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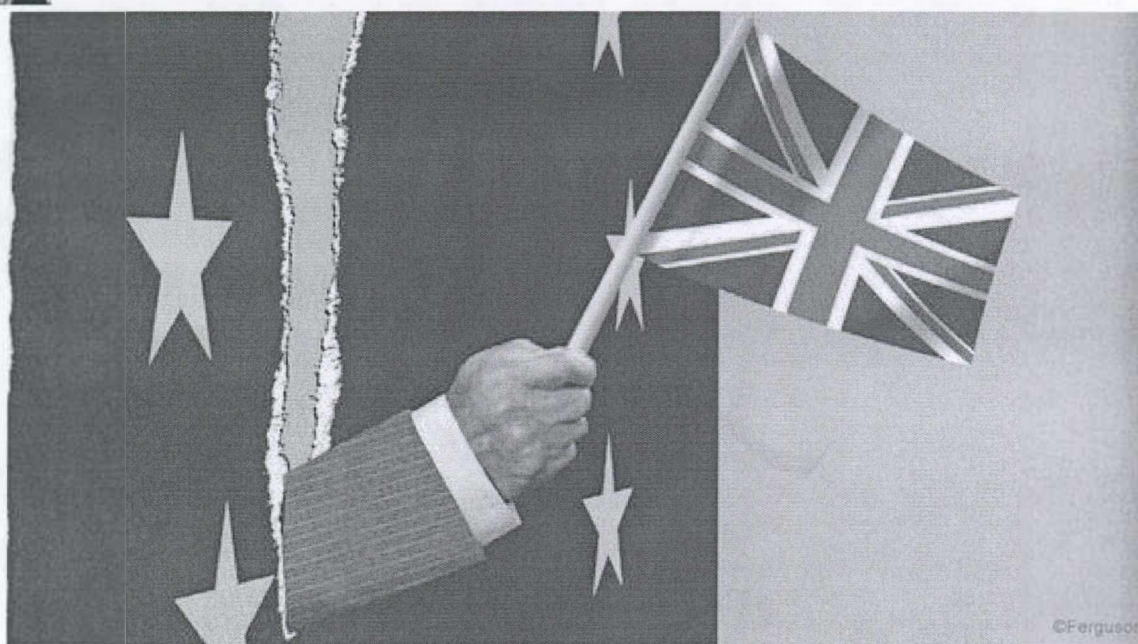
July 2, 2012 7:20 pm

# Blackmail cannot be UK's Europe policy

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By Gideon Rachman



“Life outside the EU holds no terror.” With that single phrase, Liam Fox has placed himself at the head of the large faction within the Conservative party that wants Britain to detach itself from the EU. As the euro crisis intensifies that faction will grow in size, both inside the Tory party and within Britain as a whole.

Mr Fox, a former defence secretary, rails against what he calls “diktat from Brussels”. (Note the use of a German word.) He wants Britain to demand a big repatriation of powers from the EU – and to stalk out of the union, if and when Britain does not get what it wants. Prime minister David Cameron is sufficiently rattled by the sight of Foxes on his Downing Street doorstep to have started muttering appeasingly about giving the anti-Europeans the referendum on the EU they demand.

Mr Fox is right on one point. If it came to it, Britain could remain free and prosperous outside the EU.

Where the Foxes are genuinely crazy is to argue that now is the time for renegotiation, followed by a referendum. The EU crisis is still unfolding. It may end with the eurozone turning into a genuine political union – or collapsing altogether. Those are starkly different outcomes, which would present Britain with very different choices.

There is also an unattractive element of blackmail in the Fox strategy. He and his allies know that the eurozone is fighting for its political and economic life. Even though Britain does not use the euro, the Foxes want to threaten to hold up hard-fought agreements on the single currency – unless the other EU countries make concessions on longstanding, but irrelevant, British bugbears, such as fisheries policy, the common European arrest warrant and the budget.

Such a cynical and self-centred policy would almost certainly fail. In the process, it would also damage British interests by infuriating countries that will be our neighbours and trading partners, whatever happens to the euro.

Even under current government policy, it is increasingly possible to envisage circumstances in which Britain does leave the EU. George Osborne, the chancellor, has urged Europe to follow the “remorseless logic” of monetary union and to press on towards a fiscal union. He thinks this is the only way to prevent an economic disaster that would also engulf Britain.

However, what Mr Osborne does not acknowledge is that this process also entails a remorseless logic for Britain. The more that the eurozone of 17 countries turns into a genuine fiscal, and then political, union, the harder it will be for Britain to stay inside the larger EU of 27 nations. Hitherto, Britain has always argued that the single market is the heart of the union. But, if the eurozone turns into a successful political union then, whatever the legal niceties, it would determine the future of the EU, and the cherished single market with it.

It might then make sense to hold that referendum on Europe, since Britain's choices would be clearer. It could join the new political union – an option that currently enjoys almost no support in Britain. It could choose some semi-detached relationship, involving membership of an outer core of the old EU. Or it could leave the union altogether.

However, the chances of the eurozone metamorphosing into an effective political union are actually pretty slim. Even the much-heralded breakthroughs at last weekend's summit are a million miles away from a true political union. There is still scant evidence that German or Dutch taxpayers are prepared to underwrite the banks of southern Europe, or that French voters are willing to see their national budget and beloved “social model” controlled from Brussels.

And yet, as Mr Osborne and others have argued, if the euro does not transform itself into a genuine fiscal and political union, there is a strong risk that the single currency and then the EU itself will break up. A political earthquake on this scale would mean that Europe faced an entirely new set of questions.

These questions are already being quietly examined by scenario-planners in foreign ministries around Europe. One German policy maker talks cheerily of “rebuilding Europe from the rubble” if the euro collapses. His assumption is that Germany would have two important partners in this reconstruction effort – France and Poland. Yet, if it came to that, Britain should also aspire to play a key role in the reconstruction of a post-euro Europe – achieving the central role in continental statecraft that it opted out of in the 1950s.

To force the issue now, however, would be a big mistake. If the euro breaks up, there will be a lot of anger and recrimination. Some will blame the Germans, some will blame the southerners. And there will be those who blame “perfidious Albion”, for allegedly sabotaging the single currency from the outside. For the British voluntarily to bolster that conspiracy theory, by casting themselves as pantomime villains and wreckers, would be self-harm on an epic scale.

The long shopping list of grievances assembled by Tory eurosceptics is not without merit. Some policies that are currently made in Brussels could legitimately be returned to Westminster. A reshaping of Europe will present Britain with real opportunities. But this crisis has a long way to run before the real reshaping takes place. Until then, the British should bide their time and let the rest of Europe slug it out.

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