

The EU, Germany and the British Problem

by *Brendan Simms*

For some two years now, Britain and the Eurozone have been on collision course. London notoriously refused to join the “Fiscal Compact” and, earlier this year, it crossed swords with Brussels and most European capitals over the size of the budget. There is, of course, a long history of such confrontations, beginning in the 1980s, when *Margaret Thatcher* negotiated the famous “rebate” which led to a substantial net reduction of Britain’s contribution to what was then the European Community. Similar confrontations dominated the relationship between the *Major* Government and Brussels in the 1990s. Today, the Conservative-Liberal coalition in power since May 2010 is under increasing pressure not only from the United Kingdom Independence Party but also from the “Eurosceptics” inside the Tory Party. Prime Minister *David Cameron* therefore tried to draw a line six weeks ago, when he called upon the rest of the European Union to follow the British example and to create a more “flexible” Europe. This would not only guarantee the competitiveness of the EU in a globalising world, but would also permit the United Kingdom to remain within the Union. At the same time, Mr *Cameron* warned that there could be no question of Britain signing up to any closer economic and political cooperation, that a British departure from the European Union – the dreaded “Brexit” – was thus conceivable, and that therefore any solution would have to be submitted to a referendum with an “in” or “out” option.

In Berlin, these tendencies have given rise to considerable concern. The Germans have always sought to have the British “on board”, not least to keep French statism in check. For this reason Chancellor *Merkel* has showed herself willing – unlike the Social Democrat candidate for the Chancellorship, *Peer Steinbrück*, who has despaired any “special deals” for Britain – to talk about London’s demands. The German leader has announced that she “does not want a Europe without Great Britain. That would be historically and economically unthinkable”. Recently, the German President *Joachim Gauck* even made the following appeal: “Dear English, Scots, Welsh and new British citizens [sic]. We want to continue

to have you on board! We need your experiences as the home of the oldest parliamentary democracy; we need your traditions, your sobriety and your courage". The Chancellor has also, however, proclaimed that the current crisis must be used to deal with the "founding errors in the architecture of the economic and currency union". This, she argued, must mean a common finance, budget and economic policy for the future. President *Gauck*, too, calls for "further internal coordination" as well as "further coordination of our foreign, security and defence policies".

Taken separately, these statements by Frau *Merkel* and Herr *Gauck* cannot be gainsaid. Britain's historic engagement and rootedness in Europe is so obvious as to need no further explanation. She has always been a major European power, and is today the most formidable military player on the continent after the USA. Next to France, she is the only EU power to possess an independent nuclear deterrent and her new "Dauntless" class destroyers are admired even by the US Navy. In terms of raw numbers, Britain spends 22 per cent of the whole EU defence budget, it supplies 11.8 per cent of its total armed forces (a much higher figure if quality is taken into consideration), and delivers 20 per cent of all missions, especially combat operations. In contrast to the EU itself, and Germany, London also commands a permanent seat on the United Nations Security Council with veto-rights. The British economy is the fifth or sixth biggest in the world. London is, next to Germany, still one of the largest contributors to the EU budget. To quote *Tony Blair's* memoirs: "I always reckoned that even the ones that didn't like me (quite a few) or didn't agree with me (a large proportion) still admired the fact I counted, was a big player, was a world and not just a national leader". Beyond this, Britain also enjoys considerable "soft power" as demonstrated by last summer's London Olympics, which achieved a much greater effect than the overblown Peking Games four years earlier, at a fraction of the cost. Even if Britain is still struggling with severe economic problems today, meaning reduced investment in the armed forces, the military and economic balance is unlikely to change substantially. In this sense, the rather clichéd German desire for British economic strength, military power and especially "pragmatism" is perfectly understandable.

The Chancellor and the President are also right to demand closer policy coordination leading to the formation of a single Eurozone state. That means that the Eurozone must quickly acquire the "Anglo-Saxon" characteristics which have underpinned the strength of the United Kingdom and the United States over the past two hundred years or so. These include a consolidated state debt for which

the whole nation represented in parliament is responsible, an effective division between central and local powers, and a strong military. This means, in effect, the introduction of Eurobonds with a common economic policy responsible to a common European Parliament, a President elected by popular vote across the Eurozone and the creation of a single armed force. In short, what is needed is a more British or at least an Anglo-American Europe. To the fury of more traditional German politicians, such as *Peter Gauweiler* (CSU), the German President has even suggested that the common language should be English in order to create a European public sphere.

What Berlin simply fails to understand, however, is that Great Britain cannot, or will not, be part of this endeavour. It is true, of course, that leaving the EU would be costly. Many investors prize the membership which gives them a point of entry into the EU. Britain is home to 469 multinational headquarters, Germany only 86 and France 77. Many of those currently based in London might move after a “Brexit”. There would also be political costs. Like Switzerland, London would have to obey EU rules without having a voice in their creation. She has already announced the end of cooperation with Brussels in the field of Justice and Home Affairs, but this is leading to complications with the Scots, who maintain their own separate legal system. Indeed, a breach with “Europe” would put considerable strain on relations with the devolved governments of Scotland, Wales and Northern Ireland, where the populations currently tend to be more sympathetic to the European project. Moreover, many members of the British elite, particularly in the Foreign Office, are wedded to the idea of British “decline” and fear a loss of international influence. They feel vindicated by the warning of the Europe-expert in the US State Department, *Philip Gordon*, who is also an acknowledged scholarly authority on these matters, that a British departure would be a disaster for both sides of the Atlantic. Not only would it reduce US influence on Europe, but it would also undermine the stability of the European order generally at a time of severe economic and political challenges. Finally, it is obvious that even outside the Euro, Britain would be badly hit by a collapse of the common currency, not least because Irish, Spanish, Italian and Portuguese debt total about 15 per cent of British GDP.

Fears of British irrelevance “outside Europe” are, however, exaggerated. The United States will continue to look to London on security matters, where they generally see eye to eye within NATO. Intelligence cooperation between the two countries, which goes far beyond that with any other European state, will continue. So will the close Anglo-French military cooperation, most recently re-

affirmed over Libya. Free trade is guaranteed by the WTO in any case and in a time when President *Obama* is looking to proclaim a Transatlantic Free Trade Area, a trade war between London and Brussels seems unlikely. Nor would British participation save the Euro: its problems are beyond the power of any one state to repair and require the fundamental reform outlined above. But even if all the Cassandras were right or appeared to be right, Britain would still not join a single European state.

The crucial point is that fewer than thirty per cent of Britons favour any kind of deeper political and economic integration of their country with Europe. This is a much lower figure than for France and Germany, even today. The surrender of sovereignty involved would run against the whole tide of British history. It would, as the Labour leader *Hugh Gaitskell* remarked at the 1962 Party Congress, mean the end of more than a thousand years of independent political existence. Thanks to its completely different historical experience in the early and mid-twentieth century, the project of European political integration has been, for Britain, an attempt to fix something that was not broken in the first place. Whereas continental Europe suffered various forms of painful rupture through defeat, occupation and collaboration, Britain stood firm and maintained an unbroken constitutional continuity over time. *Winston Churchill*, for example, saw European unity not as a British necessity but as vital for continental Europeans to overcome their mutual antagonism and mobilise more effectively against the Soviet Union. This is no different today. What is needed is not so much a “European Britain” as a “British Europe” or at least a “British Eurozone”, able to master the currency crisis, to tackle the democratic deficit and to take a robust line with the rising powers in the east.

The misunderstanding between Berlin and London is all the more unfortunate as, although the vast majority of Britons reject membership of the Euro, they are very favourably disposed to the political integration of the Eurozone. There are very few Britons who positively wish for a Euro collapse in order to resume a “traditional” balance of power policy. By contrast, fears of a vacuum following a Greek, Spanish or even Italian exit loom very large. For this reason, the Chancellor of the Exchequer, Mr *Osborne*, has repeatedly called upon members to take further steps towards the creation of a more integrated Eurozone, in effect a single state. The demand that Britain must join the Euro herself, or at least sign up to the fiscal pact in order to be taken seriously in these matters, fails to recognise that London has a particular right to be consulted on anything to do with the overall European balance.

German politicians and German policy therefore needs to understand that it is not only possible to distinguish between Britain's continued presence in some sort of reconstituted European Union and her participation in the future development of the Eurozone, but that it is vital to do so. Berlin should now aim to transform the current Union into a Confederation, consisting mainly of Great Britain and a single Eurozone state, which would be linked through the single market and close political and military cooperation (not least within NATO). The United Kingdom could then continue to pay a contribution to the Brussels budget in return for participating in the formulation of the rules of the common market. In short, Britain will not and does not need to participate in the creation of a single European federal state, at least not yet. The states of the Eurozone, by contrast, cannot afford not to undertake this step. The British should not and do not want to hinder their partners in this work, so that a federal solution for the Eurozone and a confederal compromise between Brussels and London is not only urgently necessary but also perfectly possible.