission to bring forward legislative proposals which can attract Community-wide support and to oversee the

implementation of EU policies. We seek to reform the Commission, not to dismantle it.

3.5.2 The challenge in reforming the Commission lies in adapting to change while retaining its strengths. These include the collegiate system where the statutory equality of each state is guaranteed through the allocation of at least one Commissioner. Liberal Democrats support:

† Retaining the principle that each member state should be represented on the Commission, but reducing the portfolios by dividing them among teams of Commissioners.

† Reinforcing the role of the European parliament with respect to confirmation of commissioners.

3.5.3 The Commission must be given the necessary resources to police and enforce EU policy. This is particularly important for ensuring a level playing-field for British business.

### **3.6 The Courts**

3.6.1 Liberal Democrats are committed to the rule of law. To be effective, laws must be enforced. We support the crucial role of the European Court of Justice in ensuring that EU laws are implemented and observed throughout all member states both by governments and by individual businesses and people.

3.6.2 We support the role of the Court of Auditors, which has responsibility for monitoring the EU budget of [figure here to show how small it is i.e. 1.3% of EU GDP]. It has done valuable work in exposing fraud, and seeking "value for money" in EU projects. The primary responsibility for action against fraud lies with the member states, which must devote more resources to improving internal fraud detection. The Court should also be given additional resources needed to continue this work in an integrated approach between European institutions and member states.

## **3.7 The Committee of the Regions**

3.7.1 The formation of the Committee of the Regions is an important first step in facilitating local government participation at European level. The Committee would benefit from a separate structure, autonomous from the EU's Economic and Social Committee. It is anomalous that appointees to the committee retain their places after losing their democratic mandate. We would work to ensure that Britain's CoR members resign their seats upon losing elections.

# ***Common Foreign & Security Policy***

**4.0.1 Liberal Democrats believe that European cooperation is vital to maintain the peace and stability of the European continent. Many issues of external security must be addressed at a supranational level or they will not be tackled effectively at all.**

**4.0.2** The primary objective of the European Community, to prevent war between the great powers of Europe, has been achieved to the extent that war between western European states is now inconceivable. Yet the European continent is in a state of greater instability than at any time in the last 50 years. The collapse of Communism has resulted in the shattering of certainties which, despite their evident demerits, provided a stable environment. The emerging democracies of eastern Europe now turn to the European Union to fill the gap. The new challenge for the EU is to fulfil its responsibility for securing the future security and stability of the European continent.

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**“... when you think of the defence of England, you no longer think of the chalk cliffs of Dover; you think of the Rhine. That is where our frontier lies”.**

**Stanley Baldwin, House of Commons, 1934**

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**4.0.3** Security and stability both in central and eastern Europe and in the Mediterranean depends upon the ability of EU members to develop constructive and common policies. Enlargement of the EU to include the new democracies is a British foreign policy priority which can only be achieved through common action. It is not a new shift in direction. Both Conservative and Labour governments have supported closer cooperation on foreign policy among EU members since the development of European Political Cooperation in the 1970's.

**4.0.4** Britain's defence policy and commitments have likewise been focused on the security of

Europe since the withdrawal from East of Suez 25 years ago. A quarter of the British army was stationed in Germany throughout the 1970s and 1980s; Germany, and now Bosnia, are currently our most important overseas military commitments. British forces have long operated in joint operations, even in integrated commands, with other European countries: in the British-Dutch Amphibious Force, in a number of NATO joint forces, in shared training operations with Germany and Italy for the RAF Tornado, and now also in the new Franco-British air wing. German tank crews have trained in Wales for many years; Dutch and Belgian ships have worked out of Portsmouth.

**4.0.5** Much of this constructive cooperation has been concealed by the Conservative Government, buried under nationalistic rhetoric. Liberal Democrats welcome cooperation with our European partners and would build further on it. The security of Europe *is* Britain's security. The most cost-effective way to maximise Britain's defence effort is through sharing facilities and equipment with our continental partners.

## **4.1 Towards a Stronger European Foreign Policy**

**4.1.1** The institutional arrangements through which EU governments coordinate foreign policy are inter-governmental, separated from the EC itself in the “second pillar” of the Maastricht Treaty, where decisions are taken in closed meetings. Foreign ministers have found it easy to adopt different styles before different audiences: cooperative in confidential meetings among West European governments, nationalistically combative when addressing their parliaments or party conferences. The weaknesses of the current procedures have been painfully exposed in the EU's approach to the conflict in former Yugoslavia. Policy-making by committee, without any concerted attempt to build a broader public consensus for common action across different

EU states, has made for public confusion and inter-governmental recrimination.

4.1.2 The integration of foreign policy goes to the heart of national sovereignty. The path to common foreign policy is therefore a long and difficult one. Governments have to carry popular consent with them collectively and individually, where major national interests and values are seen to be at stake. In an EU of 15, however, insistence on unanimity for all foreign policy decisions leads to hesitation or inaction - as the sobering experience of the EU's approach to the Yugoslav conflict has shown. Liberal Democrats therefore support relaxation of the unanimity rule to allow foreign policy decisions to be taken by "consensus minus one", that is, by preventing one member state from blocking the adoption of common positions by its partners. Once the principles of common positions have been agreed, we further support decision-making on the "joint actions" taken to implement them by qualified majority.

4.1.4 The Maastricht Treaty left a confusion of institutional arrangements in the foreign policy field: the Commission with an expanded staff; a large number of representations in third countries; a secretariat for CFSP within the Council Secretariat; and the WEU Secretariat, newly established in Brussels (on British initiative) from its earlier divided units in London and Paris. The potential for rivalry among these, and between these and NATO is strong; nor do national ministers and officials always resist the temptation to take different positions in different meetings. Liberal Democrats support closer integration of the WEU with the EU, and would nominate a major political figure as Secretary-General of the WEU (in parallel to the NATO Secretary-General) as an interim measure.

## 4.2 Towards a Stronger European Defence

4.2.1 The 1996 IGC was agreed upon partly in order to consider the future relationship between the WEU and the EU, ahead of the 50 year review clause allowed for in the WEU Treaty in 1998. Successive American Administrations have called for the Atlantic Alliance to be reorganised on a "two-pillar" basis, with a coherent and integrated West European entity shouldering a larger share of the burden of European security alongside the United States. Liberal Democrats see closer

association of the WEU with the EU as the most effective route for the construction of such an entity. This is a constructive response to American demands and is entirely consistent with the maintenance of the Atlantic Alliance.

### 4.2.2 *The decision to commit the national forces of any state to agreed action must lie with that state alone - as is the case within NATO.*

But there are advantages in fostering closer integration of national forces and command structures among WEU members. Britain has played an active part both within NATO's integrated command structure and through ad hoc bilateral and multilateral initiatives. British forces in Germany are integrated into the NATO Rapid Reaction Force, which includes a multinational division. Further moves in this direction will maximise the cost-effectiveness of British defence spending and strengthen Britain's ability to defend itself.

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**"While President Clinton was on the phone with Athens and Ankara, the Europeans were literally sleeping through the night"**

**Richard Holbrooke, US Assistant Secretary of State,  
Financial Times 9 February 1996.**

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4.2.3 Issues such as whether or not NATO should be enlarged to incorporate Poland and other central European states is outside the agenda of the 1996 IGC. But it relates directly to EU enlargement, and to the future role of the WEU as the European partner within the Atlantic Alliance. Liberal Democrats support moves towards early enlargement of the EU as an essential contribution to the stabilisation of Europe; with long transition periods for new members to adjust to the economic rules and rigours of the EU. We see enlargement of NATO as appropriate moving in parallel with that of the EU.

4.2.4 Common defence is most efficiently conducted with common defence systems. Moves towards a European Defence Procurement industry are clearly in Britain's interests, as a major defence equipment supplier and purchaser. It would also ensure that British troops have weapons that are compatible with those of other troops alongside whom they are fighting.

# Cooperation in Justice and Home Affairs

**5.0.1 The Liberal Democrat approach to Cooperation in Justice and Home Affairs (CJHA), the “third pillar” of the European Union, is founded on a respect for the rights of the citizen. These rights are at risk unless the present arrangements are profoundly modified to ensure that decisions which directly affect the individual are taken under the rule of law and by democratically accountable bodies. However, Britain’s position as an island gives us different interests and opportunities than other member states, which require recognition within the development of an EU wide frontier free zone.**

5.0.2 Those crucial areas of citizenship and immigration that are currently resolved at European level fall outside the scrutiny of the European Parliament and without the protection of the European Court of Justice. The challenge for the IGC is therefore to ensure that decisions affecting the rights of citizens are undertaken openly and with a right to redress. We must ensure that infringements of citizens’ rights in the European context are protected by common European institutions.

5.0.3 In order to secure citizens’ rights and to ensure that decisions under Pillar Three are taken accountably, we support the absorption of pillar three by pillar one - the European Community. For practical purposes this will mean that decisions will no longer be taken by secret intergovernmental committees of national bureaucrats. Instead, decisions will be arrived at through the more open Community procedures. Decisions would be subject to the scrutiny of the European Parliament, and the jurisdiction of the European Court of Justice.

5.0.4 To shape this new structure, Liberal Democrats advocate:

‡ Giving the Court of Justice powers to rule on the legality of decisions taken under CJHA.

‡ Allowing the Ombudsman of the European Parliament to examine cases arising from acts taken under the justice and home affairs pillar.

5.0.5 The role of national parliaments will also be enhanced once the CJHA pillar is subject to the Community legal instruments. Under the current system, national parliaments have power only to reject or accept signed conventions which governments lay before them. They may not amend them and they cannot influence the drafting stage. Once pillar three is absorbed into the EC, those national Parliaments which have effective scrutiny procedures over draft community legislation, would be able to make their views known at an earlier stage, thus having more genuine power than at present.

## 5.1 Fighting International Crime

5.1.1 Liberal Democrats favour increased police cooperation to fight terrorism, international drug-trafficking, and fraud. However, under “third pillar” arrangements, progress on these issues is painfully slow. The beneficiaries of the current arrangements are the criminal gangs, who are the first to use legal loopholes to their own advantage. The effective solution to combat these evils is improved intelligence sharing among police forces. We support the European Drugs Unit established at The Hague, and the proposed convention on Europol - still awaiting ratification. The delay in giving Europol the authority to do its job properly is deplorable.

5.1.2 Cooperation at EU level in justice and home affairs must be supervised, to guarantee that individual human and civic rights are not being abused. In addition to extending the Ombudsman’s jurisdiction, we propose that the activities of intergovernmental bodies under this heading should be subject to scrutiny. This role would rightly come under the remit of a special committee of the

European Parliament, meeting, where necessary, in camera.

## **5.2 Border Controls and the Schengen Agreement**

5.2.1 The Schengen agreement is an unsatisfactory compromise and is only partially operational. It was envisaged as a precursor to an EU-wide frontier free zone. and, as the substance of it is concerned with the maintenance of European citizens' right to free movement, ought to be part of the EU structure. But the agreement has only been adopted by a core group of countries and is showing signs of strain, even before

addressing the difficulties that might arise with further enlargement.

5.2.2 For Schengen to become fully incorporated it is necessary to convince the citizens of the EU that its external borders are effectively policed and criminals cannot gain advantage from removing state frontiers. Once this has been accomplished, and the citizens and governments of the EU are secure that crime-detection and prevention can be adequately enforced within the EU, Liberal Democrats would be in favour of transposing the Schengen agreement into Community law.

# ***Economic and Monetary Union***

**6.0.1 Liberal Democrats support the principle of economic and monetary union (EMU) as a logical extension of the single market and a necessary step in the development of the European Union. We do not underestimate the challenges that achieving monetary union will present to Britain and to Europe. However, we are clear it is in Britain's interests to participate as and when monetary union commences. Our policy is therefore one of economic realism matched with political commitment to monetary union.**

6.0.2 Economic and Monetary Union is not a subject for discussion through this IGC. However, the issues surrounding Britain's participation will influence the tone of the public debate towards the conference. In the period leading to the commencement of Stage III of EMU, the question of whether or not Britain should participate in a single currency will be one of the most important economic policy decisions that our parliament will make.

6.0.3 EMU is not a late innovation produced at Maastricht, to be seen as an add-on or diversion from the main purpose of the union. Since the 1970s it has been the core of French and German strategy for the future of Europe and has been supported by the Benelux states, Italy, Spain, Portugal and Greece. The terms and conditions relating to EMU are set out comprehensively in the Maastricht Treaty. They were endorsed by John Major's government through ratification.

6.0.4 The divisions within the Conservative Party and its desire to see the single currency venture fail, have meant that in Britain the debate on monetary union has been a sterile and negative one. John Major has been more interested in taking whatever short term action is necessary to appease his backbenchers than in showing the leadership necessary to secure Britain's long term future in Europe. As in the 1950s when we failed to join the EEC, and again in the 1970s when we failed to

join the exchange rate mechanism, Britain is once again in danger of missing out on the full benefits of a vital economic opportunity.

6.0.5 It is in Britain's interest to join a single currency, for three main reasons. First, it would increase trade and assist business by removing instability and high transaction costs, especially for small and medium sized enterprises. Membership would place Britain in a hard currency zone protecting us from the volatility of speculation. Second, a single currency would reduce long-term interest rates, making the cost of borrowing cheaper for firms, individuals and the government itself. Finally, the City of London and British business could gain the full advantages of the single market, which will be greatly enhanced through the convergence of the European economies and a single currency.

6.0.6 To work, monetary union requires public support and legitimacy. Even without a single currency, the general level of our interest rates are dominated by the central bank of the strongest European economy - Germany. Inside a monetary union, Britain would be part of the council of an independent European Central Bank, which would represent the best interest of *all* its members. In the final analysis, our choice is between influence on a single currency from within or domination by it if we remain outside.

6.0.7 A decision by Britain not to join a first group forming monetary union, should we meet the convergence criteria, would also be dangerous. Britain would be saying, in effect, that it did not wish to be part of a the common European goal. A small group of states going ahead with monetary union would form a core with Britain becoming a second class member. Under those circumstances it would be foolish to expect that we could argue for our interests, such as the completion of the single market as if nothing had changed.

6.0.8 The uncertainty arising from doubt over Britain's participation in EMU is already causing significant strain to this country's banking system. In the longer term, if Britain chose to "go it alone" in a third tier of membership, the consequences would be extremely detrimental to our economy. Sterling would come under frequent pressures to devalue, suffering from higher inflation than those economies tied into a single currency area. Outside the single currency, Britain would lose foreign investment and jobs to those countries that were members. Companies would be unable to avail themselves fully of the opportunities to those in the core group: London's position as the financial centre of Europe, already damaged, would be irretrievably lost.

6.0.9 The notion that outside the single currency, Britain would have more control over its economic policy is illusory. The world currency markets would force Britain to follow whatever economic policies were operating within the single currency area or suffer devaluation. So we would have to march in close step with the policy applied in the single currency area, without having any control over it.

6.0.10 We do not underestimate the difficulty of achieving monetary union on or close to schedule. Nor do we underestimate the challenges it will pose for Britain. Political commitment to EMU must be matched with a programme of economic realism. Liberal Democrats are, therefore,

committed to responsible fiscal policies, aimed at creating the economic conditions in which investment can flourish. We will ensure that over the course of the economic cycle, government current expenditures are in balance and that borrowing is used only to finance capital expenditure. We will provide a stable, consistent anti-inflationary stance through an operationally independent UK Reserve Bank. We will increase investment in education and training and promote enterprise and innovation. We will tackle structural unemployment - an issue that must be addressed in any event - by regenerating regional and local economies and removing barriers to job mobility. Further details are set out in Policy Paper 9, *Working for Change* (1994) and Policy Paper 16, *Investment, Partnership, Sustainability*. (1995).

6.0.11 We welcome the Commission's recent initiative, *A European Strategy for Employment*. This takes a twin-track approach of employing macro-economic policy to restore investment as well as structural measures to promote employment. It complements the Commission's White Paper *Growth, Competitiveness and Employment* (November 1993) calling for investment in trans European transport and energy networks, telecommunications information highways and environmental projects. Greater progress is needed in implementing these provisions.

# ***The IGC and the Environment***

**7.0.1 Britain cannot tackle the environmental challenge on its own. Pollution does not respect national borders. Liberal Democrats believe that Britain must work closely with our European partners to protect our environment.**

7.0.2 The environmental objectives and policies of the European Union will be a minor, though important, feature of the IGC. Successive amendments to the Treaty of Rome have called for the integration of environmental protection requirements into Community policies. In reality, the commitment has been restricted almost solely to the Environment Directorate-General, DG XI. The promotion of environmentally sustainable development should lie at the heart of the European enterprise.

7.0.3 Liberal Democrats call for a systematic review and rewording of all articles of the Treaty relating to policy areas with environmental impact. This would include, in particular, those articles dealing with agriculture, fisheries, transport, energy, tourism, economic and social cohesion and external trade and development. Article 2 should be revised to incorporate the widely accepted term 'sustainable development' as a central EU objective.

7.0.4 The regulation of the internal market is of crucial importance to European environmental policy. The EU must strike the right balance between the objectives of environmental protection and trade liberalisation. Existing Treaty provisions should be clarified to enable this to be achieved

and also to allow member states to adopt higher environmental standards than the EU minimum. (See also Policy Paper 12, *The Balance of Trade* (1995))

7.0.5 The enlargement of the EU into central Europe may require temporary derogations from environmental standards and regulations, given the relative weakness of these economies. The IGC must state clearly that this is only a transitional provision. It is not acceptable to have a multi-speed Europe on environmental issues.

7.0.6 Liberal Democrats advocate the introduction into the Treaty of a 'citizen's right to a clean environment'. This would make it easier for individual citizens to take action against their member states for failing to implement environmental directives,

## **7.1 Protecting Animals**

7.1.1 Liberal Democrats advocate making the protection and promotion of the welfare of animals an activity of the EU under the treaty. Britain has a special role in further pressure on our European partners to raise animal welfare standards throughout the EU. We recognise that animals can feel pain and stress. Therefore, animals should be recognised as a separate category of 'Sentient Beings' in any future EC Treaty. Presently, it recognises animals as merely 'goods' or 'agricultural products.' (See also Federal Green Paper 27, *A Matter of Conscience* (1992).

*This Paper has been approved for debate by the Federal Conference by the Federal Policy Committee under the terms of Article 5.4 of the Federal Constitution. Within the policy-making procedure of the Liberal Democrats, the Federal Party determines the policy of the Party in those areas which might reasonably be expected to fall within the remit of the federal institutions in the context of a federal United Kingdom. The Party in England, the Scottish Liberal Democrats and the Welsh Liberal Democrats determine the policy of the Party on all other issues, except that any or all of them may confer this power upon the Federal Party in any specified area or areas. If approved by Conference, this paper will form the policy of the Federal Party in England.*

*Many of the policy papers published by the Liberal Democrats imply modifications to existing government public expenditure priorities. We recognise that it may not be possible to achieve all these proposals in the lifetime of one Parliament. We intend to publish a costings programme, setting out our priorities across all policy areas, closer to the next general election.*

### **Working Group on the 1996 Inter-governmental Conference**

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*Note: Membership of the Working Group should not be taken to indicate that every member necessarily agrees with every section or every proposal in this Paper.*

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