CHAPTER 6

THE EUROPEAN POLICY OF THE LABOUR PARTY

INTRODUCTION

This chapter presents the data on the European policy of the Labour Party. The first section summarises Labour's policy between 1945 and 2004. Sections two to ten provide a more comprehensive analysis of the policy, including the economic and political analyses underpinning it, and how both the policy and the analyses have changed over time, whilst section eleven concludes. Labour's policy-making process is described in Appendix 1.

A considerable amount of empirical data was surveyed, extracted from both primary and secondary sources. The *Annual Conference Agenda*, published prior to the Annual Conference, contained the resolutions and amendments submitted by affiliated organisations: constituency Labour parties (CLPs), socialist societies and trade unions. Representing the official policy input of such organisations, the *Agenda* provided an empirical base from which to conduct a comparative analysis of the different policy positions within the party. The *Annual Conference Report* included the National Executive Committee (NEC) Report, the PLP Report, NEC policy statements and a verbatim record of Annual Conference debates. The *Report* served three functions. First, it established Labour's official European policy, adopted by the Annual Conference as its sovereign decision-making body. Second, it facilitated an assessment of the extent to which the party leadership used procedural devices to manage the policy process. Third, the verbatim record provided an empirical base from which to conduct a comparative evaluation of the policy positions of speakers in the debates about European integration, the main economic and political arguments put forward during these debates, and the frequency with which such arguments were deployed. Additional sources of data included the minutes of Cabinet and NEC meetings, the verbatim record of parliamentary debates, semi-structured interviews with key policy actors, autobiographies, biographies, political diaries and private papers. Such multiplicity allowed the data to be verified (through triangulation), whilst illuminating the extent to which the party leadership and other factions within the party deviated from official policy.

6.1 THE EUROPEAN POLICY OF THE LABOUR PARTY

The *official* European policy of the Labour Party between 1945 and 2004, as agreed by the Annual Conference, together with the policy *actually pursued* by the party leadership, plus the European policy adopted by the Foreign Office, is summarised in Figure 7.

Figure 7: European Policies of the Labour Party and the Foreign Office (1945-2004)

Year	Annual Conference Policy	Party Leadership Policy	Foreign Office*
1945 (G)			Imperial third force
1946 (G)		Imperial third force	
1947 (G)	Support for European integration		
1948 (G)	Socialist third force**	Intergovernmental European co-operation	
1949 (G)			Limited liability
1950 (G)	Intergovernmental European co-operation		
1951 (G)			
1952 (O)			
1953 (O)			
1954 (O)			
1955 (O)			
1956 (O)		Support for the FTA	Partial engagement
1957 (O)			
1958 (O)			
1959 (O)		Conditional support for the EFTA	Near identification
1960 (O)			Pro-entry
1961 (O)	Opposition to entry without safeguards**	Opposition to entry without safeguards	
1962 (O)	Conditional support for entry	Conditional support for entry	
1963 (O)			
1964 (G)			
1965 (G)			
1966 (G)			
1967 (G)			
1968 (G)			
1969 (G)	Conditional support for entry**		
1970 (O)			
1971 (O)	Opposition to entry on Conservative terms	Opposition to entry on Conservative terms	
1972 (O)	Renegotiate the terms, hold a general election or referendum and boycott EU institutions	Renegotiate the terms, hold general election or referendum and boycott EU institutions	
1973 (O)		Renegotiate the terms and hold a referendum	Pro-membership
1974 (G)	Renegotiate the terms and hold a referendum	Renegotiate the terms and hold a referendum	
1975 (G)	Campaign for a No vote in the 1975 Referendum	Campaign for a Yes vote in the 1975 Referendum	
1976 (G)	Withdrawal, plus opposition to Direct Elections	Pro-membership, plus support for Direct Elections	

Year	Annual Conference Policy	Party Leadership Policy	Foreign Office
1977 (G)	Reform of the EU	Reform of the EU	Pro-membership
1978 (G)	Reform of the EU, plus opposition to EMU	Reform of the EU, plus opposition to the ERM	
1979 (O)	Reform of the EU, plus withdrawal from the CAP	Reform of the EU, plus support for enlargement	
1980 (O)	Withdrawal commitment in the manifesto	Withdrawal commitment in the manifesto	
1981 (O)			
1982 (O)			
1983 (O)			
1984 (O)		Support for co-ordinated European reflation	
1985 (O)		Opposition to the Single Market	
1986 (O)			
1987 (O)		Pro-membership	
1988 (O)	Pro-membership		
1989 (O)	Support for enlargement, foreign policy co-ordination, EU institutional reform and the Single Market	Support for enlargement, the ERM, foreign policy co-ordination, EU institutional reform and the Single Market	
1990 (O)	Support for EMU, enlargement, the ERM and EU institutional reform	Support for EMU, enlargement, the ERM and EU institutional reform	
1991 (O)	Support for CAP reform, EMU, enlargement, the ERM and the Social Charter	Support for CAP reform, EMU, enlargement, the ERM and the Social Charter	
1992 (O)	Support for CAP reform, enlargement, EU institutional reform and Maastricht Treaty ratification with the Social Chapter	Support for CAP reform, enlargement, EU institutional reform and Maastricht Treaty ratification with the Social Chapter	
1993 (O)	Support for CAP reform, the CFSP, a co-ordinated employment and growth strategy, EMU, enlargement, a European Environment Agency, a European Investment Bank, EU institutional reform, JHA, the Social Chapter and EU-wide workers' rights	Support for CAP reform, the CFSP, a co-ordinated employment and growth strategy, EMU, enlargement, a European Environment Agency, a European Investment Bank, EU institutional reform, JHA, the Social Chapter and EU-wide workers' rights	
1994 (O)	Support for a co-ordinated employment and growth strategy, EU institutional reform, Maastricht Treaty revision, the Social Chapter and EU-wide workers' rights	Support for a co-ordinated employment and growth strategy, EU institutional reform, Maastricht Treaty revision, the Social Chapter and EU-wide workers' rights	

Year	Annual Conference Policy	Party Leadership Policy	Foreign Office
1995 (O)	Support for the reform of the EU Budget, CAP and CFP, the CFSP, EMU, a co-ordinated employment and growth strategy, enlargement, an EU industrial policy, EU institutional reform, JHA, the revision of the Maastricht Treaty, plus the Social Chapter	Support for the reform of the EU Budget, CAP and CFP, the CFSP, EMU, a co-ordinated employment and growth strategy, enlargement, an EU industrial policy, EU institutional reform, JHA, the revision of the Maastricht Treaty, plus the Social Chapter	Pro-membership
1996 (O)	Support for CAP reform, the CFSP, economic policy co-ordination, EMU, enlargement, EU institutional reform and a revised treaty with an employment chapter, plus the Social Chapter	Support for CAP reform, the CFSP, economic policy co-ordination, EMU, enlargement, EU institutional reform and a revised treaty with an employment chapter, plus the Social Chapter	
1997 (G)	Support for the Amsterdam Treaty, CAP reform, the European Employment Strategy, enlargement, plus conditional support for euro entry	Support for the Amsterdam Treaty, CAP reform, the European Employment Strategy, enlargement, plus conditional support for euro entry	
1998 (G)	Support for EU Budget, CAP and CFP reform, the CFSP, economic reform across the EU, enlargement, environmental co-operation, the European Employment Strategy, EU institutional reform, JHA, 'social dialogue', plus conditional support for euro entry	Support for EU Budget, CAP and CFP reform, the CFSP, economic reform across the EU, enlargement, environmental co-operation, the European Employment Strategy, EU institutional reform, JHA, 'social dialogue', plus conditional support for euro entry	
1999 (G)	Support for the CFSP, enlargement, plus conditional support for euro entry	Support for the CFSP, enlargement, plus conditional support for euro entry	
2000 (G)	Support for the CFSP, enlargement, plus conditional support for euro entry	Support for the CFSP, enlargement, plus conditional support for euro entry	
2001 (G)	Support for the CFSP, economic reform across the EU, enlargement, the Nice Treaty, plus conditional support for euro entry	Support for the CFSP, economic reform across the EU, enlargement, the Nice Treaty, plus conditional support for euro entry	
2002 (G)	Support for the CFSP, economic reform across the EU, enlargement, EU institutional reform, plus conditional support for euro entry	Support for the CFSP, the Convention on the Future of Europe, economic reform across the EU, enlargement, EU institutional reform, plus conditional support for euro entry	

Year	Annual Conference Policy	Party Leadership Policy	Foreign Office
2003 (G)	Support for the CFSP, the Convention on the Future of Europe, economic reform across the EU, enlargement, plus conditional support for the euro	Support for CFSP, a European Constitution, economic reform across the EU, enlargement, plus conditional support for the euro	Pro-membership
2004 (G)	Support for economic reform across the EU, plus conditional support for euro entry	Support for a European Constitution, holding a referendum on the constitutional treaty, economic reform across the EU, plus conditional support for euro entry	

Notes: G = Labour in government. O = Labour in opposition.
* Historically, the Foreign Office tended to dominate the formulation of the British State's European policy. ** 'Qualified acceptance' was a procedural device used by the party leadership to neuter Annual Conference decisions.

There are three notable features about the data presented in Figure 7. The first feature was the propensity of the party leadership to follow the generally pro-EU policy of the Foreign Office when in power. This is discussed in more detail in Chapter 10. The second feature was the emergence of policy discord between the Annual Conference and the party leadership during the 1946-1950, 1975-1979 and 1984-1987 periods. The third feature was the seven significant shifts in policy that have occurred over the post-war period. These are discussed in more detail below.

There were three main sources of policy in Labour's policy-making process: affiliated organisations, the NEC and the party leadership. Table 8 presents a comparative analysis of affiliates' policy positions, based on resolutions and amendments submitted to the Annual Conference between 1947 and 1997, whilst Table 9 offers a comparative analysis of speakers' policy positions in Annual Conference debates between 1948 and 2000.

Table 8: Labour Party Affiliates' Policy Positions on European Integration (1947-1997)

Year	Withdrawal from the EU	Anti-EU	Opposition without safeguards or opposition to: (a) EU treaties (b) Terms of entry/membership (c) Specific EU policies	Neutral	Conditional support for the EU	Pro-EU	Reform of the EU	Federalist
1947						1 CLP		
1948				1 CLP				5 CLP
1949								4 CLP
1950			2 CLP					
1951								
1952								
1953								1 CLP
1954			1 CLP			1 CLP		1 CLP
1955				1 CLP				
1956								
1957								1 CLP
1958								
1959								
1960						4 CLP		
1961		13 CLP, 2 TU		7 CLP		1 CLP		6 CLP
1962	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1963				1 TU				
1964								
1965								
1966			2 CLP	2 CLP				
1967		2 CLP, 1 TU	4 CLP, 3 TU	2 CLP	2 CLP	2 CLP, 1 TU		3 CLP
1968								
1969		1 TU	3 CLP, 1 SS, 2 TU			1 CLP		

Year	Withdrawal from the EU	Anti-EU	Opposition without safeguards or opposition to: (a) EU treaties (b) Terms of entry/membership (c) Specific EU policies	Neutral	Conditional support for the EU	Pro-EU	Reform of the EU	Federalist
1970		2 TU	2 CLP, 2 TU	1 CLP	1 TU			2 CLP
1971*			1 CLP					
1971		25 CLP, 1 TU	11 CLP, 2 TU	1 CLP	1 CLP	5 CLP, 1 TU		6 CLP
1972		8 CLP, 2 TU	2 CLP		1 CLP		2 CLP	1 CLP
1973			2 CLP, 5 TU		3 CLP	3 CLP		5 CLP
1974	1 CLP, 1 TU	1 TU	5 CLP, 3 TU	1 TU				
1975*								
1975					3 CLP	1 CLP		
1976			7 CLP, 1 TU			1 CLP		
1977		4 CLP	14 CLP, 1 SS, 3 TU			1 CLP		
1978	2 CLP	3 CLP	3 CLP		1 CLP	3 CLP		
1979		1 CLP	5 CLP, 1 SS, 1 TU					
1980	16 CLP, 3 TU							1 CLP
1981	3 CLP			1 TU				
1982				1 CLP				
1983	1 SS		2 CLP		2 CLP	3 CLP		
1984	1 CLP							
1985								
1986								
1987								
1988	2 CLP							
1989								
1990			4 CLP	1 CLP				
1991					1 CLP	1 CLP, 1 SS	3 CLP	
1992			2 CLP	2 CLP		7 CLP, 1 SS, 3 TU	1 CLP	

Year	Withdrawal From the EU	Anti-EU	Opposition without safeguards or opposition to: (a) EU treaties (b) Terms of entry/membership (c) Specific EU policies	Neutral	Conditional support for the EU	Pro-EU	Reform of the EU	Federalist
1993			3 CLP, 1 SS, 1 TU			4 TU		
1994						1 CLP, 2 TU	2 CLP	
1995						5 CLP, 2 SS, 3 TU		
1996			1 CLP		1 TU	3 CLP, 1 TU	3 CLP	
1997			1 CLP	1 CLP	2 CLP, 1 TU	2 CLP, 1 TU		
Total	**25 CLP 1 SS 4 TU**	**56 CLP 10 TU**	**77 CLP 4 SS 23 TU**	**20 CLP 3 TU**	**16 CLP 3 TU**	**46 CLP 4 SS 16 TU**	**11 CLP**	**36 CLP**

Source: *Annual Conference Agenda*. Notes: **Special Conference on the EU. CLP = Submitted by Constituency Labour Parties. SS = Submitted by Socialist Societies. TU = Submitted by Trade Unions. N/A = No data available. SC = Special Conference on the EU.

Table 9: Speakers' Policy Positions on European Integration at the Labour Party Annual Conference (1948-2000)

Year	Withdrawal from the EU	Anti-EU	Opposition without safeguards or opposition to: (a) EU treaties (b) Terms of entry/membership (c) Specific EU policies	Neutral	Conditional support for the EU	Pro-EU	Reform of the EU	Federalist
1948					1 NEC			3 CLP, 6 MP, 1 TU
1949								
1950			3 CLP, 1 MP, 1 NEC					
1951								
1952								

Year	Withdrawal from the EU	Anti-EU	Opposition without safeguards or opposition to: (a) EU treaties (b) Terms of entry/membership (c) Specific EU policies	Neutral	Conditional support for the EU	Pro-EU	Reform of the EU	Federalist
1953								
1954								
1955								
1956								
1957								
1958								
1959								
1960								
1961		2 CLP, 2 MP, 2 TU	1 MP, 1 TU	1 CLP, 2 TU	1 NEC	2 CLP, 2 MP, 1 SS, 1 TU		
1962		3 CLP, 3 MP, 1 PC, 2 TU	1 CLP, 1 MP, 1 TU	1 PC	1 CLP, 6 MP, 1 NEC, 2 PC, 3 TU	2 CLP, 2 MP, 2 TU		
1963								
1964								
1965								
1966								
1967		1 CLP, 1 MP	2 MP, 2 TU		1 CLP, 1 NEC, 1 TU	1 CLP, 1 MP, 1 TU		1 CLP
1968								
1969		3 CLP, 2 MP, 1 TU	1 CLP, 1 MP, 1 TU		1 NEC	1 CLP, 2 MP, 2 TU		
1970		1 MP	1 MP, 4 TU		2 CLP, 2 MP, 1 NEC, 1 TU			
1971 *		10 CLP, 7 MP, 1 PC, 7 TU		1 CLP, 1 NEC	1 PL	11 CLP, 6 MP, 1 SS, 4 TU		2 CLP

Year	Withdrawal from the EU	Anti-EU	Opposition without safeguards or opposition to: (a) EU treaties (b) Terms of entry/membership (c) Specific EU policies	Neutral	Conditional support for the EU	Pro-EU	Reform of the EU	Federalist
1971		2 CLP, 1 MP, 2 TU	5 CLP, 2 MP, 1 PL, 1 NEC, 6 TU			2 CLP, 1 HL, 1 MP, 2 TU		3 CLP
1972	2 TU		2 CLP, 1 NEC, 2 MP, 2 PC, 1 PL, 1 TU			2 CLP, 1 MP, 1 TU		1 CLP
1973	1 TU	1 MP, 1 NEC, 2 TU	1 MP			1 MP, 1 TU		2 CLP
1974	2 TU	1 TU	3 CLP, 1 NEC, 2 TU	1 CLP		1 TU		
1975 *	4 CLP, 4 MP, 1 NEC, 7 TU					6 CLP, 1 FS, 5 MP, 1 PM, 5 TU		3 CLP
1975								
1976			4 CLP, 1 MP, 1 NEC			1 CLP, 1 MP, 2 PC, 2 TU		
1977	3 CLP		7 CLP, 1 MP, 1 NEC, 1 PC, 1 SS, 2 TU			1 TU		1 CLP
1978	2 CLP		3 CLP, 1 GS, 1 MEA, 1 TU					
1979	1 HL, 1 MEA		3 CLP, 2 MEP, 1 NEC, 1 PC, 1 TU	1 GS, 2 PC				
1980	3 CLP, 2 MEP, 1 NEC, 1 SS, 1 TU						1 MP 1 TU	
1981	3 CLP, 1 HL, 2 MP, 1 PC, 1 NEC, 1 TU		1 MEP	1 TU				

Year	Withdrawal from the EU	Anti-EU	Opposition without safeguards or opposition to: (a) EU treaties (b) Terms of entry/membership (c) Specific EU policies	Neutral	Conditional support for the EU	Pro-EU	Reform of the EU	Federalist
1982								
1983								
1984	1 MEP, 2 PC			1 MEP, 1 NEC, 1 PC				
1985								
1986								
1987								
1988		2 CLP				1 CLP, 1 TU		
1989								
1990						1 CLP, 2 MEP, 1 MP, 1 SS, 1 TU		
1991						1 HL, 1 MEP, 2 MP, 1 NEC, 2 PC, 3 TU		
1992			5 CLP, 1 NEC, 1 PC			1 CLP, 1 MEP, 1 MP, 1 NEC, 5 TU		
1993						1 CLP, 1 MEP, 1 MP, 3 TU		
1994				1 CLP		4 MEP, 1 MP, 1 NEC, 2 TU	2 CLP	
1995		1 MP				3 CLP, 1 FS, 1 MP, 2 MEP, 1 NEC, 4 TU		

Year	Withdrawal from the EU	Anti-EU	Opposition without safeguards or opposition to: (a) EU treaties (b) Terms of entry/membership (c) Specific EU policies	Neutral	Conditional support for the EU	Pro-EU	Reform of the EU	Federalist
1996						2 CLP, 1 FS, 2 MEP, 1 NEC, 1 PC, 1 TU		
1997						1 CLP, 1 FS, 2 MEP, 1 MP, 1 TU		
1998					1 TU	2 CLP, 1 FS, 1 MEP, 1 MP, 1 NEC, 1 NPF, 1 PC, 1 SS, 3 TU		
1999						1 FS, 2 MEP, 1 NEC, 2 TU		
2000						1 CLP, 1 FS, 1 MEP, 2 MP, 3 TU		
Total	**19 CLP, 2 HL, 1 MEA, 4 MEP, 6 MP, 3 NEC, 3 PC, 1 SS, 14 TU**	**23 CLP, 19 MP, 1 NEC, 2 PC, 17 TU**	**37 CLP, 1 GS, 1 MEA, 3 MEP, 14 MP, 8 NEC, 5 PC, 2 PL, 1 SS, 22 TU**	**4 CLP, 1 GS, 1 MEP, 2 NEC, 4 PC, 3 TU**	**4 CLP, 8 MP, 6 NEC, 2 PC, 1 PL, 6 TU**	**41 CLP, 7 FS, 2 HL, 18 MEP, 33 MP, 7 NEC, 1 NPF, 7 PC, 1 PM, 4 SS, 52 TU**	**2 CLP, 1 MP, 1 TU**	**16 CLP, 6 MP, 1 TU**

Source: *Annual Conference Report*. Notes: * Special Conference on the EU. CLP = Constituency Labour Party delegate. FS = Foreign Secretary. GS = General Secretary of Labour Party. HL = Member of the House of Lords. MP = Member of Parliament. MEA/MEP = Member of the European Assembly/Parliament. NEC = National Executive Committee member. NPF = National Policy Forum member. PC = Parliamentary candidate. PL/PM = Party Leader/Prime Minister. SS = Socialist Society delegate. TU = trade union delegate.

Tables 8 and 9 reveal the extent to which Labour was divided over the issue of European integration, evident in the range of policy positions debated at the Annual Conference. Over the 1947/1948 to 1997/2000 period, there were 355 resolutions and amendments and 451 speakers on European integration. Out of this total, 80.9 per cent of resolutions and amendments were CLP-sponsored, 16.6 per cent were trade union-sponsored, and 2.5 per cent were socialist society-sponsored. Of the speakers, 40.6 per cent were parliamentarians, prospective candidates or party officials, 32.4 per cent were CLP delegates, 25.7 per cent were trade union delegates, and 1.3 per cent were socialist society delegates. Furthermore, 56.3 per cent of resolutions and amendments and 46 per cent of speakers were opposed to, or sceptical of, European integration. By contrast, 37.2 per cent of resolutions and amendments and 50.3 per cent of speakers were favourable.

Eight different policy positions can be identified from the data. The most popular was *opposition without safeguards*, recommended by 29.3 per cent of resolutions and amendments and 20.8 per cent of speakers. It was official party policy in 1961 and 1971. The second most popular was the *pro-EU* stance, recommended by 18.6 per cent of resolutions and amendments and 38.4 per cent of speakers. It was official party policy from 1988 onwards. The third most popular was the *anti-EU* (but not necessarily withdrawal) stance, recommended by 18.6 per cent of resolutions and amendments and 13.7 per cent of speakers. The fourth most popular was support for *federalism*, recommended by 10.1 per cent of resolutions and amendments and 5.1 per cent of speakers. It was official party policy in 1948 and was only narrowly defeated in Annual Conference votes in 1971 and 1973. The fifth most popular policy position was *withdrawal* from the EU, supported by 8.5 per cent of resolutions and amendments and 11.8 per cent of speakers. It was official party policy in 1975 and 1976, and during the 1981-1987 period. The sixth most popular was *neutrality*, recommended by 6.5 per cent of resolutions and amendments and 3.3 per cent of speakers. The seventh most popular was *conditional support* for the EU, recommended by 5.4 per cent of resolutions and amendments and 6.0 per cent of speakers. It was official party policy between 1962 and 1970. The least popular policy position was support for the *reform of the EU*, recommended by only 3.1 per cent of resolution and amendments and 0.9 per cent of speakers. Nevertheless, it was official party policy between 1977 and 1979.

Tables 10 and 11 divide the empirical data into the pre- and post-1988 periods, whilst Figures 8, 9, 10 and 11 document Labour's discourse on European integration. The purpose of these tables and figures is to explore the significance of the policy reversal that occurred in 1988, when Labour abandoned its withdrawal policy.

Table 10: Labour Party Affiliates' Policy Positions on European Integration (Pre- and Post-1988)

Years	Withdrawal from the EU	Anti-EU	Opposition without safeguards, or opposition to: (a) EU treaties (b) Terms of entry/membership (c) Specific EU policies	Neutral	Conditional support for the EU	Pro-EU	Reform of the EU	Federalist
1947-1987	30	66	91	19	14	29	2	36
1988-1997	0	0	13	4	5	37	9	0

Source: *Annual Conference Agenda*.

Table 11: Speakers' Policy Positions on European Integration at the Labour Party Annual Conference (Pre- and Post-1988)

Years	Withdrawal from the EU	Anti-EU	Opposition without safeguards, or opposition to: (a) EU treaties (b) Terms of entry/membership (c) Specific EU policies	Neutral	Conditional support for the EU	Pro-EU	Reform of the EU	Federalist
1947-1981*	53	59	87	14	26	80	2	23
1988-1997	0	3	7	1	1	93	2	0

Source: *Annual Conference Report*. Note: * Labour's last debate on the EU, before the fundamental policy change in 1988, occurred at the 1981 Conference.

Figure 8: Anti-EU Arguments Advanced during Labour Party Annual Conference Debates (1948-1981)

Arguments	Frequency
▪ Entry/membership resulted in higher food prices	34
▪ Common Agricultural Policy was damaging for Britain	33
▪ Entry/membership worsened Britain's balance of payments and trade deficit problems	33
▪ EU was capitalist	28
▪ Pro-EU forces resorted to deceit/propaganda	27
▪ EU undermined parliamentary democracy	25
▪ EU threatened jobs and policy of full employment	23
▪ Entry/membership led to an increased in the cost of living/lowered the standard of living	21
▪ Opponents/sceptics were not isolationist or 'little Englanders'	17
▪ British public opinion opposed to entry/membership	17
▪ Conservative government had no mandate for entry	16
▪ Entry/membership resulted in a loss of control/independence	15
▪ Entry/membership would not benefit the working class	15
▪ Treaty of Rome provisions for the free movement of capital led to capital flight from Britain following entry	14
▪ EU membership was a barrier to implementing socialism	14
▪ Imposition of value-added tax was regressive	14
▪ EU was opposed to public ownership/state aid	13
▪ EU membership threatened British agriculture	12
▪ Britain contributions to the EU Budget were too high	12
▪ EU would develop into a militaristic/nuclear-armed bloc	12
▪ Objective of the EU was political union	11
▪ EU was undemocratic	11
▪ EU membership damaged Commonwealth trade	10
▪ Economic and Monetary Union policy was damaging/threatening	10
▪ Rule by Brussels bureaucrats should be opposed	9
▪ EU was opposed to national economic planning	9
▪ EU was threat to Britain's regional policy	9
▪ EU membership contributed to rising inflation in Britain	7
▪ Treaty of Rome was not negotiable	7
▪ Common Fisheries Policy was damaging	7
▪ Treaty of Rome outlawed import and export controls	6
▪ Entry/membership damaged British industry	6
▪ EU damaged relations with the European Free Trade Association	6
▪ EU was incompatible with the Alternative Economic Strategy	5
▪ EU would limit a Labour government's freedom of action	5
▪ Entry/membership would result in lower economic growth	4
▪ Britain could stand on its own outside the EU	4
▪ Europe was wider than the EU	4
▪ Entry to the EU was irreversible	4
▪ EU was dominated by cartels/multinational companies	3
▪ EU was part of the Cold War system	3
▪ EU was a 'rich man's club'	3
▪ EU contributed to the post-war division of Europe	3
▪ Pro-EU case for entry/membership was defeatist	3
▪ EU was a threat to neutrality	2
▪ EU was a threat to Britain's foreign policy	2

Source: *Annual Conference Report*.

Figure 9: Pro-EU Arguments Advanced during Labour Party Annual Conference Debates (1948-1981*)

Arguments	Frequency
▪ EU provided Britain with a bigger home market	21
▪ Socialists and trade unionists in the EU wanted Britain to join/stay in	14
▪ EU was internationalism in action	12
▪ Entry/membership would raise the British standard of living	10
▪ EU was a means to control multinational companies	9
▪ 'Socialism in one country' was impossible	8
▪ Withdrawal was a dangerous policy (risking the loss of jobs and trade)	7
▪ Entry/membership would increase economic growth rate in Britain	7
▪ Britain would lose influence outside the EU	7
▪ EU enjoyed better wages and working conditions than Britain	6
▪ EU represented Britain's destiny/future	6
▪ EU ensured peace in Europe	5
▪ EU member states enjoyed higher welfare benefits	5
▪ There was no alternative to the EU; it was inevitable	4
▪ EU presented an opportunity for socialism	4
▪ Britain would benefit from EU regional and structural funds	4
▪ EU provided more aid to developing countries than Britain	4
▪ Britain was already part of Europe; the key question was what sort of Europe	4
▪ Treaty of Rome was not opposed to national economic planning, nationalisation and state aid	4
▪ EU helped to contain British nationalism and xenophobia	4
▪ National sovereignty was an outmoded concept	3
▪ EU was a fact that needed to be accepted	3
▪ Commonwealth countries wanted Britain to join the EU/stay in	3
▪ Markets of the Commonwealth and European Free Trade Association were not sufficient	3
▪ British home market was not sufficient	2
▪ EU was not a threat to national sovereignty	2
▪ EU would enable Britain to gain independence from the United States	2
▪ EU member states had higher levels of public ownership than Britain	2
▪ Britain would be poorer outside the EU	2
▪ Entry/membership would lead to an increase in British exports	2
▪ Entry/membership would benefit the British working class	1

Source: *Annual Conference Report*.

Figure 10: Anti-EU Arguments Advanced during Labour Party Annual Conference Debates (1988-2000)

Arguments	Frequency
▪ Maastricht Convergence Criteria threatened jobs	5
▪ European Central Bank is undemocratic, deflationary and monetarist	4
▪ Membership of Economic and Monetary Union involved surrendering power to unelected central bankers	4 4
▪ EU needed to solve its democratic deficit	4
▪ Britain's membership of the Exchange Rate Mechanism was a disaster	3
▪ Economic and Monetary Union would limit freedom of action for future Labour government	2
▪ EU membership undermined parliamentary democracy	1

Source: *Annual Conference Report*.

Figure 11: Pro-EU Arguments Advanced during Labour Party Annual Conference Debates (1988-2000)

Arguments	Frequency
▪ Social Chapter would benefit British workers	35
▪ EU was essential for tackling unemployment across Europe	24
▪ There was a need to democratise the EU	23
▪ Enlargement would bring benefits for Britain (including bigger home market)	22 22
▪ Economic and Monetary Union would benefit Britain	15
▪ There was a need to reform the Common Agricultural Policy	12
▪ Labour had put Britain at the centre/heart of Europe	12
▪ EU ensured peace in Europe	11
▪ EU was internationalism in action	9
▪ EU was important to British exports, jobs and investment	8
▪ There was a need for a 'People's Europe'	8
▪ There was a need to strengthen the powers of the European Parliament	7
▪ EU was an effective means of tackling environmental issues	6
▪ There was a need for a stronger 'social Europe'	6
▪ EU was essential for tackling racism and fascism across Europe	6
▪ Single Market would provide new opportunities for British industry and workers	6
▪ 'European social model' was preferable to the US model	5
▪ Globalisation meant that there was no alternative to the EU	5
▪ Britain would lose influence outside the EU	5
▪ 'Social dialogue' would help to transform industrial relations in Britain	4 3
▪ Labour's debate about Europe was over	3
▪ Labour was the party of Europe	2
▪ EU was a means to control multinational companies	2
▪ Withdrawal was a dangerous policy (risking the loss of jobs and trade)	2
▪ Involvement in further European integration was Britain's destiny/future	2
▪ Britain is part of Europe	1

Source: *Annual Conference Report*.

It is clear that there was a seismic change of attitude towards European integration in 1988. It is reflected in the dramatic fall in the number of critical resolutions and amendments submitted to the Annual Conference in the post-1988 period (13) compared to the 1947-1987 period (200). It is manifest in the dearth of critical speakers during Annual Conference debates: just 10 in the post-1988 period compared to 199 in the 1947-1987 period. It is also evident in the contrast between the two periods in terms of discourse. During the 1948-1984 period, a total of 46 anti-EU arguments were advanced (deployed 568 times), compared to 31 pro-EU arguments (deployed 170 times). Post-1988, however, only 7 anti-EU arguments (deployed 27 times) were put forward, compared to 26 pro-EU arguments (deployed 257 times). These changes are explored in more detail in Chapter 10.

The second source of policy, the NEC, produced a number of policy documents on European integration (see Figures 12 and 13).

Figure 12: Labour Party NEC Policy Documents Referring to European Integration (1952-1997)

Labour's Foreign Policy (1952)
Challenge to Britain (1953)
Labour's Programme for Britain (1973)
Labour's Programme for Britain (1976)
Peace, Jobs, Freedom (1980)
Labour's Programme (1982)
Social Justice and Economic Efficiency (1988)
Meet the Challenge, Make the Change (1989)
Looking to the Future (1990)
Opportunity Britain (1991)
Agenda for Change (1992)
A Fresh Start for Britain (1996)

Figure 13: Labour Party NEC Policy Statements on European Integration (1950-1997)

European Unity (1950)
Labour and the Common Market (1962, 1967, 1969)
European Economic Community (1970)
The Common Market (1972)
The Labour Party and the Common Market (1975)
The EEC and Britain (1977)
Direct Elections: Arguments For and Against (1976)
Withdrawal from the EEC (1981)
Prosperity through Co-operation (1993)
Economic Renewal in the European Union (1994)
Jobs and Social Justice (1994)
The Future of the European Union (1995)
A People's Europe (1995)
A Business Agenda for Europe (1996)
Reforming the Common Agricultural Policy (1996)

The NEC submitted two joint Labour Party-TUC policy documents that referred to European integration: *Food Policy and the EEC* in 1973 and *Into the Eighties* in 1978. It also produced a number of emergency resolutions: on the EDC in 1954, on the proposed referendum on continued membership in 1974, on the European Monetary System (EMS) in 1978, and on the Maastricht Treaty in 1992. The third source of policy, the party leadership, submitted policy statements via the NEC Report and/or the PLP Report to the Annual Conference.

The first post-war Labour government was elected in July 1945. Morgan (1985) identified four key policy areas of the 1945-1951 Labour governments: industrial modernisation and nationalisation, the creation of the welfare state, de-colonisation and the establishment of the Commonwealth, and defence and foreign affairs. In pursuing these policies, the Labour leadership contributed to the institutionalisation of Fordism in Britain. In terms of domestic policy, the nationalisation programme, which expanded collective bargaining, served to modernise British industry and its labour relations, whilst the welfare state, which guaranteed a minimum standard of living, completed the Fordist 'mode of regulation' (Overbeek, 1990). In terms of foreign policy, the primary objective of the Labour leadership was to develop a strategy that underpinned Labour's domestic programme, that fostered the 'special relationship' with the US, and, paradoxically, that maintained the option of an independent foreign policy.

6.2 SUPPORT FOR EUROPEAN INTEGRATION (1945-1960)

Labour's Annual Conference and the party leadership both supported European integration during the early post-war period. However, their visions were at times quite different.

Imperial Third Force

As the Anglo-Soviet-US 'Grand Alliance' disintegrated with the onset of the Cold War, Foreign Secretary Ernest Bevin and the Foreign Office attempted to safeguard Britain's position in the post-war world order. Three schemes were devised all of which envisaged the creation of a British-led imperial third force which would enable Britain to maintain an independent foreign policy (see Kent, 1989). The first scheme, that of Anglo-French economic co-ordination, resulted in the creation of the Anglo-French Economic Committee in September 1946.

The second scheme, the 'Euro-Africa' plan floated by the Foreign Office (1947a) in January 1947, involved the development of 'an African Union under European guidance', which 'would not fear either in manpower or in agricultural and mineral resources with either the Soviet Union or the US.' It was also expected to provide an object lesson in federal administration for the European federalist movement (Foreign Office, 1947b).

The third scheme was the idea of a European customs union. In September 1947 Bevin persuaded the Cabinet to examine such an option. He stated that it was 'essential to find an economic support for my policy of Western Union', that a 'Customs Union provides the most satisfactory method of providing such support', and that 'Britain should take an early lead in sponsoring such a Union' (Foreign Office, 1948). Although oblique references to the party leadership's *imperial third force* policy were contained in the PLP Report to the 1948 Conference, such a policy was not debated or ratified by the Annual Conference.

Three factors contributed to the abandonment of the policy in 1948. First, the Labour government was beset by a number of economic and political problems, which considerably weakened its capacity to pursue an alternative policy. Second, Britain was increasingly dependent on the US, which was hostile to an independent Britain. Third, European federalists, encouraged by the US, began to challenge Britain's goal of European leadership.

The policy shift was consolidated at an interdepartmental meeting of civil servants in January 1949. Those present argued that Britain's priority should be to secure 'a special relationship with the USA and Canada' because, 'in the last resort, we cannot rely upon the European countries' (Sir Richard Clarke, quoted in Clarke, 1982, p.208). One month later, Bevin warned the Cabinet of the dangers associated with forging closer economic links with Europe, specifically the formal requirement to share colonial export markets, which would 'threaten the sterling balances' (Cabinet Office, 1949a), by undermining Britain's role as the 'central bank' of the Sterling Area. Thereafter, the party leadership attempted to steer the process of European integration in an intergovernmental direction.

Socialist Third Force

While the party leadership was pursuing its imperial third force policy, members of the PLP and the wider party promoted a United States of Europe as a socialist third force alternative. Federalists submitted an amendment and an Early Day Motion (EDM), supported by 72 Labour MPs, in the House of Commons in 1946 and 1947 respectively. In April 1947 several Labour MPs published a *Keep Left* pamphlet which recommended an 'economic union of European states' (Crossman at al. 1947, p.38). In September Richard Mackay distributed his federalist tract to fellow Labour MPs and in December he established the Europe Group of

federalist MPs. These efforts, organised by the Federal Union, constituted the first pro-EU propaganda campaign to specifically target the Labour Party. Meanwhile, the European Movement launched a campaign to undermine the resistance of the Labour government, and the Conservative opposition, to federalist ideas. The results of these campaigns included a second EDM in favour of European political union, signed by 100 Labour MPs in March 1948, and the adoption of a federalist resolution at Labour's 1948 Conference.

The 1947 Conference witnessed Labour's first debate on European integration, plus an unsuccessful attempt to reference back the section in the NEC Report on the United States of Europe Committee. Its purpose was to challenge the NEC decision, agreed in January 1947, that Labour should not associate with the committee. The 1947 Conference also carried a resolution, endorsed by the NEC, in favour of European integration on the basis that it would raise living standards, thus creating the conditions for a peaceful and socialist Europe.

The 1948 Conference debated a resolution in favour of a United Socialist States of Europe based on economic planning, public ownership and individual liberty, plus complete military and political independence *vis-à-vis* the Soviet Union and the US. Hugh Dalton commended the resolution on behalf of the NEC, subject to four qualifications. First, he opposed the concept of a European third force. Second, he rejected 'doctrinaire federalism' in favour of a 'practical, functional approach', insisting that Labour would not sacrifice itself 'upon any doctrinal alter of a federal Western Europe.' Third, he stressed the importance of the Commonwealth, arguing that, economically, it was more important than Western Europe. Fourth, he emphasised the need to maintain political independence, warning of 'chance majorities of reactionaries who might be thrown up from any part of Western Europe' (Labour Party, 1948c, p.177, 179). The resolution was carried, subject to these qualifications.

The *socialist third force* policy was limited in its impact, for two reasons. First, the 1948 Conference decision received only conditional support from the NEC, which deployed the procedural device of 'qualified acceptance' to neutralise it. Second, although there was a long history of support for federalism within the party, it had no Cabinet-level champions. Critically, given his powerful position as Prime Minister, Attlee considered European unity a 'time wasting detour' (quoted in Harris, 1982, p.315).

Intergovernmental European Co-operation

In March 1948 the Cabinet approved the report which recommended that any organisation established to administer the ERP should be based on 'strong national delegations and not an "executive" secretariat' (Clarke, 1982, p.199). Later that month, Labour signed the Brussels Treaty, establishing machinery for co-operation in the fields of defence, financial and social policy, on the basis of mutual agreement rather than majority voting.

The party leadership's second success was the creation of an intergovernmental OEEC in April 1948, whilst its third success was defending the intergovernmental nature of the OEEC. A Labour delegation attended the International Conference of Socialist Parties on European Unity held in April 1948. It adopted a resolution stating that, although it supported European integration, 'the methods required to make a success of this policy lie essentially in the use of the organisation's creation by the 16 nations' (Labour Party, 1949b, p.224), specifically the intergovernmental OEEC. Despite the decision of the 1948 Conference, held in May, to support a federal Europe, the party leadership continued to pursue a strategy of intergovernmental co-operation.

The party leadership's fourth success was secured at the Congress of Europe in May 1948, which was attended by 27 Labour MPs despite the NEC boycott. Although established on an intergovernmental basis, Bevin feared the future development of the Council of Europe into a 'European political authority' (Cabinet Office, 1950a).

The party leadership's fifth success was Cabinet endorsement for Bevin's November 1948 proposal to create an intergovernmental 'Council of Ministers of Western Europe'. Bevin warned that 'unless we are to adopt a purely negative attitude, with unfortunate consequences in America, France and elsewhere, it seems essential to devise some scheme which will avoid any commitments to the dangerous expedients advocated by the federalists and their allies' (Cabinet Office, 1948b).

Labour was re-elected at the 1950 General Election. Its manifesto pledged to continue supporting European integration whilst defending Britain's place at the heart of the Commonwealth.

Following the publication of the Schuman Plan in May 1950, Attlee issued a public statement welcoming the proposal. However, in June, the Cabinet recorded that 'there was general agreement that the United Kingdom could not participate in the proposed discussion of the French proposal' (Cabinet Office, 1950b), which required the acceptance of the principle of supranationalism before any negotiations. In the House of Commons debate on the 27th June 1950, Attlee attacked the concept of supranationality and Labour's amendment, against participation in the negotiations, was carried by 309 votes to 296. However, the party

leadership's sixth attempt to steer the process of European integration had failed; the ECSC, with its supranational High Authority, was established in April 1951.

June 1950 witnessed the publication of the NEC statement, *European Unity*. Economically, it argued that an economic union would unleash destructive market forces, thus encouraging communism across Europe, whilst failing to solve the dollar gap. It also argued that Britain needed to preserve its status as the 'banker of the sterling area' and that 'co-operation with Europe should not prevent the government from continuing to exercise extensive control over the economy'. Politically, it opposed the development of any supranational parliament, warning that it would have a 'permanent anti-socialist majority' (Labour Party, 1950b, pp.3-13). It insisted that European co-operation should be based on mutual consent rather than majority rule, and that Europe should not aspire to create a neutral third force, but must stand with the US against communism.

In June 1950 the Keep Left group published *Keeping Left*, which re-emphasised the left's support for European integration. However, it complained that 'Labour Britain today is at heart isolationist' (Castle et. al. 1950, p.25). Other federalists, such as Mackay (1950), were also critical of the party leadership's position. However, the leader of the left, Aneurin Bevan, opposed European integration. He argued that the EU was a 'gimmick', an 'escapist conception in which the play of market forces will take the place of political responsibility' (Bevan, 1957).

The 1950 Conference debated a resolution which endorsed *European Unity*, whilst opposing participation in the Schuman Plan negotiations. A dissenting CLP delegate unsuccessfully attempted to refer back the European Unity section of the NEC Report, urging the NEC to reconsider its support for intergovernmentalism and the Commonwealth. The resolution was carried and support for *intergovernmental European co-operation* was adopted as official party policy.

The party leadership's sixth success was the European Convention on Human Rights, agreed by the Council of Europe in November 1950. Labour signed the Convention but negotiated opt-outs from Article 25, which gave individual citizens the right of direct appeal to the European Court of Human Rights, and Article 46, which would have made the British legislative process subject to review by the European Court of Justice.

In response to the Pleven Plan, published in October 1950, Bevin submitted a paper on the EDC to the Cabinet in November. It claimed that 'one of the ideas underlying the French plan is, undoubtedly, that of a Continental bloc, under French leadership, which while linked to the Atlantic Community, would constitute in world politics a force with some measure of independence' (Premier's Office, 1950). In March 1951 Bevin resigned as Foreign Secretary

due to ill health and was replaced by Herbert Morrison, who advised the Cabinet that Britain should support the EDC proposal. However, 'we do not, of course, suggest that the United Kingdom should itself join the European Army' (Cabinet Office, 1951a).

Labour was defeated at the 1951, 1955 and 1959 general elections, enduring 13 years in opposition. Although there was no reference to European integration in Labour's manifestos for these general elections, the party leadership upheld official party policy.

The 1953 Conference discussed the NEC statement, *Challenge to Britain*, which argued that the solution to the dollar gap and Britain's dependence on US aid was joint planning with the rest of the Sterling Area, in co-operation with Western Europe. Although no vote was taken on the document, the 1953 Conference carried an NEC resolution reconfirming official party policy.

In February 1954 Labour's Parliamentary Committee met to agree its position on the EDC Treaty. Attlee moved a Shadow Cabinet resolution claiming that the party leadership's concerns about German rearmament had been resolved. It was carried by 113 votes to 104, whilst an amendment opposing the EDC was defeated by 111 votes to 109. Following the French National Assembly's rejection of the EDC Treaty in August, the 1954 Conference debated two resolutions. The emergency NEC resolution was supportive of German rearmament and reunification, whilst Resolution 22 backed reunification but opposed rearmament. The former was carried by 3,270,000 votes to 3,022,000, whilst the latter was defeated by 3,281,000 votes to 2,910,000.

During this period the CIA helped to fund and to organise an anti-socialist, pro-EU and pro-US social democratic network within the party. Several individuals within this network attended the Bilderberg Conference, as did a number of figures from the right of the labour and trade union movement (see Figure 14).

Figure 14: Participants in the Annual Bilderberg Conference (1954-1999)

Year	Participants
1954	Hugh Gaitskell, Dennis Healey and Sir Thomas Williamson (National Union of General and Municipal Workers)
1955	Hugh Gaitskell, Dennis Healey, Douglas Jay and Colin Geddes (Union of Post Office Workers)
1957	Hugh Gaitskell, Colin Geddes, Dennis Healey, Douglas Jay and Sir Thomas Williamson
1962	George Brown, Dennis Healey, Douglas Jay, Sir Thomas Williamson and Kenneth Younger
1991	Gordon Brown and John Smith
1993	Tony Blair and David Owen
1996	John Monks (Trades Union Congress)
1998	Tony Blair
1999	Peter Mandelson

Source: www.bilderberg.org and *Spotlight* (1992)

In addition, several senior civil servants and officials reportedly attended the Bilderberg Conference. These included Sir Oliver Franks in 1954 and 1957, Ed Balls from the Treasury in 2001, 2002 and 2003, plus Philip Gould, a public relations advisor to Blair, and Mervyn King, the Deputy-Governor of the Bank of England, in 2003.

In December 1955 Gaitskell succeeded Attlee as Party Leader. In July 1956 Roy Jenkins submitted an EDM in the House of Commons, supported by 82 Labour MPs, which recommended British participation in the Messina negotiations. Following the ratification of the Treaty of Rome, the Labour leadership joined the Conservatives in promoting the FTA. The Labour leadership hoped that the objectives of EFTA would include full employment, economic expansion, social progress, industrialisation and that any treaty would include credit facilities to encourage long-term investment. Critically, however, neither EFTA membership, nor the principle of free trade, were debated or ratified by the Annual Conference.

In the House of Commons debate in July 1960, Wilson claimed that there was a strong case for joining the EU but argued that the importance of Commonwealth trade effectively ruled it out. He declared that the Labour leadership was opposed to entry on the grounds that it might limit Britain's ability to purse its economic and social policies, whilst the objective of future negotiations should be a single, united economic community in Western Europe.

6.3 OPPOSITION TO ENTRY WITHOUT SAFEGUARDS (1961)

In the House of Commons in July 1961 the Labour leadership urged Macmillan to give an undertaking that Britain would not join until satisfactory arrangements had been made to protect Commonwealth and EFTA interests. Macmillan was also urged to convene a Commonwealth Prime Ministers' Conference.

The 1961 Conference debated three resolutions. Resolution 4 opposed entry unless guarantees on agriculture, the Commonwealth, EFTA, economic planning, and public ownership were obtained. Resolutions 314 favoured unconditional entry, whilst Resolution 321 believed that entry 'on the basis of the Treaty of Rome would be injurious to our national interests' (Labour Party, 1961b, p.213). The NEC backed Resolution 4. However, Foreign Secretary George Brown argued that, if the necessary safeguards were put in place, then Labour should actively support entry. Resolution 4 was carried, Resolution 314 was defeated, whilst Resolution 321 was remitted to the NEC. The Annual Conference and the party leadership therefore united to support a policy of *opposition to entry without safeguards*. However, once again the party leadership used the procedural device of 'qualified acceptance', to maintain the option of entry.

The second post-war Labour government was elected in October 1964. The 1964-1970 Labour governments focused on three key policy areas: the modernisation of the British economy, maintaining sterling as an international reserve currency, and defence and foreign affairs. In terms of domestic policy, the Labour leadership established the Department for Economic Affairs, the Industrial Reorganisation Corporation and the Ministry of Technology with the objective of institutionalising economic planning and restructuring British industry. It established the tripartite National Board for Prices and Incomes, urging voluntary wage restrain so as to increase productivity, and, backed by the City and the US, attempted to maintain the parity of sterling, resulting in periodic currency crises and the imposition of deflationary measures. In terms of foreign policy, the primary objective of the Labour leadership was to devise a strategy that preserved the Commonwealth option, that maintained the Sterling Area, that kept open the option of EU entry, and that enabled it to pursue these objectives without splitting the party.

6.4 CONDITIONAL SUPPORT FOR ENTRY (1962-1970)

In a memorandum to US President John F. Kennedy in December 1962, Gaitskell stated that he was 'bitterly disappointed and indeed astonished at the provisional agreements reached' between Macmillan and the Six. Gaitskell 'expected that the terms would be such as to prove acceptable to the Commonwealth Prime Ministers and that my task would be to persuade my party to accept them' (Williams, 1979, p.712). Nevertheless, in the House of Commons debate in August 1962 the Labour leadership put down an amendment stating that, on balance, it would be a good thing if Britain joined the EU.

The NEC statement, *Labour and the Common Market*, was published in September 1962. Drafted by Peter Shore, it acknowledged that the EU aimed not just at the removal of trade barriers but the creation of a single market, plus the formation of a political community with common policies agreed by majority vote, to govern that market. However, rather than oppose or support entry, it established five conditions of entry: safeguarding Britain's trade with the Commonwealth, its freedom to pursue an independent foreign policy, its obligations to EFTA, its ability to plan the economy, and its commitment to British agriculture. It concluded that the economic arguments for and against were evenly balanced, and that the Conservatives' negotiating strategy was wholly inadequate. However, it pledged that, if the five conditions were satisfied, 'then Britain should join' (Labour Party, 1962, p.250).

By the time of the 1962 Conference, Gaitskell had changed his stance, warning that entry risked the 'the end of a thousand years of history' (Ibid. p.158). Four resolutions were debated. Resolution 15 insisted that the issue of entry should be settled through a general election. Resolution 140 opposed entry on the grounds that it undermined trade with the Commonwealth, hindered economic planning and perpetuated the division of Europe. Resolution 177 opposed entry without the following safeguards: a full employment clause in the Treaty of Rome, no discrimination against Commonwealth citizens, no prohibition of public ownership, and no barriers to progressive taxation. Resolution 181 supported entry negotiations on suitable terms, left unspecified. Brown, speaking on behalf of the NEC, concluded that, on balance, 'there *are* some economic advantages if we go in, and this view lies behind the document' (Ibid. pp.190-191). Resolution 15 was defeated by 4,482,000 votes to 1,943,000, Resolution 140 was defeated, Resolution 181 was remitted, whilst the NEC statement was carried. Critically, given Brown's claim about the economic advantages of entry, the policy of *conditional support for entry* was biased in favour of entry rather than the status quo. However, in January 1963 de Gaulle vetoed Britain's first application. In February 1963, following Gaitskell's death, Wilson was elected as Party Leader.

A resolution in favour of reopening entry negotiations was submitted to the 1963 Conference. However, it was not debated. In an attempt to avoid party division before the general election the party leadership instituted the 'three-year rule', to prevent any debate on the EU; consequently it was not debated again until 1967.

Labour was returned to power in the 1964 General Election. Its manifesto declared that 'though we shall seek to achieve closer links with our European neighbours, the Labour Party is convinced that the first responsibility of a British government is still to the Commonwealth' (Labour Party, 1964a). As Prime Minister, Wilson reaffirmed the commitment to the five conditions. However, under the influence of pro-EU civil servants, and the US government (discussed below), Wilson began to shift in favour of entry.

The official record reveals that there were three reasons why state planners changed their position. The first reason was the belief that entry would bolster Britain's power and influence. The Foreign Office declared in January 1968 that 'if we want to exercise a major influence in shaping world events and are prepared to meet the costs, we need to be influential with a much larger power system than we ourselves possess. The only practical possibilities open to us are to wield influence with Western Europe or the United States or both' (Premier's Office, 1968). The second reason was the perceived need to safeguard the 'special relationship'. In August 1968, the Foreign Office (1968a) argued that 'if we fail to become part of a more united Europe', Britain's relationship with the US 'will not be enough

to prevent us becoming increasingly peripheral to US concerns.' The Foreign Office (1968b) stated that 'it is the hope of bringing our economic influence to bear more effectively in the political field that constitutes the principal motive of our application to join the EEC.' The third reason was to prevent the development of an independent European bloc. In April 1968 Foreign Secretary Michael Stewart warned that if a 'Third Force Europe really succeeded there would be a considerable risk that Germany would be the dominant power in it' (Foreign office, 1968b).

The first manifestation of Wilson's policy shift occurred in December 1965 when he accepted Articles 25 and 46 of the European Convention on Human Rights, reversing the opt-outs negotiated in 1950. Taken as an executive decision using the Royal Prerogative, neither the Cabinet nor Parliament discussed the change despite its constitutional significance.

Labour was re-elected at the 1966 General Election. Its manifesto declared that 'Labour believes that Britain, in consultation with her EFTA partners, should be ready to enter the European Economic Community, provided essential British and Commonwealth interests are safeguarded' (Labour Party, 1966a).

Although Wilson delivered public speeches that were circumspect about the prospects of entry, in private he pursued a pro-EU strategy. There was a European dimension to the 1966/1967 sterling crisis, in two interrelated senses; first, the role of the US, which favoured British entry, and second, the linking of devaluation with entry. In the summer of 1965 Wilson negotiated a secret agreement with US President Lyndon Johnson, whereby the US would financially support sterling in return for the postponement of devaluation (see King, 1972). Although joining the EU was not part of the agreement, Wilson was aware of Johnson's preference for British entry (see Bator, 1967).

The sterling crisis also precipitated the so-called 1966 'July plot', the first of several parapolitical operations against Wilson. Barbara Castle (1984, p.145) reported that Wilson had told her that 'there was a great plot on' by Brown and Callaghan 'to get rid of him. "You know what the game is: devalue and get into Europe."' Brown believed that the devaluation of sterling would facilitate entry to the EU. Indeed, he told Castle (Ibid, p.147) that 'we've got to break with America, devalue and go into Europe.'

There were two further instances of Wilson seeking entry without the knowledge or backing of the Cabinet. European Commission Vice-President Robert Marjolin published the EU Medium Term Economic Policy (MTEP) in March 1966. Its objective was to co-ordinate member states' policies to tackle the regional, social and structural inequalities caused by integration. Holland, then at the Cabinet Office, sent a memorandum to Wilson arguing that

the MTEP was Marjolin's attempt to 'get the French indicative planning model adopted' by the EU. Wilson 'was delighted with the memorandum, because it meant that Labour's National Plan was not only compatible with entry, but could be reinforced by the MTEP' (Holland, 1997, pp.2-3).

A further indication of Wilson's manoeuvring was the European Technology Community proposal. In March 1967, Holland suggested that Labour should revise its negotiating strategy, recommending that it should support intergovernmentalism, endorse the MTEP and co-operate with the Six on advanced technology. Wilson subsequently sent Holland on a secret mission to sound out de Gaulle. In the meetings that followed, Wilson argued that a treaty should be signed before any detailed programme of co-operation was agreed, whilst de Gaulle insisted that it should be created on the basis of specific projects. However, Wilson refused to make such a commitment.

The Cabinet, together with advisors and officials, met at Chequers in October 1966 to review the party's European policy. The Cabinet acceded to Wilson's proposal that he and Brown tour the capitals of the Six to sound out opinion regarding British entry. The tour took place between January and March 1967.

In February 1967 107 Labour MPs signed an EDM in the House of Commons reaffirming the five conditions. In May 1967 74 Labour MPs signed a statement setting out the case against entry (*Tribune*, 1967). That same month, 25 Labour MPs signed a statement, published in the journal of the Labour Committee for Europe, in favour of a socialist Europe.

In the April 1967 Cabinet meeting Wilson argued that 'even if the economic consequences of joining the Community proved to be no more than evenly balanced, the political advantages of joining were decisive.' Entry was essential, otherwise Britain would find itself 'increasingly isolated and powerless in world affairs' (Cabinet Office, 1967). The Cabinet voted by 13 to 8 to submit a second application and to re-open negotiations.

In May 1967 Labour published a White Paper setting out its terms. These included transition arrangements for the implementation of the CAP, plus safeguards on the balance of payments, Commonwealth trade and regional policy. It also published White Papers on the CAP and on the constitutional and legal implications of entry.

In the House of Commons on the 10th May, Wilson argued that economically, on balance, industry would benefit from entry. However, he acknowledged the problems posed by the CAP and the end of Commonwealth Preference. It was estimated that the cost of living would increase (between 2.5-3.5 per cent), that food prices would be higher (between 10-14 per cent), and that the net cost to the balance of payments would be between £175 and £250 million per year. Politically, he dismissed the idea of a federal Europe, downplayed the

risk of majority voting being extended to defence and foreign policy, and reassured the House of Commons that entry would not undermine the Western Alliance. Constitutionally, he stated that EU law would only take precedence in the areas of commerce, customs, energy and immigration. Most domestic law, including criminal law, would remain unchanged. However, he conceded that it would involve some surrender of sovereignty, and that, in future, Britain would have to refrain from enacting legislation inconsistent with EU law. He concluded that Britain had a choice; it could survive outside of the EU, but that entry was the right decision.

During the debate, 37 Labour MPs tabled an amendment opposing the White Paper, arguing that it failed to uphold the conditions laid down by the Annual Conference. Despite a three-line whip, 35 Labour MPs voted against, while 51 abstained. However, due to Conservative support, the Labour motion was approved by 488 votes to 62. Britain's second application was formally submitted in May, without a mandate from the Annual Conference.

Brown set out Labour's case for entry before EU representatives at a meeting of the Western European Union (WEU) in July 1967. He attempted to reassure the Six that the fundamental features of the EU would remain unchanged if Britain joined, declaring that Labour was willing to accept the EU objectives of economic and political union. Critically, only the problematic issue of agriculture was reserved for future negotiations.

A revised *Labour and the Common Market* NEC statement was presented to the 1967 Conference. It declared that Britain's prospects, and the situation of the EU, had changed since 1962. Britain had a Labour government, the fear of federalism has been allayed, whilst the government had proposed the European Technology Community in order to aid the modernisation of British industry. The statement detailed the decline of trade with the Commonwealth and the concomitant increase in trade with the EU, argued that Britain would retain its control over foreign policy, and insisted that Britain had honoured its pledges to the EFTA countries. It welcomed the high economic growth rate of the EU and its pledge to harmonise social policies in an upward direction. It argued that entry would not preclude further nationalisation or the expansion of economic planning, and that transitional arrangements could be negotiated to ease the free movement of capital and the introduction of CAP. It further argued that entry would provide a vastly bigger home market for British industry, would help to advance Britain's technology base, would reduce Europe's technology gap with the US, and would enable greater European influence over the policies of the Soviet Union and the US. In contrast to the 1962 document, the 1967 document declared that the party leadership's concerns about entry had been allayed.

The 1967 Conference debated three resolutions. Resolution 54 highlighted the need to avoid any increase in food prices, to maintain the ability the plan the economy and the freedom to pursue an independent foreign policy. Resolution 55 welcomed Labour's application and called for the negotiation of satisfactory terms for entry. Resolution 141 rejected both entry and the 'little Englander' option, favouring the construction of a democratic, socialist Britain in a United States of Europe. Brown concluded the debate on behalf of the NEC, urging delegates to support the NEC statement and Resolution 55, therefore confirming that 'you believe we have sought membership in a manner fully in accordance with our principles and objectives and that you support our application' (Ibid. p.282-285). Resolution 54 was defeated by 3,536,000 votes to 2,539,000, Resolution 55 was carried by 3,359,000 votes to 2,697,000, whilst Resolution 141 was defeated by 4,559,000 votes to 529,000. The NEC statement was carried by 4,147,00 votes to 2,032,000. However, de Gaulle vetoed Britain's second application in November 1967.

The 'Soames affair' was another example of the parapolitical machinations against Wilson. Benn (1989, p.149) reported that in February 1969 the British Ambassador to France, Christopher Soames, met de Gaulle who suggested 'direct talks between Britain and France, based on the idea that ultimately Europe would be independent of NATO and the Common Market would break up or change out of all recognition.' Wilson, facing the dilemma of how to respond, feared that other European leaders would see Britain as conspiring with France to undermine the EU. On the eve of a meeting with the German Chancellor, Wilson asked the Foreign Office to prepare a brief yet vague memorandum on de Gaulle's proposal. However, the document produced, contrary to Wilson's instructions, was a full and detailed account. Furthermore, it was communicated to British embassies across the EU, causing maximum embarrassment to both Wilson and the French (Young, 1998). The situation was compounded by Stewart who 'immediately told the Americans' (Benn, 1989, p.149).

The 1969 Conference debated the reworked NEC statement, *Labour and the Common Market*, plus one resolution and two amendments. Resolution 56 called for safeguards on the balance of payments, the cost of living, economic planning, the National Heath and Social Security systems, and the freedom to pursue an independent foreign policy. It also rejected the development of 'a nuclear-armed Federal European State, including Britain' (Labour Party, 1969b, p.309). The first amendment called for withdrawal from the negotiations, whilst the second favoured entry. The NEC statement was carried, the first amendment was withdrawn, whilst the second amendment was remitted. However, facing the possibility of defeat, Brown also accepted Resolution 56, subject to two qualifications. First, acceptance

‘on the clear understanding that this really is seeking for information when we have it.’ In other words, information about the terms of entry, rather than the safeguards specified in the resolution. Second, acceptance on the basis that ‘a number of equally vital safeguards, which I spelt out in my WEU speech, shall be regarded as being in that resolution’ (Ibid. p.323). It should be recalled that the only issue reserved for negotiation in this speech was agriculture; there was no mention of any other safeguards. Therefore, although Resolution 56 was carried, the fact that it was subject to qualification enabled the party leadership to weaken its force.

Labour published another White Paper in February 1970 conceding that the consequences of entry were even more adverse than the 1967 calculations. Food prices, for example, were expected to rise between 18 and 26 per cent cumulatively over any negotiated transition period, compared to the estimate of 10 to 14 per cent in 1967 (Her Majesty’s Government [HMG], 1970).

Labour’s manifesto for the 1970 General Election stated that the negotiations, which had been re-launched in April, would ‘be pressed with determination, with the purpose of joining an enlarged Community provided that British essential interests can be safeguarded’ (Labour Party, 1970). Although Labour lost the general election, Geoffrey Rippon inherited and pursued Labour’s negotiating briefs on behalf of the Conservatives.

The 1970 Conference debated the NEC statement, *European Economic Community*, plus two resolutions. The NEC statement reaffirmed the decision of the 1969 Conference: conditional support for entry subject to qualification. Resolution 15 was concerned about the policies and structures of the EU, plus the possibility that the Conservatives may ignore the majority of British people who were then opposed to entry. It declared its opposition to entry on terms which would threaten full employment, increase the cost of living, lead to higher food prices, impose value-added tax (VAT), burden the balance of payments, surrender control over economic and foreign policy, whilst subsuming Britain within a federal Europe. Resolution 231 favoured entry, subject to safeguards on Britain’s EU Budget contributions, CAP reform, plus adequate protection for Commonwealth and ETFA interests. Speaking on behalf of the NEC, Joe Gormley from the NUM urged the Annual Conference not to change the party’s policy just because it was in opposition; the party still needed to be seen as ‘credible, responsible and consistent’ (Labour Party, 1970c, pp.197-198). Gormley warned the delegates that if the Annual Conference adopted Resolution 15, it would be misrepresented and seen as a complete rejection of entry, which would damage Labour’s credibility. Resolution 15 was defeated by 3,094,000 votes to 2,954,000, Resolution 231 was remitted, whilst the NEC statement was carried.

6.5 OPPOSITION TO ENTRY ON CONSERVATIVE TERMS (1971)

In January 1971 John Silkin put down an EDM in the House of Commons on behalf of the Tribune Group which obtained the support of 103 Labour MPs, stating that the entry terms were not in the national interest. In May the Labour Committee for Europe placed a pro-EU advert in the *Guardian*, supported by 100 Labour MPs.

Labour held a Special Conference on the EU in July 1971. Although its purpose was to explore the arguments, rather than vote for or against entry, an attempt was made to reference back the Conference Arrangements Committee (CAC) Report so as to permit a vote on a resolution opposed to entry. However, the reference back was defeated by 3,185,000 votes to 2,624,000. The Special Conference then voted on the NEC statement, which was carried.

Although the Special Conference had agreed the procedure and timetable for making a decision on entry, mandating the NEC to prepare a resolution for the October conference, the NEC pre-empted the Annual Conference. At its meeting in July, the NEC decided to oppose entry, launching a 'no to entry on Tory terms' campaign.

The 1971 Conference debated three resolutions and one amendment. NEC Resolution 16 opposed entry on the terms negotiated by the Conservatives, whilst an amendment was moved in favour of holding a referendum. Resolution 35 opposed entry and called for the creation of a Socialist United States of Europe. Resolution 36 judged that the negotiated terms were not unreasonable and that Britain should join. Callaghan concluded the debate on behalf of the NEC and pledged that Labour would renegotiate the terms. NEC Resolution 16, committing Labour to a policy of *opposition to entry on Conservative terms*, was carried by 5,073,000 votes to 1,032,000. The amendment was defeated by 4,161,000 votes to 1,928,000, Resolution 35 was defeated by 3, 082,000 votes to 2,005,000, whilst Resolution 36 was withdrawn. Following the Annual Conference, the PLP voted 159 to 89 to oppose the Conservatives' terms of entry.

The House of Commons debated a Conservative motion in favour of entry in October 1971. As a result of a secret alliance between the Conservatives and the 69-strong pro-EU, social democratic wing of the PLP led by Jenkins, 356 MPs voted for entry with 244 against in the final division on the 28 October. In January 1972 the government signed the Treaty of Accession and published the European Communities Bill. There were 104 divisions during the Bill's passage, and although government majorities fell to single figures several times, not one vote was lost. Using the guillotine measure to expedite its passage, the Bill was passed on the 17th of October 1972. Britain joined the EU on the 1st of January 1973.

6.6 RENEGOTIATING THE TERMS (1972-1974)

Labour's principal line of attack during this period was that the Conservatives possessed no mandate for entry, as the British people had not been consulted. The absence of popular consent prompted Benn to launch his campaign for a referendum. In December 1969 55 MPs from all parties supported a pro-referendum backbench motion in the House of Commons.

In December 1970 the Shadow Cabinet rejected Benn's referendum proposal. In January 1971 Benn published his European Communities (Referendum) Bill. In April 1971 the NEC voted against a referendum. On the 15th March 1972, the Shadow Cabinet again rejected Benn's proposal. However, one week later, following the French decision to hold a referendum, it reversed its position and voted in favour by 13 votes to 11. In April the PLP voted 129 to 96 in favour, prompting Jenkins and two other Cabinet members to resign.

The 1972 Conference debated the NEC statement, *The Common Market*, plus three resolutions. The NEC statement listed six issues upon which Labour would renegotiate: the CAP, the EU Budget, powers over fiscal, industrial and regional policy, capital controls, the protection of Commonwealth interests and VAT. It pledged that if renegotiations were successful, Labour would put the decision to the people at a general election or referendum. Resolution 43 urged the party to work within the EU to create a democratic, socialist Europe. Resolution 44 called on a future Labour government to reverse any decision to enter unless the terms had been renegotiated. It also supported a boycott of EU institutions and the withholding of EU payments. Resolution 415 suggested that a future Labour government should withdraw. Wilson concluded the debate and urged the Annual Conference to support the NEC statement, which was carried by 3,407,000 votes to 1,802,000. Resolution 43 was defeated by 4,662,000 votes to 1,543,000, Resolution 44 was carried by 3,335,000 votes to 2,867,000, whilst Resolution 415 was defeated by 3,076,000 votes to 2,958,000. The Annual Conference thereby adopted a policy of *renegotiating the terms*, plus a boycott of EU institutions.

Given the scale of opposition to the EU within the party and the narrow defeat of the withdrawal resolution at the 1972 Conference, Wilson was concerned that the 1973 Conference would vote in favour of withdrawal from the EU. He wrote that 'I had to lay my leadership on the line, and made it clear that I would resign and face the Party with the election of a new Leader if the NEC recommended Conference to bind us to a policy of withdrawal' (Wilson, 1979, p.51). His threat was effective.

The 1973 Conference debated three resolutions. Resolution 42 urged a future Labour government to submit the issue to the electorate, whilst upholding the boycott of EU institutions in the meantime. Resolution 43 favoured the construction of a socialist, united

Europe. Resolution 46 called for a future Labour government to re-introduce food subsidies, as part of a cheap food policy, to counter the effects of the CAP. Concluding the debate on behalf of the NEC, Foot urged the Annual Conference to support Resolution 42, which was carried by 5,166,000 votes to 945,000. Resolution 43 was defeated by 3,316,000 votes to 2,800,000, whilst Resolution 46 was carried. The 1973 Conference also discussed the NEC policy document, *Labour's Programme 1973*, in effect Labour's version of the AES. Although it was not put to a vote, the 1973 Conference endorsed many of the measures contained in the document. In December the PLP followed the Annual Conference by voting to boycott EU institutions by 140 votes to 55.

Benn met with Holland following the 1973 Conference and announced that he felt that Labour should 'admit that the industrial strategy was incompatible' with the EU because 'public ownership is ruled out by the Rome Treaty'. He also insisted upon a referendum. Holland disagreed with Benn, arguing that the National Enterprise Board and the planning agreements proposed by Labour were modelled on Belgian, French and Italian experience. He warned Benn that he was making a 'fatal strategic error', because, if he claimed that the AES was incompatible with EU membership during a referendum campaign, and then lost, 'he could lose the political base for the industrial strategy' (Holland, 2004, p.298).

The early 1970s witnessed an increase in industrial and political militancy, heralding the ascendancy of the left. In response, a network of right-wing forces developed, composed of business leaders, sections of the Conservative Party, anti-socialist organisations and the intelligence agencies. Viewing the left as the 'enemy within', this network launched a series of psychological warfare campaigns as part of a 'strategy of tension' (see Willan, 2001). The objectives of these campaigns were to bring down the Labour government, to neutralise the Liberals as potential Labour allies, and to replace Edward Heath with a right-wing leader (see Pincher, 1978, 1991). There was a clear European dimension to one MI5-sponsored campaign, operation 'Clockwork Orange 2'. MI5 believed that the risk of withdrawal was one of the 'Labour policies endangering Britain' (quoted in Ramsay, 1987).

Labour formed a minority government following the February 1974 General Election. Its manifesto set out its objectives for the EU renegotiations: reform of the CAP and EU Budget, opposition to EMU, the retention of powers over the British economy, the protection of Commonwealth interests, and opposition to VAT harmonisation. It promised that 'if the renegotiations are successful, it is the policy of the Labour Party that, in view of the unique importance of the decision, the people should have the right to decide the issue through a general election or a consultative referendum' (Labour Party, 1974a). In a speech in the House of Commons in March 1974, Callaghan set out Labour's objectives for the

renegotiations: reform of the EU Budget and the CAP, safeguards for the Commonwealth and developing countries, and the retention of fiscal, industrial and regional policies by the British Parliament. Critically, there was no mention of EMU or VAT. Callaghan subsequently launched the renegotiations in April.

An EDM put down in the House of Commons in March 1974 on behalf of Benn, which rejected the terms of membership, obtained the support of 132 Labour MPs. A second EDM submitted in June, reaffirming the renegotiation objectives agreed by the 1972 Conference, received the support of 72 Labour MPs.

The manifesto for the October 1974 General Election was more specific about the timing, if not the means, of making a decision about continued membership. It stated that 'within twelve months of this election we will give the British people the final say, which will be binding on the government – through the ballot box – on whether we accept the terms and stay in or reject the terms and come out' (Labour Party, 1974b).

The 1974 Conference debated two emergency resolutions. Resolution 14 insisted upon balance, in terms of finance and media support, in any future referendum. Resolution 16 called for the negotiation of a number of safeguards – on capital controls, Commonwealth trade, defence, food imports, the free movement of labour, parliamentary sovereignty, public ownership and taxation – before any referendum. It also recommended that the party should organise another special conference. Resolution 14, supported by the NEC, was carried. However, Resolution 16, opposed by the NEC, was also carried, by 3,007,000 votes to 2,849,000.

The third post-war Labour government was elected in February 1974. The 1974-1979 Labour governments focused on three key policy areas: the partial implementation of *Labour Programme 1973*, maintaining sterling as an international reserve currency, and foreign affairs. In terms of domestic policy, the Labour leadership rhetorically committed itself to the implementation of the *Labour Programme 1973*, specifically industrial democracy, planning agreements and price controls, whilst it struggled to maintain the Social Contract with the powerful and increasingly militant trade union movement. The latter ultimately failed, culminating in the 'Winter of Discontent' and the Conservatives' 1979 election victory. In terms of foreign policy, the Labour leadership sought to reconcile the British people and the Labour Party with continued membership of the EU. It also sought to maintain the value of the pound, a policy objective that precipitated the IMF crisis in 1976.

6.7 WITHDRAWAL (1975)

Following the conclusion of the renegotiations in March 1975, the Cabinet debated whether to support continued membership or to withdraw. Ministers on the anti-EU left highlighted the threat posed by the EU to democracy and parliamentary sovereignty. Benn claimed that 'we have not achieved our manifesto objectives and indeed we did not even try.' He charged that 'the real case for entry has never been spelled out, which is that there should be a fully federal Europe in which Britain would become a province. It hasn't been spelled out because people would never accept it. We are at the moment on a federal escalator, moving as we talk, going towards a federal objective we do not wish to reach' (Benn, 1990, pp.345-347). Wilson, however, held a different view: 'I recommend that we should stay in and that is the view of the Foreign Secretary. We have substantially achieved our objectives, the Community has changed *de facto* and *de jure*.' The Cabinet voted by 16 to 7 to accept the revised terms of membership. In Wilson's absence, the Cabinet also agreed to allow ministers to vote against the government.

In March 1975 the NEC voted 18 to 11 against the outcome of the renegotiations, prompting Wilson (1979, p.106) to again threaten resignation. Policy-wise, the leadership and the NEC were opposed, whilst the PLP was split. In April a House of Commons motion in favour of staying in was carried by 396 to 170, mainly due to Conservative support. On the Labour side, 145 MPs voted against (including 38 ministers), 137 voted for, while 33 abstained.

The Special Conference on the EU, held in April 1975, debated the NEC statement, *The Labour Party and the Common Market*. It argued that the terms, even as renegotiated, were unsatisfactory. The NEC therefore opposed continued membership, although it supported the freedom of ministers to dissent. During the debate, an unsuccessful attempt was made to refer back the CAC report, in order to prevent a vote. The NEC statement, in favour of *withdrawal*, was carried by 5,710,000 votes to 3,724,000.

The respective speeches made by Benn and Jenkins in May 1975 exemplify how, during the 1975 Referendum, the NRC focused on the economic arguments while BiE relied on negative campaigning. Benn demolished four of the arguments advanced by the pro-EU campaign: that entry would provide a bigger export market, would stimulate investment, would increase the employment levels, and would aid the peripheral regions. He argued that the trade deficit with the EU had increased, that industrial investment was low and falling, that unemployment had increased and that industry in the periphery had suffered. By contrast, Jenkins criticised the alternatives promoted by the anti-EU campaign. He argued

that a free trade area would be difficult, if not impossible, to achieve, and derided the option of a 'siege economy' (cited in Gowland and Turner, 2000, pp.147-148).

In the referendum on the 25th June, 67.2 per cent voted Yes and 32.8 per cent voted No. Wilson declared that 'the verdict has been given by a vote and a majority bigger than that achieved by any government in a general election in the history of our democracy.' It 'means that fourteen years of national argument are over' (Wilson, 1975). The following day, Wilson reshuffled his Cabinet and Benn was demoted. Furthermore, the PLP reversed its boycott and sent representatives to the EU Economic and Social Committee (EU-ESC) and the European Parliament. The Labour delegation, led by Stewart, was composed of 5 anti- and 7 pro-EU MPs, plus 2 anti- and 4 pro-EU peers. Members of the British Labour Group (BLG) were subsequently elected on an annual basis by the PLP.

The 1975 Referendum bolstered the pro-EU forces. Benn (1990, p.383) was informed that a Treasury-based unit was planning industrial policy without reference to the Department of Industry or Benn, and that the unit was 'preparing for EMU to be brought forward as soon as the referendum is out of the way.' Furthermore, a fellow MP informed Benn (Ibid. p.446) that '£2 million had been left unspent' by pro-EU forces and it was 'in a fund the trustees of which were Heath, Thorpe and Jenkins.' Furthermore, 'the rumour was that if Wilson moved too far to the left, they would use the money to set up a new party.' This period witnessed a proliferation of right-wing pressure groups within the party, all part of the social democratic network.

Wilson resigned as Party Leader and Prime Minister in March 1976 and was replaced by Callaghan. Wilson later declared that 'in all my thirteen years as Leader of the Party I had no more difficult task than keeping the Party together' on the issue of the EU, 'particularly in our Opposition years, 1970-1974' (Wilson, 1979. P.51).

6.8 REFORMING THE EUROPEAN UNION (1976-1979)

Labour faced another currency crisis in 1976, which resulted in the devaluation of sterling, the negotiation of a conditional International Monetary Fund (IMF) loan to stem the pound's fall, and the implementation of substantial public spending cuts. There was a significant European dimension to this event. The Cabinet met in December 1976 to decide on the course of action. The preferred strategy of Chancellor Dennis Healey was to accept the loan and the cuts, whilst Benn's strategy was based on the need to inflate the economy, expand the manufacturing base and defend the welfare state. Healey attacked Benn's proposal on the grounds that the proposed economic controls would risk expulsion from the EU. The Cabinet overwhelmingly backed Healey (see Fay and Young, 1978).

Bernard Donoughue, Wilson's chief policy advisor, recounted how in the midst of the crisis, he was summoned to the US Embassy. He was informed that 'parts of the US Treasury and certain others in Germany, who are of a very right-wing inclination, are absolutely committed to getting the IMF to Britain.' The official concluded that 'if it brings the break-up of this government, they will be very happy' (quoted in Institute of Contemporary British History, 1989, p.43). The objectives of this right-wing alliance were to isolate Benn, to preclude the implementation of the AES, and to prevent withdrawal.

The 1976 Conference debated the NEC statement, *Direct Elections*, plus two resolutions. The NEC statement argued that there was no mandate for direct elections because it had not been mentioned during the 1975 Referendum. It recommended that Labour should oppose such elections, because the European Parliament constituted a threat to Westminster. Resolution 316, backed by the NEC, warned that such elections risked the development of a European superstate, which would undermine Labour's programme, whilst Resolution 318 welcomed direct elections. Resolution 316 was carried, Resolution 318 was defeated, whilst the NEC recommendation was supported by 4,016,000 votes to 2,264,000.

The 1976 Conference also debated the NEC policy document, *Labour's Programme 1976*, which committed the party to the AES. It pledged to reform the EU, specifically the EU Budget and the CAP, and emphasised that Labour was committed to a 'new selective and discriminatory interventionist policy' (Labour Party, 1976b, p.111). It also pledged to seek a specific derogation from British obligations regarding EU industrial and regional policy, whilst supporting foreign policy co-operation and the creation of a common regional policy. However, it reaffirmed Labour's opposition to EMU. The document, advocating a policy of *reforming the EU*, was carried by 5,883,000 votes to 122,000.

Labour, having produced a Green Paper on Direct Elections in February 1976 (HMG, 1976), published a White Paper on the alternative electoral systems for the European election in April 1977 (HMG, 1977). The latter made no recommendation and agreed to hold a free House of Commons vote. Following a series of divisions, MPs voted by 321 to 222 to reject proportional representation in favour of 78 single-member constituencies. The European Elections Bill was passed by 394 votes to 147 in July 1977.

The Cabinet met in July 1977 to discuss a policy paper produced by Foreign Secretary David Owen. The paper, supported by a majority of ministers, supported continued membership, rejected a European federation and supported enlargement. Owen (1992, p.331) reported that it was his responsibility, and that of Callaghan, to 'sell that package first to the Labour Party at the autumn conference and then to the country.'

The 1977 Conference debated the NEC statement, *The EEC and Britain*, plus two resolutions and two amendments. The NEC statement reaffirmed Labour's opposition to supranationalism, re-emphasised the threat posed by the EU to its industrial strategy, and reiterated the 1976 Conference decision to seek a specific derogation from EU law. It pledged to reform the EU aid policy, the CAP and the CFP. It also pledged to oppose direct elections, the EMS, EMU and tax harmonisation, including VAT. Resolution 30 urged the Labour government to amend the 1972 European Communities Act, so as to restore parliamentary sovereignty, whilst Resolution 178 concluded that continued membership was harmful to the working class. It also recommended a second referendum on the EU in 1978. Resolution 180 called for the fundamental reform of the CAP. Amendment (b) favoured withdrawal from the CAP, whilst Amendment (c) repeated the demand for its reform. Following a plea from Foot on behalf of the NEC to maintain party unity by rejecting withdrawal, the Annual Conference remitted Resolution 30, rejected Resolution 178 and Amendments (b) and (c), and carried Resolution 180, plus the NEC statement.

The European Council reaffirmed its commitment to EMU in July 1978 by launching the EMS and the ERM. Callaghan (1987, p.493) declared that he 'favoured the general idea as likely to bring more order into the currency markets of Europe and the world'. However, he complained that 'many people in the Labour Party remained suspicious of what they thought was too close an entanglement with Europe, and this, coupled with my own and the Treasury's belief that sterling was too high to make our entry advantageous' led him to reject ERM entry.

In October 1978 the NEC rejected the EMS by 16 votes to 9. In November Bryan Gould put down a House of Commons EDM in opposition to the EMS, which attracted the support of 114 MPs. Later that month, Callaghan met the French President, agreeing that he would vote for the EMS and that Britain would join at a later date, whilst the government published its Green Paper on the EMS. Upon his return from the European Council meeting, Callaghan announced to the Cabinet that he had made clear Britain's unwillingness to join the ERM, to be launched on 1st January 1979, but that 'he was prepared to participate in other aspects of the system' (Benn, 1990, p.411).

Owen (1992, p.376) reported that Callaghan 'managed to push the distinction between joining the EMS, but standing aside from the ERM, through the Cabinet in early November. He did this by first getting everyone to accept that we wanted a zone of monetary stability, then that we should commit ourselves to helping to achieve this, but that we should not accept any obligations restricting our own freedom to manage the sterling exchange rate. I was doubtful whether all the Cabinet members really understood what we were actually

going to do.' Owen revealed that Callaghan 'had squared Shore' beforehand, and that only a few Cabinet Ministers knew what was happening.[1] Britain joined the EMS in March 1979.

The 1978 Conference debated an emergency NEC resolution, which was opposed to the EMS, plus two resolutions. Resolution 42 called for the next Labour manifesto to include a commitment to amend the 1972 European Communities Act. It also advocated the reform of the CAP, curtailing the power of the European Commission, blocking the extension of the European Parliament's power, and opposition to EMU. Resolution 131 called for withdrawal. The NEC resolution was carried, Resolution 42 was carried by 4,846,000 votes to 1,639,000, whilst Resolution 131 was defeated. The 1978 Conference also endorsed the TUC-Labour Party Liaison Committee policy statement, *Into the Eighties*, which set out the Labour Party-TUC programme for the AES. The latter was circumspect on the EU, containing only one specific pledge: to reform the CAP.

Callaghan used his leadership veto to emasculate the policy decisions of the 1978 Conference, namely Resolution 42, when drafting the 1979 General Election manifesto. It declared that Labour would seek fundamental EU reform, including enlargement and EU Budget and CAP reform. It also pledged to amend, *if necessary*, the 1972 European Communities Act.

Under Benn's leadership, the NEC drafted the manifesto for the 1979 European Election. Carried by 19 votes to 4, the manifesto pledged to reform the CAP and EU Budget, and to oppose the EMS. It also threatened to withdraw if the EU was not fundamentally reformed. In the first direct elections to the European Parliament, three weeks after Labour's general election defeat, Labour gained 32 per cent of the vote and 17 MEPs, compared to the Conservatives' 48 per cent and 60 MEPs. The BLG, led by Castle between 1979 and 1985, was evenly divided between anti- and pro-EU MEPs.

The 1979 Conference carried Resolution 40, which opposed Britain's rising EU Budget contributions, the wasteful CAP, the worsening trade balance with the EU, and the erosion of parliamentary sovereignty. It re-emphasised official party policy and warned that if changes were not enacted by the early 1980s, then Britain's continued membership should be reconsidered.

[1] Interview with David Owen, 2nd September 2002.

6.9 WITHDRAWAL (1980-1987)

It has since transpired that several right-wing MPs voted for Foot in November 1980 to ensure that Labour elected a left-wing leader. One of these MPs revealed that 'my colleagues who voted for Foot were leaving the Labour Party and setting up a new party' and 'it was important that the Labour Party as it had become was destroyed' (quoted in Ironside, 1996). This network also conspired to ensure that Labour adopted a left-wing manifesto, part of an overall strategy to make the party 'unelectable'. The NEC and Shadow Cabinet met in May 1983 to agree the manifesto. Roy Hattersley later revealed that the right supported the adoption of all the policies proposed by the left, including withdrawal. The joint meeting duly adopted the manifesto document without the anticipated left-right struggle over its content. Hattersley charged that the right had decided that, since Labour was going to lose the general election, they would see to it that it lost with a Bennite manifesto (British Broadcasting Corporation [BBC], 1995).

The European policies of the Annual Conference and the party leadership converged under Foot. The 1980 Conference debated Resolution 15, which declared that there had been no progress in reforming the EU, and that Labour should include a policy of withdrawal in its next manifesto. In an unsuccessful rearguard action, Owen argued that Labour should hold another referendum before deciding whether to withdraw. The resolution was carried by 5,042,000 votes to 2,097,000 and *withdrawal* was adopted as official party policy.

Labour held a special conference in May 1981, in an attempt to reconcile the left and the right, adopting the NEC policy document, *Peace, Jobs, Freedom*, by 5,164,000 votes to 6,000. It pledged that Labour would seek to fundamentally reform the EU and would amend the 1972 European Communities Act. It also threatened to use the veto and withhold payments to the EU Budget to achieve these objectives, reserving the right to withdraw.

In July 1981 the NEC endorsed a 12-month timetable for withdrawal. The 1981 Conference debated the NEC statement, *Withdrawal from the EEC*, plus two resolutions. Resolution 10, supported by the NEC, called for a study of the consequences of, and the opportunities provided by, withdrawal, and for a report to be presented to the 1982 Conference. It also instructed the NEC to publish a legislative programme for withdrawal, to implement the AES following Britain's departure, and to mount a publicity campaign to promote withdrawal. Resolution 148, opposed by the NEC, demanded a referendum and for a future Labour government to abide by the decision. The NEC statement was carried by 6,213,000 votes to 782,000, Resolution 10 was carried by 5,807,000 votes to 1,000,000, whilst Resolution 148 was defeated by 5,830,000 votes to 1,072,000.

The 1982 Conference endorsed the NEC policy statement, *Labour's Programme 1982*, which re-committed the party to the AES and withdrawal from the EU. It was carried by 6,400,000 votes to 224,000. The 1982 Conference also adopted the TUC-Labour Party Liaison Committee policy statement, *Economic Planning and Industrial Democracy*, which restated the case for the AES. However, it neglected to consider the European dimension; there was no mention of the EU.

In November 1982, the left fissured into the 'soft left' of the Tribune Group and the 'hard left' of the Campaign Group. In 1985, the Campaign Group published its AES-type 'plan for full employment', involving the creation of a million jobs a year (Campaign Group of Labour MPs, 1987). However, it contained no mention of the EU.

The early 1980s witnessed the first wave of prominent left-wingers to change their position on the EU. Castle (1982) believed that withdrawal was a purely negative policy, whilst Heffer (1982), plus Francis Cripps and Terry Ward (1982), Bob Rowthorn and John Grahl (1982) and Frances Morrell (1985, 1988) began to explore the possibility of an AEUS.

Before the 1983 election, the European Movement launched the second pro-EU propaganda campaign to specifically target the Labour Party. It was based on the claim that 2.5 million jobs were dependent on continued membership. Wistrich believed that the campaign 'certainly neutered the call for withdrawal because if you look back at the 1983 General Election, withdrawal was hardly talked about.'[2] Nevertheless, Labour's 1983 General Election manifesto contained a commitment to withdraw. There was a fundamental imbalance in media support during the 1983 campaign. 'Only two newspapers, the *Daily Mirror* and *Sunday Mirror*, backed Labour', whilst the Conservatives, having 'received 44 per cent of the vote', were 'the benefactors of 80 per cent of the total daily and Sunday editorial support.' Furthermore, 'not one national newspaper supported Labour on two of its most important manifesto commitments': withdrawal and a non-nuclear defence policy (Hollingsworth, 1986: 239). As a result of this media bias, plus the 'Falklands effect' and electoral competition from the SDP, Labour was heavily defeated.

In October 1983 Kinnock, a long-standing opponent of the EU, was elected Party Leader. He spoke against entry at the 1971 Special Conference, co-authored an anti-EU pamphlet in 1971 (Kinnock, 1971), campaigned for a No vote in the 1975 Referendum, and published an anti-EU article in 1980 (Kinnock, 1980). Nevertheless, Kinnock's retreat from official policy was evident in his leadership manifesto, when he argued that 'withdrawal should be regarded as a last resort' (Kinnock, 1983). 'My task when I became party leader was to secure change in the policy *and* the mentality of the party on the issue.' However,

[2] Interview with Ernest Wistrich, 9th September 2002.

'because anti-Europeanism was quite deeply rooted in parts of the labour movement, the change had to be achieved by degrees rather than by a sudden shift.' This was because 'as Labour had already demonstrated, parties were seriously in danger of cracking and then crumbling over the issue of Europe if the matter was not handled with care as well as determination.' Kinnock's strategy involved 'rebuilding and strengthening relations with other social democratic parties, making demands for change in the EU, and stressing – especially amongst local councillors and trade unionists – the 'social dimension' and the commitments to regional aid of the EU. Those combined tactics had a gradual strategic effect – although the party had to be turned slowly.' [3]

The first indication of the change of direction occurred in October 1983, when Roy Hattersley was elected as Deputy-Leader, replacing Shore as Shadow Chancellor. Hattersley (1987) doubted the feasibility of national Keynesianism, pointing to the experience of the French Socialists between 1981 and 1983. He also stressed the need for a new, more orthodox financial framework.

The second indication of the change of direction was Kinnock's support for Holland's 'Out of Crisis' project. Composed of several prominent economists and European socialist party representatives, the project was founded in 1981. The AEUS devised by the project recommended that member states should pursue a policy of co-ordinated reflation. Kinnock wished to support the project as means of changing the party's perception of the EU, and Holland agreed to help him by promoting the European AES within the party. Holland wrote an article for Kinnock (1984), published in *New Socialist*. He also briefed the Campaign Group and Tribune Group, obtained the support of John Prescott, ex-leader of the BLG, and joined the NEC International Committee.

The third indication of the change of direction was Kinnock's appointment of John Eatwell, a Cambridge economist, as chief economic advisor in 1985. In the early 1970s, Eatwell was hostile to the EU, particularly the CAP, preferring an expansionary strategy to 'reverse Britain's economic decline' (Eatwell, 1982, p.75). However, by the mid-1980s he had shifted his stance. In retrospect, Eatwell identified a number of reasons for Labour's economic and European policy shifts. These included

> the abandonment of the idea that short-term macroeconomic management is the key to the maintainance of full employment. It is argued in effect that it was no longer possible to have Keynesianism on one country, and hence fine-tuning should be replaced by a search for macroeconomic stability as a framework for long-term investment. [Plus] the replacement of hostility towards the European Community, in which the EC was seen as

[3] Correspondence from Neil Kinnock, 29th January 2003.

> an inhibition upon Labour's policies, with an enthusiasm for the EC as an arena within which Labour's objectives can best be attained (Eatwell, 1992, p.335).

Eatwell therefore supported the ERM, believing that 'the collapse of the Bretton Woods System had led to a deflationary bias', and that 'an exchange rate system in Europe was the means of mitigating these deflationary effects.' He also favoured the Single Market, believing that 'the larger scale and scope of European markets could provide a stimulating environment for British industry, particularly the financial services', that is the City of London.[4]

Labour's 1984 European Election manifesto acknowledged Britain's continuing membership of the EU, but called for its fundamental reform. It specifically opposed the ceding of any additional powers to the European Parliament, rejected the EMS, and reserved the option of withdrawal. It also included a 10-point action plan, which recognised the potential contribution of the EU to Labour's programme. Labour gained 35 per cent of the vote and 32 MEPs, compared to the Conservatives' 39 per cent and 45 MEPs. Following the 1984 intake, the BLG was evenly split between its anti- and pro-EU factions. The anti-EU Alf Lomas replaced Castle as leader of the BLG in 1985. In October 1986 the BLG voted by 18 to 13 to submit a document on the repeal of the European Communities Act to the NEC. However, Kinnock banned the document's circulation. In 1987 the BLG elected the pro-EU David Martin as leader. He was replaced by the anti-EU Barry Seal in 1988, who, in turn, was replaced by the pro-EU Glyn Ford in 1989.

To counter the widespread anti-US feeling within the party, in 1985 right-wing Atlanticist forces created the British-American Project for the Successor Generation (BAP). Composed of over 600 leaders and opinion formers, the BAP, allegedly funded by the CIA (Beckett, 2004), was established to 'perpetuate the close relationship between the two countries established by an earlier generation' (Vander Weyer, 1998, p.1). BAP members included Peter Mandelson, Mo Mowlem, Geoff Mulgan Jonathan Powell, George Robertson, Chris Smith, Matthew Taylor and Liz Symons (Easton, 1997), all members of the right-wing network that helped to 'modernise' and Europeanise the party.

Kinnock recalled that 'by autumn 1985, the balance of views on the NEC was patently shifting, several trade unions had shifted their policy and there was a warmer feeling towards the EU in local government. Some gains in the 1984 European elections also helped. *De*

[4] Correspondence from John Eatwell, 20th November 2003.

facto policy change was then achieved by the time of the 1985 Conference, followed by the *de jure* change afterwards.'[5]

Labour officially opposed the Single Market, on both economic and political grounds. Robertson (1996) argued that it represented the 'export of Thatcherism', whilst Shore (1996) stressed the importance of preserving the veto in the Council of Ministers. Labour 'voted against the legislation whilst at the same time stressing the potential advantages of 'social Europe.' Indeed we justified our opposition because of the absence of the social dimension.'[6] Kinnock explained that the duality needed to be understood in the context of changing the policy by stealth. Nevertheless, Labour was defeated as the House of Commons voted in July 1986 by 270 to 153 to incorporate the EU Single European Act into British law.

Labour's 1987 General Election manifesto contained no reference to withdrawal, although it remained official party policy. Instead, it stated that 'Labour's aim was to work constructively with our EEC partners to promote economic expansion and combat unemployment' (Labour Party, 1987a). Research commissioned by the BLG in 1989 found that 78 per cent of voters felt that it was 'too late' to leave the EU, and 31 per cent believed that Britain should become 'part of a United States of Europe' (Williamson, 1989).

6.10 PRO-MEMBERSHIP (1988-)

Kinnock's chosen vehicle for changing party policy was the Policy Review, established following Labour's defeat in the 1987 General Election. At the time, Gould thought it 'was a serious exercise.' However, with hindsight, he believed that 'whole thing was a set-up to ditch Labour policies.'[7] The Policy Review involved the creation of seven policy committees, including the Modern World Committee, which was responsible for European policy. Committee member Regan Scott revealed that Kinnock 'packed the committee with pro-Europeans' to achieve his 'new policy of conditional engagement.'[8]

Gould chaired the macroeconomic committee that considered the economic aspects of the party's European policy. He supported Europe-wide reflation, plus common defence, energy, environmental and foreign policies. However, Gould (1995, p.267) was opposed, on both economic and political grounds, to any 'attempt to create a single European state.' Furthermore, he was critical of the City's influence over economic policy, an opponent of the ERM and an ardent defender of the use of the exchange rate as an instrument of policy.

[5] Correspondence from Neil Kinnock, 29th January 2003.
[6] Ibid.
[7] Interview with Bryan Gould, 18th July 2003.
[8] Interview with Regan Scott, 8th October 2002.

Gould (1995, p.205) recalled that Gordon Brown, a Shadow Cabinet member, played 'virtually no part in the work of my policy review committee. He attended only rarely, and spoke, as I recall, on only one occasion. Nevertheless, I somehow gained the impression that he was not fully supportive of the line that the committee was taking on various issues but that he either did not dare or did not know how to put a contrary view.' He also recalled that Eatwell 'attended committee meetings, not as a member but as an observer, and as a link between the committee and Neil's office.' However, he 'did not realise that Eatwell was in the course of changing his views, that he was becoming less convinced of the importance or efficacy of macroeconomic policy.' Furthermore, Gould believed that 'Eatwell reported back to Kinnock on what I was doing and was being instructed to try and rein me in.'[9]

Gould noted the strength of the right-wing group in the Shadow Cabinet, composed of Hattersley, plus Jack Cunningham, Gerald Kaufman and John Smith. 'The group was remarkably cohesive and largely identified itself by its allegiance to the European cause.' Furthermore, Gould charged that Mandelson briefed the media against the 'soft left' and that he 'acted with Kinnock's authority in planting stories' (Ibid. p.215, 218).

In May 1988 the NEC discussed the seven policy statements produced by the Policy Review committees. Kaufman presented the *Britain and the World* document, pointing out that 'it accepts the Common Market.' Dennis Skinner defended official party policy, whilst Ken Livingstone requested that the repeal of Section 2 of the 1972 European Communities Act should be included in the document, moving an amendment to that effect. Benn argued that 'we could deal with Section 2 by saying Common Market legislation would not apply if the government asked the House of Commons to vote it down.' Benn proposed that Livingstone's amendment should include a pledge to fully restore the powers of the British Parliament. However, Kinnock argued that 'repeal of Section 2 equals withdrawal', that 'the electorate rejected withdrawal in the 1983 election,' and that 'it would wreck the economy if we withdrew.' Skinner's proposal was rejected by 13 votes to 8, with Gould abstaining, whilst the Livingstone-Benn amendment was rejected by 16 votes to 7 (Benn, 1994, p.545).

Pro-EU forces, having secured Kinnock's U-turn, marginalised potential opponents and secured the necessary votes within the NEC, manoeuvred to change party policy. Their opportunity came in 1988. The big trade unions, commanding a majority of Annual Congress votes and attracted to the promise of Delors' 'social Europe', reversed the withdrawal policy of the TUC. Three weeks later, they voted to change Labour's policy. The 1988 Conference endorsed the first Policy Review report, *Social Justice and Economic Efficiency*, and debated two resolutions. The report called for a 'New Deal for Europe', including EU-wide

[9] Interview with Bryan Gould, 18th July 2003.

employment standards, plus the co-ordination of member states' foreign, industrial, regional and social policies. Resolution 58 favoured the construction of a 'social Europe', specifically recommending the reform of the CAP and the development of an EU economic strategy. Resolution 496 called for a future Labour government to amend the 1972 European Communities Act, so as to allow Britain to determine its own legislation and taxation. Resolution 58 was carried, whilst Resolution 496 was remitted; it had taken several years, but the leadership had finally secured a *pro-membership* policy.

The first manifestation of the party leadership's new policy of *conditional engagement* was its revised position on the Single Market. Having officially opposed it in the mid-1980s, the party leadership now offered conditional support. Two reports, by Iain Begg (1988) and Henry Neuburger (1989), helped to persuade Kinnock to back the Single Market.

The second manifestation of the new policy was Labour's pro-EU manifesto for the 1989 European Election. Labour gained 40 per cent of the vote and 45 MEPs, compared to the Conservatives' 35 per cent and 32 MEPs. The 1989 intake included Ken Coates, who had previously opposed the EU but now supported it. In 1990 Coates successfully put down an amendment to change the name of the BLG to the European Parliamentary Labour Party (EPLP). 'It was not just a name change, it was an important declaration. It challenged the idea that only the PLP had a special place within Labour's constitution. It was widely viewed as a 'declaration of independence' from the party leadership.[10]

Coates subsequently lobbied the EPLP to support the 'Delors II' package, opposed by the party leadership, which proposed a substantial increase in the EU Budget to finance a new EU cohesion fund. Furthermore, Coates suggested to Delors 'that there should be a campaign to win public opinion on this matter.' Coates duly organised a campaign, utilising church-based, peace movement and trade union networks across Europe, to promote the development of a 'social dimension' to EMU. It represented the third pro-EU propaganda campaign to specifically target the Labour Party. Working closely with Delors, plus Michael Barratt Brown (who had also changed his position on the EU) and Holland, Coates published the quarterly *European Labour Forum* and a plethora of books and pamphlets. The campaign's objectives included full employment as an EU treaty objective, an expanded EU Budget, new EU borrowing instruments, plus the development of a 'social Europe' via the Social Chapter and 'social partnership' procedure. Coates recalled that many European Commissioners were sympathetic to such objectives. However, post-Delors, 'there was a huge new crop of anti-Keynesian economists, some of whom were converts and some of whom were appointees.' Furthermore, opposition within the European Council ensured that

[10] Interview with Ken Coates, 4th October 2002.

such Euro-Keynesian ambitions were thwarted; 'that was the end of the EU social democratic experiment'[11]. Back in Britain, the party leadership, particularly post-Blair, progressively sidelined left-wing MEPs within the EPLP, finally expelling Coates in 1998.

The third manifestation of the new policy was the party leadership's position on the ERM. Having failed to secure Britain's entry in 1978, the party leadership employed a strategy of stealth to achieve party support for ERM entry. Kinnock (1986, p.166) was initially sceptical, warning that 'as presently constituted, the ERM would not be a support' for the British economy, 'but a straightjacket.' However, he believed that 'if the ERM was backed up with large, sophisticated packages of *mutual* currency support then it would be a very different proposition.'

At a Shadow Cabinet economic committee meeting in June 1988, Gould (1995, p.216) recalled that 'powerful figures in the Shadow Cabinet and the Leader's Office were keen to change the ERM policy. Eatwell, in particular, but with strong support from Brown and Smith, was convinced that the party lacked credibility on counter-inflationary policy. Gould warned the committee that 'we were in danger of repeating the mistakes made by so many of our predecessors. If we were to commit ourselves to the ERM, we would be waiting for the City to shackle us. We would in effect be offering up our wrists in advance for the application of the handcuffs' (Ibid. pp.216-217). Gould successfully defended his anti-ERM policy, whilst the pro-EU forces staged a temporary retreat.

The 1989 Conference endorsed the second Policy Review report, *Meet the Challenge, Make the Change*, which supported enlargement, foreign policy co-ordination, EU institutional reform and the Single Market. However, the report, drafted by Gould, was critical of the EMS, arguing that it was deflationary, over-reliant on monetary targets, and imposed obligations that were not symmetrical. It set out a number of conditions that would have to be satisfied before Labour could enter the ERM:

> There must be less reliance on interest rate adjustment and more on co-operation between central banks. There would have to be an EC-wide trade policy, which contributes to balance of payments stability. There must be a co-ordinated EC-wide growth policy. The pound would have to enter at a rate and on conditions which ensured that British goods became and remained competitive (Labour Party, 1989b, p.14).

[11] Ibid.

In October 1989, Brown and Smith toured a number of European capitals to discuss EMU and the ERM with the Bundesbank, the European Commission, and senior French and German politicians. Smith reportedly told a meeting of Labour MEPs in October that 'we are keen to play a full and constructive part in the debate on progress towards monetary union' (quoted in McSmith, 1994, p.199).

Following the Conservatives' adoption of the 'Madrid conditions' for ERM entry in June 1989, Smith set out Labour's conditions in November. These were 'entry at an effective rate, adequate central bank swap arrangements to tackle speculative attacks, increased support for regional policy and agreement on a strategy for growth' (Ibid. p.200).

In November 1989 Brown replaced Gould as the Shadow trade and industry secretary. Gould (1995, p.234) reported that Kinnock 'had become convinced that we must join the ERM', encouraged by the new economic team of Brown and Smith.

> I remember Brown addressing the PLP on the great advantages of joining the ERM, using arguments that I knew to be erroneous. He suggested, for example, that by fixing the parity within the ERM, we would somehow be applying a form of socialist planning to the economy, rather than leaving such an important issue to the mercies of market forces. The party responded warmly to the notion that the speculators would be disarmed. He, and they, seemed unaware of the fact that the only thing which gave speculators their chance was if governments were foolish enough to defend a parity which was seen by traders to be out of line with a currency's real value.

In October 1991 the party leadership, along with the TUC General Council, plus the Bank of England, the Foreign Office, the Treasury and much of the media, supported Britain's entry to the ERM at a rate of DM2.95. In private Kinnock was concerned about the parity. 'If I'd given support for the step of ERM entry while simultaneously complaining about the rate at which sterling joined, I would have been accused of 'carping' and 'inconsistency' and – much worse – given sustenance to the claims that Labour was 'the party of devaluation'' (quoted in Westlake, 2001, p.503).

While the Treasury defended sterling's ERM parity throughout 1992, some members of the Shadow Cabinet were concerned at the economic damage ERM membership was inflicting. At a meeting in January 1992 Michael Meacher asked Kinnock 'whether it was his intention to devalue if we won the election. Neil rounded on him savagely and declared that he would tolerate no mention of devaluation' (Gould, 1995, p.244). However, in private the party leadership was planning a very different course. Eatwell had met with a Bank of England official to devise a secret plan to devalue sterling to DM2.50. 'The idea was that

interest rates would be raised the morning after the election, and negotiations over a devaluation of sterling, as part of a 'general realignment', would take place over the weekend' (Keegan, 2003, p.99). Hattersley (1997) confirmed the existence of the plan.

In September 1992 David Blunkett, together with Gould and Meacher, met with Brown to ask him to consider calling for a realignment of sterling within the ERM. However, Brown later told the PLP that 'our policy is not one of devaluation, nor is it one of revaluation or realignment' (quoted in McSmith, 1994, p.316). Looking back, Gould (1995, p.265) complained that Brown 'had maintained an even more intransigent line than the Tories throughout the ERM crisis. Gordon had even gone so far as to say that if the Germans had revalued the mark as a means of stabilising the ERM or at least relieving some of our difficulties for a time, he would want to see the pound revalued in line with the mark. This was economic lunacy.'

During the late 1980s and early 1990s, a second wave of Labour figures changed their position on the EU. Brian Sedgemore, one of the architects of the AES, that he supported the ERM. Likewise, Livingston (1989, p.237) insisted that the left had to choose whether to support Europe or the US. In November 1991 Livingstone and Sedgemore, plus five other Labour MPs, put down an EDM in the House of Commons in support of a single currency, a European central bank, common defence, environmental and foreign policies, plus a European federation subordinate to the European Parliament.

A further manifestation of the new policy was the party leadership's position on EMU. Shifting the party to support a pro-EMU position was also achieved by stealth. The 1990 Conference endorsed *Looking to the Future*, the third Policy Review report, which supported enlargement, EU institutional reform and the Social Charter. It claimed that 'the stable monetary framework we need in Britain will be more readily achieved by negotiating membership' of the ERM. It also stated that 'entry to the ERM must also be accompanied by effective collaboration between the central banks of the EU' (Labour Party, 1990a, p.7). The 1990 Conference also carried Resolution 63, which recommended ERM entry and applauded the moves towards EMU. There was no dissent. In November 1990 the NEC issued a statement supporting the *principle of a single currency.*

On the eve of the Annual Conference, the Shadow Cabinet economic committee officially endorsed EMU, whilst the 1991 Conference adopted the final Policy Review report, *Opportunity Britain*, which highlighted the need to strengthen the supply side of Britain's economy to meet the challenge of the Single Market. The report claimed that EMU would reduce business costs, would eliminate currency speculation, and that monetary policy-co-operation, manifest in the ERM, was both inevitable and desirable. It also favoured

a London-based European central bank and supported the Social Charter. The 1991 Conference also carried Resolution 50 in favour of British membership of the single currency. Again, there was no dissent.

In March 1992, at a joint NEC-Shadow Cabinet meeting to agree the manifesto for the forthcoming general election, Benn unsuccessfully moved an amendment, supported by three participants, calling for 'the deletion of support for the ERM from the draft manifesto.' He also moved a second amendment, supported only by Skinner, calling for the 'restoration of parliamentary sovereignty' (Benn, 2002, pp.86-87).

The Bill incorporating the Maastricht Treaty into British law was presented to the House of Commons in May 1992. Although MPs were not given the full text of the treaty, only 72 MPs voted against the Bill. However, the Danish No vote in June and the ejection of sterling from the ERM in September represented major setbacks for pro-EU forces, encouraging opponents to embark upon a protracted parliamentary war to stop the Bill. During this period, Benn presented his Treaty of Maastricht (Referendum) Bill and his Commonwealth of Europe Bill. He warned that 'unless we move towards a looser, wider Europe, the present Union could disintegrate under the control of unelected Commissioners and bankers' (Benn, 1996).

Labour's manifesto for the 1992 General Election stated that a Labour government would seek to reform the CAP, participate in the negotiations on EMU, support enlargement and end the opt-out from the Social Chapter. On the eve of the election, while visiting the European Commission, Blair, the Shadow Employment Minister, announced that a future Labour government would sign the Social Chapter. However, Labour was defeated.

In July 1992 Smith was elected as Party Leader. On the 16th September 1992 sterling was forced out of the ERM. At a meeting of the NEC a week later, Benn and Skinner proposed that Britain should stay out of the ERM permanently, and that a referendum should be held on the Maastricht Treaty. However, the proposal was rejected by 24 votes to 2.

The 1992 Conference debated the NEC policy document, *Agenda for Change*, the NEC statement, *Europe*, plus three resolutions. The NEC supported economic convergence, considered an essential precondition of EMU, plus enlargement, an EU growth and employment strategy, the Single Market, the Social Chapter and EU institutional reform. Emergency Resolution 3 called for a referendum on the Maastricht Treaty. Resolution 69 reiterated the NEC objectives and was carried. Resolution 70 called upon Labour to oppose Maastricht, to renegotiate the treaty and to hold a referendum. Opponents of Resolutions 3 and 70, which were defeated, insisted that if the treaty fell, Labour would lose the option of reversing the opt-out from the Social Chapter, an argued reiterated by the EPLP (1992).

The Maastricht Bill's parliamentary journey witnessed several rebellions. During the second reading in April 1993, Labour helped the Conservatives to defeat an amendment demanding a referendum on the treaty. The battle culminated in the final reading in May in which the Conservatives secured a 292 to 112 victory, with Labour officially abstaining. However, with the Tribune Group officially opposed to the treaty, 65 Labour MPs voted against the treaty and 4 voted in favour. A further division in July on Labour's amendment to incorporate the Social Chapter produced a 317 draw, with the Speaker casting her vote in favour. The Conservatives then presented a motion to accept the Bill, and lost by 8 votes. The following day, Major held a confidence vote to overturn the vote of the previous day and the Bill was passed by 39 votes. Shore (1993) accused Smith of rescuing the Conservatives, claiming that by voting against the treaty, Labour could have defeated Major, precipitating a general election.

Holland resigned from the House of Commons in 1989 and went to work for Delors, for whom he produced two reports. These highlighted the need for economic and social cohesion to counterbalance the Single Market, and set out the case for a new EU public borrowing instrument to finance the necessary investment. Several European socialist parties supported Holland's proposals. However, at a European Council meeting in 1996, the British Prime Minister and the German Chancellor voted against the principle of EU bonds. When the proposal was tabled again one year later, Prime Minister Tony Blair was also opposed, later revealing that he 'had been briefed to argue against any new European financial instruments' (Holland, 1997, p.26). In 1997 the European Council extended the remit of the European Investment Bank (EIB) to facilitate the introduction of EU bonds. However, the volume of bonds issued has been lower than Holland recommended; consequently, its macroeconomic impact was limited.

The 1993 Conference adopted the NEC *Prosperity through Co-operation* policy document and carried Resolution 50. These documents promoted a co-ordinated strategy for EU-wide economic recovery, based on the increased use of the EIC and its Investment Fund, an EU industrial policy, a managed system of adjustable exchange rates, and progress towards EMU. However, they called for a flexible interpretation of the MCC and the creation of a democratic, accountable Council of Economic and Finance Ministers to act as a political counterweight to the ECB. They also supported the reform of the CAP, enlargement, an EU environment charter, common policies on defence, foreign and home affairs, EU institutional reform, the Social Chapter and EU-wide workers' rights. There was no dissent.

In May 1994 Smith died and was replaced by Blair as Party Leader. In the 1994 European Election, Labour gained 43 per cent of the vote and 62 MEPs, compared to the Conservatives' 27 per cent and 18 MEPs.

The 1994 Conference debated the NEC policy document, *Economic Renewal in the European Union*, plus two resolutions. The NEC document and Resolution 45 endorsed the European Commission's White Paper on EMU. However, these documents insisted that convergence of real economic performance, including employment and growth levels, was an essential precondition of any moves towards EMU. Resolution 46, which was remitted, called for the democratisation of the EU. It specifically advocated a single constitutional document for the EU, the extension of QMV, public sessions of the Council of Ministers and the publication of minutes, plus expanded powers for the European Parliament. The 1994 Conference also adopted *Jobs and Social Justice*, which endorsed the European Commission's Green Paper on European social policy. Again, there was no dissent.

The 1995 Conference endorsed the NEC statement, *The Future of the European Union*, which set out Labour's negotiating position in advance of the 1996 IGC, adopted the policy document, *A People's Europe*, and carried Resolution 49. These re-affirmed the objectives set out in *Prosperity through Co-operation*. The only dissent came from Austin Mitchell, who delivered a speech attacking EMU and the EU more generally.

The 1996 Conference adopted the NEC policy document, *A Fresh Start for Britain*, endorsed two NEC statements, *Reforming the Common Agricultural Policy* and *A Business Agenda for Europe*, and carried Resolution 41. These documents supported EU Budget reform, European economic policy co-ordination, enlargement, Trans-European Networks in energy, telecommunications and transport, the completion of the Single Market and its extension into new sectors, plus the Social Chapter. Importantly, the second NEC statement recommended that 'an active partnership between government and business', but not trade unions, should be an essential feature of decision-making at the European level' (Labour Party, 1996b, p.6).

The fourth post-war Labour government was elected in May 1997. New Labour focused on two key policy areas: upholding the Thatcherite settlement (see Chapter 10.4), whilst pursuing an interventionist foreign policy. In terms of domestic policy, the New Labour leadership defended Britain's 'flexible' labour market, extended privatisation throughout the public sector, and pursued mildly reflationary and re-distributive economic policies. In terms of foreign policy, the Labour leadership sought to export the Third Way to Europe whilst backing the US in its 'War on Terror'.

New Labour's 1997 General Election victory heralded a sea change in Anglo-EU relations, both rhetorically and in terms of policy. One of the party leadership's first acts was to grant independence to the Bank of England, as required by the Maastricht Treaty. Furthermore, Stage I required member states to abide by the MCC/SGP for EMU. Hence the decision to freeze public spending in New Labour's first two years in office, the Chancellor's 'golden rules' governing public finance, and its expansion of the PFI.

Within days of coming to power, the party leadership announced that it would end Britain's opt-out from the Social Chapter. However, Blair made it clear that New Labour would guard against a swathe of new directives. 'I don't believe there is any appetite in the rest of Europe to have great rafts of additional legislation under the Social Chapter', although it 'is sensible for us to be part of the Social Chapter so that we are part of the discussions on any legislation.' However, he 'would not allow other countries' social security systems to be imported into Britain' (cited in Gowland and Turner, 2000, pp.214-215). Instead, Blair emphasised the need for labour market reform to improve employability. Blair subsequently signed the Social Chapter, but delayed or blocked the implementation of several EU directives, including the working time directive. Scott alleged that 'a huge propaganda machine was constructed to maintain the myth that New Labour was pro-European.' In reality, he insisted, 'New Labour economics were US-type monetarism – extremely reactionary compared to Europe's compromise Delors' system.' The result is that 'New Labour is a joke with the European left and centre-left.'[12]

At the 1997 Conference, Resolution 39 reiterated the policy objectives agreed by previous Annual Conferences. The party leadership supported the 1997 Amsterdam Treaty, and in November 1997 the House of Commons voted by 392 to 162 to incorporate the treaty into British law. However, 31 Labour MPs abstained in the vote.

In the 1999 European Election, New Labour gained 28 per cent of the vote and 29 MEPs, compared to the Conservatives' 36 per cent and 36 MEPs. Its manifesto set out its policy on the euro and its objectives for 'modernising Europe'. These included safeguarding Britain's EU Budget rebate, the reform of the European Commission, enlargement, the reform of EU financial systems to eliminate fraud, and the completion of the Single Market. It also stated that New Labour was opposed to a European superstate (Labour Party, 1999a).

The party leadership supported the 2001 Nice Treaty. A Conservative amendment in the House of Commons in June 2001, calling for a referendum on the treaty, was defeated by 403 votes to 150, with 29 Labour MPs abstaining. The following month, the treaty was incorporated into British law by 388 votes to 151, with 29 Labour MPs abstaining and 1 MP

[12] Interview with Regan Scott, 8th October 2002.

voting against. The party leadership also supported the development of the CFSP, whilst securing its objective of EU enlargement in May 2004. However, the party leadership's enthusiasm is most evident in its policies on the euro and the European Constitution.

New Labour's 1997 manifesto set out three pre-conditions that would have to be satisfied before Britain could join the euro: the Cabinet would have to agree, Parliament would have to vote in favour and the British people would have to say yes in a referendum. The party leadership's euro policy was ostensibly one of *wait and see*. It decided against joining the first wave of euro members in 1999, opting to delay entry until a number of conditions, set out by Chancellor Gordon Brown in October 1997, had been satisfied. Five economic tests would have to be passed before any decision was taken: whether there is sustainable convergence between Britain and the eurozone, whether there is sufficient flexibility to cope with economic change, the effect of membership on investment and the financial services industry, and whether it is good for employment. However, he established the Standing Committee on EMU, composed of ministers and business leaders, to actively prepare for entry.

Although the party leadership was united in its objective of euro entry, there were divisions over the issue of timing. Before the 1997 General Election, Brown was an enthusiast for early entry, believing that Britain could join in the first wave in 1999. Indeed, 'in Europe he had been feted for his promise to deliver Britain into the club' (Bower, 2004, p.247). However, once in government and under the influence of the Treasury, which was opposed to entry – declaring in its review that 'dangerous disparities' existed 'between the British and European economies' (Ibid. pp.248-249) – Brown shifted his position to one of caution, if not scepticism. Consequently, Blair and Brown issued a statement stating that 'it is highly unlikely that Britain can join in the first wave.' However, it promised that 'if we do not join in 1999, our task will be to deliver a period of sustained growth, tackle the long-term weaknesses of the UK economy and to continue to press for reform in Europe' (quoted in Webster, 1997).

Although the official policy in its first term was one of *wait and see*, the party leadership's unofficial policy was euro entry. However, it faced a number of obstacles. The first obstacle was public opinion. An ICM poll for the No Campaign in February 2002 found that 60 per cent would vote against euro entry in any referendum, compared to 27 per cent who were in favour. The straightforward question of yes or no to entry was asked 47 times by ICM between 1992 and 2002. The aforementioned poll result, 60-27 against, was exactly the average result of the polls conducted during this period. Furthermore, the Labour Party was divided on the issue. A 2002 survey for ITV found that 27 per cent of Labour MPs were

opposed to euro entry, whilst an ICM poll in 2002 found that a substantial majority of Labour supporters were opposed to euro entry.

The second, and related, obstacle was Blair's unpopularity as a result of the Anglo-US war on Iraq. Cook (2003, p.139), as Foreign Secretary, recalled a meeting with Blair in April 2002 in which he warned that 'by sticking too close to' US President George Bush, 'we are putting at risk our strategy of establishing leadership in Europe.'

The third obstacle was Rupert Murdoch. Mandelson argued that the party leadership did not attempt a referendum during its first term because Murdoch's media empire would have campaigned against euro entry. Critically, Mandelson revealed that 'the Cabinet was never consulted, the decision involved only Blair, Brown, Cook and Prescott' (Rawnsley, 1998). As a result, the party leadership postponed the euro assessment and referendum and adopted an alternative *prepare and persuade* policy. The strategy resulted in a number of institutional and legislative initiatives, two 'low intensity' propaganda campaigns aimed at the business sector and the public, and successive interventions by business leaders and EU bureaucrats to augment these campaigns (Mullen and Burkitt, 2003).

During New Labour's first term, the Annual Conference followed the party leadership line on the EU. The first phase of the Partnership in Power (PiP) policy-making process (1997-2001), resulting in the *Britain in the World* document adopted by the 2000 Conference, set out the perceived benefits of euro entry. It also stated that ministers were determined to education the public, which was overwhelmingly hostile to the euro, as voters had to 'face up to the reality of the single currency' (Labour Party, 2000a).

In February 2001 Blair promised that a re-elected Labour government would decide within two years whether to hold a referendum. In June New Labour was re-elected. During the 2001 to 2003 period, the European Commission repeatedly attacked New Labour's public spending plans for breaching the SGP. In February 2002 Brown rebuked the European Commission, insisting that 'we could not go along with any recommendation that might lead us to cut public expenditure by £10bn' (quoted in Elliot and Denny, 2002).

One of the enduring features of the New Labour project was the ongoing struggle between Blair and Brown. The issue of whether, and when, Brown would succeed Blair, and the issue when Britain would join the euro, were central, and allegedly inter-linked, elements in this struggle. Former Cabinet Minister Clare Short (2004) and Peston (2005) alleged that Blair offered Brown the leadership if he would help him to secure euro entry.

In May 2003 the party leadership set out the timetable for the announcement of the decision on the euro, distributing 19 volumes of technical studies to Cabinet Ministers. Following several trilateral meetings between individual ministers, Blair and Brown, plus a

full Cabinet discussion, the official announcement was made on the 9th June. The Treasury's assessment of the five economic tests, published together with 18 additional documents, concluded that only one test, the impact on financial services, had been passed. The assessment judged that the British economy was some way from sustainable convergence with the eurozone, particularly with regards to exchange and interest rates. The party leadership subsequently set out its road map to euro entry, concluding that several reforms would have to be instituted before Britain could join. These include transforming Britain's fiscal policy, restructuring its housing market, and introducing a new inflation index. It also requires changing the statute of the ECB, introducing a Bank of England-style symmetrical inflation target, transforming the SGP and increasing labour market flexibility across the EU. Unofficially, EU reform constitutes the sixth euro test. The government also established a new Cabinet European Strategy Committee. In December, it issued its draft euro referendum bill containing the proposed question drafted by the Electoral Commission, 'Should the United Kingdom adopt the euro as its currency?'

The party leadership supported the 2002 Convention on the Future of Europe, publishing a White Paper on its objectives for the 2003 IGC. However, it opposed holding a referendum, with the Europe Minister, Peter Hain, describing the constitutional treaty as a mere 'tidying up' exercise. Consequently, a Conservative motion in the House of Commons in March 2004, demanding a referendum on a future constitution, was defeated by 328 votes to 212. However, one month later, following a campaign by the Murdoch press, and another by Vote 2004, Blair performed a U-turn and agreed to hold a referendum.

The party leadership supported the European Constitution, agreed in June 2004, which granted the EU a legal identify, reformed EU decision-making, created the posts of EU Foreign Minister and President, and extended majority voting to 30 new policy areas. However, in the foreword to the White Paper on the treaty, Blair claimed that it 'was clearly not a Treaty which reduces our powers as a nation' (HMG, 2004, p.2). Public opinion, however, was divided on the European Constitution. A MORI poll in June 2004 found that two-thirds would vote against the European Constitution in any referendum. However, it also found that significant numbers could be persuaded to change their mind, whilst between one in four and one in five did not know how they would vote. A subsequent MORI poll in September classified 46 per cent of respondents as 'waverers'. However, an ICM poll in September 2004 found that Labour voters rejected the European Constitution by 57 to 31 per cent, and almost one third of voters believed that Blair 'generally lies' about Europe.

Divisions over the euro persisted. In April 2003 the chair of the Labour Movement for Europe put down an EDM in the House of Commons calling for a referendum on the euro before November 2004. Supported by 106 Labour MPs, it claimed that it was 'impossible' for Britain to remain outside the single currency. Over 200 Labour Party constituency officials issued at similar statement, organised by BiE and published in *Tribune*.

In the 2004 European Election, New Labour gained 23 per cent of the vote and 19 MEPs, compared to the Conservatives' 27 per cent and 27 MEPs. In September 2004 Mandelson was appointed as a European Commissioner, promising to 'promote the EU reform agenda' (Mandelson, 2004), that is New Labour-style supply-side economics.

During New Labour's second term, the Annual Conference again supported the party leadership line. The second phase of PiP (2002-2005) resulted in the adoption of the *Britain in the Global Economy* document by the 2004 Conference. It claimed that euro entry could benefit the British economy, by up to £3 billion per year. However, it warned that 'if we entered with the five economic tests not met at the wrong exchange rate, then – just as with the ERM in 1992 – we could see unemployment rise, public service investment fall and growth stall. The discipline of the five tests is to ensure there will be no repeat of the experience of the ERM' (Labour Party, 2004a, p.3).

CONCLUSION

Labour's European policy, shaped by a number of internal and external factors (discussed in Chapter 10), exhibited five main features. The first feature was the difference in policy depending on whether Labour was in government or in opposition. In government, the party leadership tended to ignore the decisions of the Annual Conference, circumventing official party policy and adopting the pro-EU stance of the Foreign Office. In opposition, however, the generally more sceptical Annual Conference tended to reassert itself, thus circumscribing the party leadership's room for manoeuvre.

The second feature was the extent of internal division over European integration. Labour was divided from top to bottom on the issue of the EU, from affiliated organisations through to the NEC, the PLP, the Shadow Cabinet/Cabinet and the party leadership itself. Two main cleavages can be identified, the division between anti- and pro-EU forces, plus the struggle between the left and the right, creating four main aggregations: the pro-EU left, the pro-EU right, from which the party leadership was usually drawn, the anti-EU left, and the anti-EU right. These competed to control the policy-making process and its outcomes.

The third feature, flowing from the second, was the volatility of Labour's European policy: there were eight significant policy shifts over the post-war period. Likewise, many prominent Labour figures changed their position on the EU, some several times.

The fourth feature was the allegedly extensive and enduring links between the pro-EU right and the CIA and the European federalist movement. These external actors attempted to shape the European policies, and other policies, of the Labour Party and trade union movement in the interests of the EU and the US. However, given the secrecy surrounding this area, assessing the importance and success of such operations is difficult to establish.

The fifth feature was the seismic change of attitude towards European integration that occurred in 1988. Although the party remained divided, for example over the euro and the European Constitution, post-1988, support for withdrawal from the EU seems to have evaporated. However, the formation of organisations such as Labour Against the Euro, Labour Against a Superstate and the Centre for a Social Europe, discussed in Chapter 9, indicate that scepticism about further European integration has not evaporated. These features are explored in more detail in Chapter 10.