

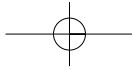
Europe and our future

Lord Alexander of Weedon QC¹

There is an almost daily diet of frenzied debate about the future of this country in the European Union. Why add to it? Europe is after all not the most vital topic which people see as affecting their everyday lives. The economy, law and order, education, health, the environment in which we live, and our local services—all these are seen as having more immediate and tangible impact on our quality of life. I believe this is as true for the peoples of France, Germany, and our other partners in the European Union.

¹ *The text is the 1997 Chancellor's lecture, delivered at the University of Hertfordshire 28 January*

But there are a few, a very few, issues which are passionately fought out in their day which really do shape our country's future for a long time to come, sometimes decisively and for good. The dissolution of the monasteries and the coming of Protestantism in Tudor England. The struggle between King and Parliament in the seventeenth century. The growth of our Empire which marked the next two hundred years. The gradual coming of democracy in the nineteenth century. The long-running debate about free trade versus protectionism, which split the Conservative Party over the Corn Laws and was again being fought out in 1905 when it brought gradual disintegration and electoral disaster to Balfour's Conservative government.



Our relations with continental Europe seem to me to be one of these rare momentous issues. They have already been a dominant theme for almost half a century, they are as yet unsettled, and their outcome will obviously profoundly influence our future. One prophetic voice had realised their importance even before the last century ended. Lord Salisbury, the last Prime Minister of Queen Victoria's reign said exactly a hundred years ago:

The federated action of Europe is our sole hope of escaping from the constant terror of war, which weighs down the spirits and darkens the prospect of every nation in this part of the world. The federation of Europe is the only hope we have.

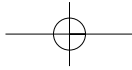
His words were echoed by the founding fathers of Europe. But not before our century had experienced some of the darkest days of its history: two world wars costing more than sixty-five million lives, the tramping feet of invaders—in some cases twice as in France—and the genocide of the Jews. All this was punctuated by an uneasy truce and prolonged economic depression.

So it was hardly surprising that some visionary continental European statesmen set out to try to avoid further conflict. This was the clear and predominant aim of the architects of the European Community. The preamble to the Treaty of Rome (1957) states that the founding nations are coming together

to preserve and strengthen peace and liberty.

No longer was a single nation to be able to secure its future and prosperity by imperialism. Instead countries were to bind themselves together by mutual self-interest. This meant that sound economic development had to be the basis of the new Community. So they initially concentrated on the creation of a Common Market.

And what, at that time, of Britain? We were, as were the other countries, to a large extent prisoners of our history. The history of our European neighbours led them to seek unity in Europe. Our history had been notably different. We are an island, and a world-wide trading nation. We then had a large if diminishing Empire, with a powerful alliance with the United States. But we did not realise that our role as a world power was draining away. With our geographical and historical links with Europe, we had



inevitably been drawn across the centuries into their conflicts. Yet we had a suspicion of long-term involvement. George Canning, as Foreign Secretary not long after the Napoleonic era had ended at Waterloo, had resisted attempts to become involved

deeply in all the politics of the Continent, whereas our true policy has always been not to interfere except in great emergency, and then with commanding force.

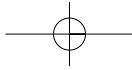
This was the simplicity of a by-gone age at the height of the Pax Britannica. The idea lingered on, although times changed. So it is not surprising that we were initially to stand aloof from the modern search for stability and union. In 1946 in a famous speech at Zurich, Sir Winston Churchill actually urged the establishment of a United States of Europe, to be based on a partnership between France and Germany. But the role which he saw for the United Kingdom was of that of a friend and sponsor of the new Europe. Both Labour and Conservative governments were lukewarm and sceptical. Sometimes our concerns were imprecise, as when Ernest Bevin, as Foreign Secretary, used this startling mix of metaphors:

I don't like it. I don't like it. If you open up that Pandora's box you will find it full of Trojan horses.

So when the European Community was planned in 1955 we wanted no part of it. But we soon realised our mistake. Only a few years later, with Harold Macmillan as Prime Minister, we did an abrupt about-turn and applied to join. This was because, as Macmillan put it:

Through membership this country would not only gain stature in Europe, but also increase its standing and influence in the councils of the World.

We were not at first welcome. We had to make several applications to join, which emphasised the mistake we made in staying out. By 1966 Harold Wilson is said to have told his Cabinet that our economy was no longer viable on its own. But we had to wait until 1973 to join. It was our first experience of coming late to the party, and having to fit in with the arrangements which others had made. These included the perverse economic effects of the Common Agricultural Policy, which are still with us today.

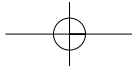


But even before then we had recognised we could not ignore the Continent. We already had some strong tap roots of our own in Europe before we joined the European Community. We had from its inception played, as we continue to do, a strong part in NATO. The role of NATO remains important in spite of the end of the Cold War. It looks as if it will evolve to embrace some at least of the countries of Central Europe. We must also assume that the United States will expect us gradually to make a greater contribution to our own defence and security. Firm co-operation between this country, Germany and France, will be crucial to the successful enlargement and increasing Europeanisation of NATO. This is a key area of common interest, increasingly reflected in the way in which the three countries co-operate in the procurement of defence supplies.

We are also a party to the European Convention on Human Rights. The Convention, which is similar to a wider United Nations declaration, had its well-spring in the atrocities of the last war. It is designed to protect against arbitrary arrest, to ensure fair trial, to protect property, to secure privacy, and to entrench the freedom of the press. Our citizens, and those of other countries, can bring claims that their rights have been infringed before the European Court of Human Rights at Strasbourg. The Convention, even though oddly not yet incorporated in our own law, has become in practice our most important modern constitutional document and is especially important to protect minorities in an increasingly pluralist society.

There could hardly be two more vital aspects of life than defence and the protection of our fundamental rights. In both areas we have long recognised that we are part of Europe. But for all that, entry to the European Community was the most important watershed of all. For it radically affected our national sovereignty. It meant that we were prepared to share sovereignty with our mainland European partners in the areas of Community activity. This in turn meant that we were prepared to accept that Community law should become part of the law of this country and, indeed, that it should prevail over our own domestic law in cases of conflict. We accepted the jurisdiction of a second European Court, this time sitting in Luxembourg. These decisions were taken by our own Parliament, but were later buttressed by a referendum in which almost all serious politicians accepted that our future lay in Europe.

Or so we thought until fairly recently. But increasingly, and at a pace which has quickened dramatically over the last year, support for the European Union has been dwindling. Some of the criticism is pretty unattractive stuff,



jingoistic and fuelled by a distaste for foreigners. We can perhaps ignore the wilder excesses of such Euro-phobia. But we cannot disregard the Euro-scepticism of some intelligent politicians, economists and writers. No longer is there total and unquestioning approval of the aim with which John Major assumed office in 1990 to put this country “at the heart of Europe”. Why this change?

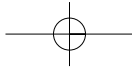
Some of the fire is directed at Brussels. What are the cries of the doubters? The central bureaucracy of Brussels seems to many to be remote, to be dirigiste, and over-intrusive. One of the latest examples is the Working Time directive, aiming to decide what hours can be worked, and with what breaks and lengths of holiday, by employees in this country. The European Court is seen as centralist, upholding directives of this kind but at the same time failing to stop the “quota-hopping” of Spanish fishing fleets which had registered as UK companies in order to share in our quota. The economies of some European countries appear weighed down by uncompetitive social charges and the inflexibility of their labour structures.

This is contrasted with the increasing strength and job creation in our own United Kingdom economy. Our people understandably see themselves still as primarily citizens of our own country with its strong national culture and loyalty. Yet the headlong federalists in Europe look as if they will seek ever more political and economic integration whether over fiscal policy, or immigration, or border controls, or relations between employers and employees, or in the health and social field. The sceptics see these agendas as irreconcilable and say it is time to cry halt and surrender no more sovereignty. Indeed some say it has gone too far already. So the doubts grow ever more vociferous, highlighting that this country has to make a real and permanent choice.

Sir Nicholas Henderson, an ex-Ambassador to three European countries and to the United States, neatly focused that choice when he recently wrote:

The fundamental European question for Britain is: Will the outlook for present and future generations—their welfare, security, and the opportunities for a full life—best be served by participating in the creation of a closer European union; or is there an alternative?

The backcloth to the debate of the last few years has been the Maastricht Treaty and the drive towards monetary union. It can be cogently argued that

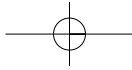


the currency issue has climbed too quickly up the league table of key European issues. Enlargement of the European Union to the east, the restructuring of labour and social charges, the reform of the Common Agricultural Policy, the completion of the Single Market and, indeed, the protection of our environment can all be cogently said to be more important. The competitiveness of Europe is key for all our countries in a global marketplace. The world markets are a remorseless discipline.

But this is hardly the point. We cannot, as some seem to think, simply “talk away” the single currency. For the plain fact is that our Continental partners have chosen to make the single currency a major priority. It has become for them the touchstone for the development of the Union. We have supported their aim by signing the Maastricht Treaty, albeit with an opt-out for ourselves. To achieve this aim we have all agreed to accept a clear and demanding economic discipline. All member states have set out to achieve what are called the convergence criteria. These require the by now well-known convergence of interest rates and inflation rates, as well as stable exchange rates, public sector borrowing requirements of less than 3 per cent, and a total of public debt of less than 60 per cent of gross domestic product.

Some in this country say that seeking to achieve these targets within the timescale for monetary union is inflicting unnecessary pain and unemployment on the economies of some countries, including France. To this the Governor of the Bank of France, Jean-Claude Trichet, responds quite simply that the drive to meet the criteria for monetary union is totally in accord with the sound fiscal and monetary policies which the country needed. Other countries which are keen to be part of EMU, such as Spain, share this view.

It is certainly a remarkable achievement that the fifteen countries of the European Union are seeking to manage their economies according to the same disciplines. We are fortunate that it is now accepted orthodoxy that inflation should be subdued, and that there is no long-term trade-off between high inflation and sound growth. These disciplines have already helped some countries committed to EMU to achieve the marked benefit of lower long-term interest rates. With or without currency union, these are solid gains from the policy for economic management agreed at Maastricht. Our own country has, for the first time many of us remember, the prospect of sound, low inflationary growth as the foundation of long term prosperity.



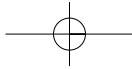
Why do so many of our partners think a single currency worthwhile? At a broad level I have no doubt that they see it as underpinning the political unity and stability of Europe. That certainly underlies the thinking of Europe's most remarkable statesman, Helmut Kohl. For him, and others, it is part of the political priority of deepening the unity of Europe. This broad aim is backed by more specific economic arguments. It will reduce the cost of buying or selling goods across borders, since the costs of converting one currency into another will not arise. Nor will there be a risk that one currency will fall in value in relation to another. It will be possible to compare prices instantly and effortlessly. This transparency will enable customers to buy the cheapest goods, and sellers to attract customers with keen prices. Low inflation and interest rates are likely to result from a single monetary policy. The euro should become the third great currency in world markets, alongside the dollar and the yen. Jacques Santer, the President of the European Commission, has recently said:

Money always has political consequences ... EMU is not just a technical operation, it will give Europe a new place and a new value. It was always conceived as such.

There will be greater liquidity in the marketplace, the cost of capital will be lower, and investment will be promoted. The European economy as a whole will be strengthened. It is, they would say, absurd and inefficient for Europe to have twenty or so centres of monetary policy.

This is a pretty formidable raft of advantages. What then are the doubts? There is a concern that monetary policy will become a blunt instrument and that a single interest rate will rarely be appropriate for all countries within the European Union. The loss of the ability to adjust exchange rates means a loss of flexibility, preventing individual countries from adjusting to outside events which affect each of them differently. With high unemployment in parts of Europe, inadequate mobility of labour, and some inflexible labour structures, already existing regional unemployment and wealth variations may become wider. The European Central Bank will be wholly independent, and may not be sufficiently sensitive to opinion in different parts of Europe. The need to maintain strict economic disciplines once monetary union is established may create tensions which are simply too much for some countries.

So, whether or not monetary union may be intrinsically desirable, many here argue that it is premature. They also argue that our economic cycles are out



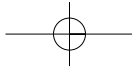
of sync with those of continental Europe, and that the UK economy is more sensitive to short-term interest rate movements. The Euro-sceptics add, and they are undoubtedly right to do so, that it will be simply one step down the road leading to unacceptable demands for fiscal harmonisation. So we should draw a line in the sand now.

It is not surprising that there should be these conflicting arguments. The creation of a single currency between hundreds of millions of people, across a number of separate countries, is a novel venture. No one can be at all certain that it will succeed. Nor is there widespread support amongst the peoples of all our partner countries. Some two-thirds of Germans are said to be doubtful about submerging the mark, which has been the symbol of their economic success, into a wider European currency. In France I recently heard it said that the attitude of their Parliamentarians was similar to the resignation of early Christians before being propelled into contests with the lions in the Roman arena. But for the most part the governing political and the business classes in those countries are determined to achieve monetary union on time.

Will it happen on time in 1999? It will be a close call. A good deal will depend on growth this year in Germany and France and whether they can progress the restructuring of labour markets. If not, then a short and reluctantly agreed delay might well be inevitable. For us in the United Kingdom, the position has not been formally settled. In reality the chances of us joining in 1999 must be very slim. It would need Cabinet agreement that entry would be good for this country, the creation of an independent Bank of England, the passing of an act of Parliament providing for a referendum, and a successful referendum campaign.

I am sure that the issue is momentous enough that it has to be decided by referendum. For not even the most successful single currency will have it as all smooth going. Tensions will arise, possibly between individual countries. It would be no use our joining without the emphatic support of the people so that we can clearly be satisfied that we are there for the long haul. It is one of the most important decisions we have ever faced and our people should be given a clear choice.

So, particularly if currency union starts on time, it looks as if once again we are going to decide against being in at the start of a major European development. This has its pluses, for currency union between a number of separate nations is wholly uncharted territory. We simply do not know



whether a single currency will work well in practice. That is a strong argument for a “wait and see” approach, for using our opt-out, and for watching developments. But if what emerges is a durable, hard single currency, then the dangers of staying out could be considerable. There could be risks to overseas investment in this country, risks which would not arise if we became members. There might or might not be discrimination against the dominance of the City of London as Europe’s principal financial market, but there would be no such risks if we went in. Sterling on the outside will be potentially more volatile, prey to the attention of speculators, and would undoubtedly carry the burden of higher long-term interest rates. Businesses will suffer exchange costs. The price of our goods will be less transparent than if we were part of the single currency, and so potentially less competitive. It will be less easy for our multi-national businesses to grow and join cross-border mergers. Our citizens, who between them made 34 million visits to continental Europe last year, would have all the inconvenience and costs involved in their personal foreign exchange transactions. So the current sceptical mood might change sharply after a few years, and we could once again realise that we are being left behind and that we should hitch our wagon to the single currency train.

But the on-going and strident single currency debate is not about that complex and technical economic issue alone. Rather it is part of a wider battle as to how much, if at all, our future lies with the European Union. When we first applied to join more than thirty years ago, we seemed to understand that the development of Europe must be political as well as economic. After all, the introductory paragraph of the Treaty of Rome speaks of a determination

to lay the foundations of an ever-closer union among the peoples of Europe.

Some now say that they were misled, and that they did not appreciate that Europe was to be much more than a free trade area. This is surprising, since the political as well as economic nature of the Union was flagged pretty clearly. But what can certainly be said is that at the time it may have been hard to appreciate how decisively our partners would drive forward to ever fuller integration. There has always been something of a geological fault-line between our island approach and that of our mainland partners. We are reluctant Europeans seeking principally trading opportunities, whereas they positively believe in the desirability of deepening European

union. They, for different reasons of history, see that as in the interests of their own countries. Take, as one example, the view of the Spanish writer, Jose Ortega,

Spain is the problem, Europe is the solution.

They are keen to strengthen the ties between their countries, whereas we are increasingly unenthusiastic about doing so. To those like me who believe that the creation of the European Union is the most positive development of my adult lifetime, this growing gap is sad. I agree with John Major and the government when they say in the most recent White Paper on Europe that

The United Kingdom's role as a leading member of the European Union is vital to our national interest ... The removal of barriers to trade provided a powerful trade stimulus which has increased British prosperity and competitiveness ... The European Union is the basis on which we must consolidate democracy and prosperity across the whole of Europe. In other words it is more than a free trade area.

In short, the Union is good for the whole of Europe, and a strong Europe is in our national interest.

I also agree with that clear-sighted statesman, Lee Kuan Yew, now senior minister of Singapore, when he said to me that there was only one attitude for the United Kingdom to take to Europe—to be “in there pitching”. Why?

First, I do not believe that we should ever forget the benefit of stability and the prevention of war which was the original purpose of the creation of the European Community. It would be a bold historian of Europe who would dare to make the assumption that without it armed conflict would, as some suggest, now be unthinkable.

Secondly, the world is becoming ever more global. Instantaneous communication, the ability to trade and deal across frontiers, free movement of capital, all of these mean that it is unreal to talk of parliamentary sovereignty over our economic interests. This country can no more determine in isolation a desired exchange rate, or an optimum interest rate, or a rate of economic growth than Canute could defy the ocean. World market forces play a dominant role. Global competition is a fundamental discipline. The United Kingdom is not an insular economy.



Europe and our future

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Thirdly, issues of terrorism, co-operation against crime, upholding of laws, and security and foreign affairs cannot simply be handled by a medium-sized nation state acting on its own. This is recognised by the increasing co-operation agreed on in the Maastricht Treaty.

Fourthly, we are deeply involved economically with Europe. Our trade with Europe—a market of 370 million people—has grown to almost 60 per cent of our total export of goods. More British goods are now bought in Germany than in the whole of the United States—and more in the Netherlands than in the six Asian tiger nations plus China, Indonesia and the Philippines put together. So we have an immense stake in the future success of Europe and in seeking to shape its development and reinforce the single market. We have a keen trading interest in the successful growth of the economies of our partner nations.

Finally, it is hard, indeed perhaps impossible, to see any sensible alternative. The Commonwealth is now a very loose grouping. Some still fantasise about an Atlantic alliance, but United States politicians remind us that they need to deal with Europe, and that our influence with them will come largely from our influence in Europe.

To me these arguments are compelling. But the Euro-sceptics sing a different tune. They point out that we have good economic growth, likely to approach 4 per cent this year, and outperforming the European average in every year since 1993. Inflation is low. Unemployment is steadily falling—now standing at around 7 per cent. Contrast with over 12 per cent in France and over 10 per cent in Germany. We have a favourable tax regime, low non-wage labour costs, and flexible employment patterns. No less than 40 per cent United States and Japanese investment into the European Union comes to this country. We have led the way in privatisation, have conspicuously open markets, and have improved our productivity. All this is true, and a tribute to the policy framework set by our government and the dynamism of our businesses and people. Nor do we always appreciate the progress we have made, since as a nation we often tend to qualify for a double-first in self-denigration.

But neither should we be extravagantly carried away, as some are, to believe that all this means we can go it alone. We cannot be, as they would have us, an offshore Hong Kong or Singapore, a sort of Asian tiger of Europe. Nor have the principal European economies of Germany and France become the basket cases which their critics would suggest. There has been a hiccup in



their growth, and they do have over-high social charges, problems with funding pensions and laws and attitudes which prevent the flexible reshaping of the labour market. But there is no reason to believe that this will last indefinitely. A longer-term view shows that during the forty years of the community's history Europe has achieved a pretty impressive record of growth. Initially it was about 5 per cent a year, settling down to a steady average of 2.5 per cent over the last twenty years or more. The rest of the world continues to invest strongly in Europe. Europe is a formidable force in the production of computer equipment, and other high-tech sectors. French and German absolute levels of productivity are still slightly higher than our own, as is their economic output per head of population.

So, unlike spinach to Popeye, our healthy economic diet is not a magical elixir allowing us to streak ahead and win the race alone. We need our place in Europe. Yet this does not mean that we have to become blindly centralist, submerging our distinct culture and attitudes under a relentless drive for harmonisation. Can a balance be struck? Can the European Union accommodate the differing ambitions of its members? Or are the differences too great?

What is encouraging is that we are not alone in these concerns about centralism. They are shared in France and Germany. Nor is this surprising, since they, too, have their own distinct national histories, traditions and cultures. When President Chirac was in London last summer, he was asked about the role of the nation states. His response was that the Brussels institutions were far from popular in France, that they were seen to have over-used their powers, and that power should be devolved wherever possible to the lowest level at which it could sensibly be exercised. Similarly in Germany Chancellor Kohl recognises the importance of regionalism. Indeed the dissolution of the Soviet Union, and the fragmentation of countries in Central Europe, are an ever-present reminder that it is a powerful and growing force. So, too, is the German constitution. This entrenches the power of the individual Länder as distinct from that of the federal government and it protects these powers through the constitutional court. Germans, too, are proud of cultural diversity. The French and Germans also appear to recognise that problems of low growth, high unemployment and social charges have to be tackled at a national level.

In the jargon of Europe, this search for the balance between central and local decision-taking has been characterised as "subsidiarity". In ordinary



language, subsidiarity means that decisions should be taken at the lowest sensible level. So the European Union at the centre should only do what is either necessary, or highly desirable, to be done centrally. At Maastricht, the Treaty of Rome was amended to state that:

In areas which do not fall within its exclusive competence, the Community shall take action, in accordance with the principle of subsidiarity, only if and so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore by reason of the scale or effects of the proposed action, be better achieved by the Community.

This is a vital and welcome step in the right direction, but at the moment it lacks clarity and certainty. There is no authoritative guidance as to which areas are within the “exclusive competence” of the Community. So vague and discretionary is the concept, that it is doubtful that a court can give protection against over-zealous intrusion into national affairs. Lord Mackenzie-Stuart, the former President of the European Court of Justice, has said that:

To decide whether given action is more appropriate at Community level or necessary at Community level, is essentially a political topic. It is not the sort of question that a court should be asked to decide.

So at present subsidiarity amounts to little more than a statement of good intention. The United Kingdom has proposed in the current round of negotiations at the Inter-Governmental Conference a protocol which should strengthen its application. It is much needed.

There may well be scope for an even firmer entrenchment of subsidiarity. Some constitutions, such as those of the United States and Australia, provide that the powers not specifically given to the central institutions are reserved to the individual nations. The 10th amendment to the United States Constitution declares:

The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.

An unambiguous assertion of this kind could help to prevent creeping federalism, could clip the wings of the European Commission, and protect the

wishes of national governments and peoples to take their own decisions on all issues except those which could only be tackled at Community level. In this way many issues—such as those raised by the vexed Social Chapter, or the directive telling people how many hours they can work—can be left to the national level. It is not as if the individual countries were uncommitted to fundamental human rights, or unaccountable to a demanding electorate, or tolerant of glorified sweatshops and brutish capitalism red in tooth and claw.

Subsidiarity is, in my view, a must if this country's relationship with Europe is to hold. But on its own it will probably not be enough. For increasingly the European menu is including dishes which are not to our taste. Some are pressing for an ever-deepening approach on issues such as immigration, border controls, asylum, security and defence. By contrast, the prevailing instinct in this country is not to integrate our actions on these issues. In some areas we are already less integrated than our partners. This country is not part of the Schengen agreement on border controls, we have opted out of the Social Chapter so far, and we have the right to opt out of currency union. There is debate at the moment as to the extent to which different groupings in Europe should be prepared to move in different directions or at different speeds. This is not an easy debate, but some measure of flexibility both of direction and speed must be accepted if the fleet is to hold together.

Subsidiarity can make sure that Europe only takes decisions which cannot be taken locally. But what of the remaining decisions which still have to be taken in Europe? These decisions are by definition important, and will become even more important to the countries which share a single currency. If we are to trust these decisions to Europe we must be sure that the European Union is thoroughly democratic.

Abraham Lincoln, in his address at Gettysburg in 1863 spoke of the freedom which could only be achieved by

government of the people, by the people and for the people.

Europe in the twentieth and twenty first century must equally be committed to government of the people, by the people and for the people. But it still has a long way to go. The Union does not seem to speak to the European people and their concerns. And the people feel, quite rightly, that they have little influence or voice in Union matters. The proceedings of the Council of



Ministers take place in private, with frequent settlement of issues by horse-trading. The Commission produces documents which are unintelligible to most citizens. The European Court of Justice delivers judgements in lifeless prose. And the European Parliament seems remote, limited in its powers and not particularly effective. It is hardly surprising that turnout at the European Parliament elections has been so low throughout Europe. In the UK the turnout has never been higher than 37 per cent. Few of us, I suspect, know who our MEP is, and fewer how to contact him or her.

Some of what I have just said may be a little strong, but there can be no doubt that there is a yawning gulf between the citizens of Europe and their Union. Some steps have been taken along the road to introducing democracy and accountability into the Union and its Parliament. So, since 1979 we have direct elections to the Parliament, and the Parliament has, since Maastricht, had some limited say in the making of European laws. But after all this, and forty years after the Treaty of Rome, the European Parliament is the only European institution which cannot make laws on its own. It only has limited influence over laws proposed elsewhere.

In large part this has come about because the governments of the member states have wanted it to be that way. They have wanted to keep the Union under the control of the individual governments and their ministers. And of course those individual governments and ministers are accountable to their voters. But if the European Union is to be trusted by its citizens and to carry authority, the gap between the people and the institutions—often called the democratic deficit—needs to be bridged. Subsidiarity helps because it brings decisions close to people, and flexibility helps to allow the distinct wishes of the different states to be respected. But ultimately the people must believe in Europe if it is to endure. Debate on how the European institutions develop, how they reach out to the people, and how they are accountable is under way at the Inter-Governmental Conference. It is fundamental, and indeed even more important than the argument which rages over the single currency.

Europe is still a great issue for our times. We can only speculate as to how it will evolve. But whichever way, it will have a decisive influence on the lives of our children and grandchildren. There are powerful, and in my view very powerful, reasons for this country to stay part of Europe, to stay active, constructive and positive in shaping its future. We should realise that the French and the Germans, and our other partners, value our involvement. They respect our parliamentary traditions, our attachment to liberty, our



pragmatism, and they are increasingly influenced by what may broadly be described as the Anglo-Saxon attitudes to business. It is from a positive stance that we can best defend our national interests. But at the same time we will need their tolerance, their understanding of the need for maximum subsidiarity, or freedom, at national level, and some flexibility as to which developments we join. Does Europe have the tolerance and the give for this? Or will the elastic be stretched to breaking point? And do we have the will to play a positive role? We cannot hope to do so if we act in a curmudgeonly fashion and, like Dylan Thomas's old men in the pub, "drink to the failure of the dance".

The stakes are high. The gap between those in Europe who want a deepening union and those here who wish to put the brakes on is widening. I hope it will be bridged. For the last forty years the development of the European Union has served our continent well. Compare the striking economic growth with the wars and depression of the first half of the century. There is much, too, that we can do better together than separately. Sovereignty is not a tomtom for the tribe, but a national asset to be shared where it is in our best interest. Splendid isolation could quickly become self-imposed quarantine.

