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## Transcript

# The Referendum on Europe: Opportunity or Threat?

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**Sir John Major:**

A short while ago, the prime minister offered the nation a referendum on whether to remain in the European Union – or leave it, and I believe he was right to do so.

As a general principle, I don't like referenda in a parliamentary system. But this referendum could heal many old sores and have a cleansing effect on politics. It will be healthy to let the electorate re-endorse our membership, or pull us out altogether. At present, we are drifting towards – and possibly through – the European exit. We need a renegotiation – and a referendum endorsement of it, and if that is denied, the clamour for it will only grow.

But it is a gamble – for the country and for the Conservative Party. The relationship with Europe has poisoned British politics for too long, distracted Parliament from other issues, and come close to destroying the Conservative Party. It is time to resolve the matter.

If the referendum were held now, some polls suggest electors may vote to leave. In 2017, their decision may depend upon the outcome of the negotiations, and success in those might involve repatriation of powers, or opt-outs, or reform of existing policies, or safeguards against unwelcome developments. It will, most likely, be a combination of all these – and perhaps more besides. None of this will be easy. On many issues, there will be no natural meeting of minds.

To what the French call the Anglo-Saxon mind, the case for reform is very strong: unanswerable, even. To many Continental minds, there is a very different perception. The French already believe that sterling has a competitive advantage over the euro. They now fear that the UK will opt out of social and employment provisions to give our economy a further competitive boost. They will not readily concede that in negotiations.

We need to prepare our own proposals without delay, negotiate courteously and with understanding and the manner in which these negotiations are conducted will be vital.

If we enter them without appreciating the position of each of our European partners, we will fail.

If we enter them without engaging with each of our European partners, we will fail.

If we enter them with the aggressive attitude of 'give us our way or we quit', we will fail.

We British would regard any such approach from our European partners as a threat, an attempt to bully; and, just as we would take a dim view of that, so would they.

When the end game approaches, the prime minister will need to conduct the negotiations personally – and when he does he will find that more concessions will be won in relaxed, personal face-to-face discussion than in formal talks. But long before that, much preparatory work must be done, and that preparatory work is so substantial it wouldn't be physically possible for the prime minister himself to do it.

I believe therefore that he should appoint a lead negotiator who sits in the cabinet. And if the Liberal Democrats oppose such an appointment – which is possible, since they oppose a referendum – then the prime minister should over-rule them. On a matter of this national importance, the tail must not wag the dog.

It is essential that this negotiator is seen as the prime minister's personal emissary. He, or she, must visit and re-visit every European capital to explain our case, seek allies, set out our aims, and – crucially – emphasize the damage to the European Union as a whole if the negotiations fail and the referendum is lost.

The prime minister cannot afford to ignore the home front. He must carry public opinion with him. In Parliament, I have no doubt he will continue to receive unsolicited 'advice' about what powers he must repatriate. Some of his colleagues in offering this advice will think it's helpful, and that our partners will hear the strength of feeling – and immediately capitulate. That is quite wrong. They will not. Such advice – given publicly – will undermine, not strengthen, the prime minister's negotiating position. And it will do so, because he will be seen to be acting under political duress, rather than principle and conviction – and his hand will be correspondingly weakened. And I know that because I have been there: advice, yes – that is a proper role for parliamentarians – but the truly well-meaning will give that advice in private.

Many colleagues will be instinctively loyal, but not everyone. Rebellion is addictive, and some members may be getting a taste for it. I learned 20 years ago that the parliamentary party includes irreconcilables who are prepared to bring down any government or any prime minister in support of their opposition to the European Union.

Some have softened their views with age. Others have not. The present Parliament contains members whose opposition to the European Union is fundamental.

Members with Conservative heads and UKIP hearts cannot be placated. Whatever is offered to them will be insufficient. They will demand more. They will only be satisfied by withdrawal. It is, therefore, essential for the prime minister to rally the persuadable majority of the parliamentary party.

And if the negotiations fail, and the referendum is lost, we could slip out of the EU in frustration and by default. The prime minister should be prepared for the likelihood that the irreconcilable amongst his parliamentarians, including perhaps some ministers, will campaign for a British withdrawal.

I am neither a Eurosceptic nor a Europhile. As prime minister, I vetoed the appointment of the president of the Commission because the candidate – an able man in every way – held views inimical to our national interest.

At Maastricht, I obtained opt-outs from the Single Currency and the Social Chapter. And I did so by explaining in innumerable private meetings why I could not accept those policies and that, without an opt-out, I would have no choice but to veto the whole treaty.

I judge our membership of the European Union upon one overriding criterion: is it good for Britain?

Is it good for our economic well-being? For competition, and jobs? For our general quality of life? Is it good for our security, our diplomacy and our standing in the world? All of these elements are relevant to the value of our membership. And now, after 40 years, the referendum raises new questions:

- What would it cost us to leave?
- What would we lose if we left?
- And, if we stay, how can we carve out a leadership role?

Firstly, some process. We cannot – legally – simply walk out of the European Union. We are obligated by Treaty to negotiate our exit, and also to meet liabilities that will crystallize at a later date. The costs could be substantial. No-one knows how substantial.

If we left, a swift glance suggests we'd be freed of budgetary contributions, regulations, directives, interminable meetings, unwanted lectures and multiple frustrations. Sounds pretty attractive. But closer examination returns us to the world of realpolitik.

One presumption from those who advocate leaving the European Union is that we could remain in the Single Market of 500 million consumers. That is, probably, true: but there would be a price. Norway – as a non-member – pays two-thirds as much per head for access to the Single Market as the UK pays as a full member of the European Union. We could accept similar terms if outside and that price would be likely to rise with every opt-out we achieve that our partners believe would give us a competitive advantage.

Moreover, trade policy is a European Union prerogative: as a non-member we would have no national trade policy in place, and would need to negotiate our own free trade agreements. At worst, this could take years. At best, we might be able to piggy-back on existing European Union agreements. Either way, we are likely to face tariffs.

And one example, I think, will suffice. At present, we export five out of every six cars made in the United Kingdom but – as a non-member – we may have to pay a 10 per cent external tariff on exports to the European Union, and a 5 per cent tariff on components. And that raises a question: would Nissan, I wonder, and BMW, Honda, Toyota, Ford continue to build at Swindon, Deeside, Dagenham, Bridgend or Oxford – or would they relocate and place future investment inside the European Union with no tariff on their cars? Many livelihoods in the UK depend upon that answer.

And then tariffs are not the only – or even the worst – threat to competitiveness. Most trade barriers are regulatory and – for us to continue to sell in Europe – UK exporters would have to conform to European regulations. As a non-member, we would have no input into them, but if we wish to export we would have to meet them.

Now, would this hurt us? Certainly. In the crucial area of financial services, we can anticipate that regulations could – and would – be designed to undermine UK competitiveness. Many would argue that in some areas this is already happening – and I would agree: but, whilst inside the European Union, we can mitigate the worst of the excesses. Outside, we could not.

The European Commission, generally, is very unpopular in the United Kingdom – sometimes, rightly so. It can be insensitive and seem bullying. But we shouldn't ignore its virtues. In alliance with the Commission, the UK has driven policy on the Single Market for many years. And in the negotiations to come, the European Commission may often be our ally. They know that a Europe without Britain would be more vulnerable to a move towards protection – and they know how damaging that would be.

And then, of course, there is inward investment. Inward investment may also be at risk. Another question: would companies from around the world who invest over £30 billion a year in the United Kingdom be more – or less – likely to do so without unfettered access to the European market? To me, the answer is self-evident, but any doubters should ask those foreign investors – and then reflect upon the half a million jobs those same investors have created in the United Kingdom in the last decade alone.

The impact of a withdrawal goes beyond trade and investment. In a world of global markets, countries are increasingly banding together. It would be a brave decision for Britain to go it alone. I bow to no-one in my pride of our country, but we should see ourselves as others see us. We are 70 million in a world of 7 billion, with countries like China, India, Turkey, Indonesia, Mexico and Russia all rising in economic and political importance. Do we wish to become less relevant in their eyes, or face the future as a leading voice in a block of 500 million people? To leave would be to march against history.

Many of those who wish to withdraw from Europe do so on the assumption that we could enhance our relationship with existing allies: most obviously, the United States and the Commonwealth. They are mistaken.

Economically, the United States looks increasingly to the East, where the market is growing. Politically, every American president I have known wishes to see the United Kingdom at the heart of Europe, because that is what is in America's own interests. Outside, we would be of far less relevance: we could no longer advance the argument for free trade in Europe or – as recently – help develop sensible rules on data protection, or digital rules that accommodate American counter-terror objectives. Nor could we push for sanctions on Iran – a policy largely driven by the United Kingdom.

So, be certain of this if nothing else: America does not want the UK to cut her ties with Europe. As for the Commonwealth, two facts suffice: we sell more to North Rhine-Westphalia than to India, and more to France and Germany than the whole of the Commonwealth added together. And incidentally, overall, we export four times as much to Europe as we do to the United States.

Being inside the European Union can often be frustrating; but outside, we would be at a serious competitive disadvantage. The tens of thousands of UK companies who trade with the European Union should think long and hard about the consequences of exit. And so should their employees, numbered in millions. To leave would be a jump into a void.

Now of course, the argument with Europe isn't all one way. The prime minister's negotiating hand is by no means empty. A British exit would

seriously diminish the European Union itself. It would have suffered its greatest reverse. And this reality – well understood by our partners – strengthens our position, but must be deployed with care and sensitivity: clumsily handled, it could be counter-productive.

If we left, Europe would lose one of her biggest economies. Her role as a global power would be diminished. So would her diplomatic reach. Her foremost free marketeer would have gone. Her main bridge with the United States would be broken. The Transatlantic Alliance would weaken. Even now, America, rightly in my view, complains that she contributes disproportionately to European defence: without the United Kingdom, the Continental European contribution – to their own defence in NATO – would be pitiful. Departure might be a leap into a void for Britain, but her loss to Europe would be palpable.

None of the risks of separation mean the status quo is acceptable. Nor does it mean that it cannot be changed. I believe it should be – and I personally believe that it can be. What it does mean is that Britain and Europe must work to accommodate one another with goodwill and tolerance. Tolerance was once a great political virtue, and one that I would love to see restored to the body politic everywhere. With goodwill and tolerance, a deal can be done.

At present, the eurozone is changing its relationship with the rest of the European Union: against that background I see no reason why we should not seek to do so, too. It's not anti-European to fight for the British national interest. But we should not over-estimate what can be achieved.

The prime minister can probably deliver safeguards for the City, less regulation, less bureaucracy, no more social legislation, enhancement of the Single Market and more besides. Beyond that, there are many areas ripe for reform, including a full repeal of the Working Time Directive, which a number of countries in Europe would welcome. We should also focus on tackling the democratic deficit and giving real muscle to subsidiarity. And we should do that because reforms that help Europe will also help the United Kingdom.

Other European Union policies – CAP, fisheries, structural funds – are a constant frustration to the United Kingdom. But even if the prime minister were able to gain exemptions from these policies – does anyone imagine hard-pressed farmers and fishermen would welcome the loss of subsidy from Europe and not demand its replacement from the British Treasury? Does anyone assume for a second we would not need to replace the subsidies lost to poorer regions in our own country from our own resources?

We know the answer to those questions: I daresay we could improve on European Union policies, but the net gain would be far more marginal than many people imagine. And whenever we out-competed Europe, they would react to offset our competitive advantage. And how do I know that? Because that is precisely what we did when we put tariffs on Norwegian salmon to protect our own industry in Scotland. As we did, so will they. And in our negotiations, it would be more productive in many areas for us to seek allies to reform core policies for everyone, than just to seek a British exemption from them.

We will also improve the outcome if we take a proactive role in developing future policy: it would be fatal just to sit on the side-lines sniping. Many in Europe, rightly or wrongly, feel that we have lost interest in them: we should make it clear that we have not. We can – and should – carve out a leadership role.

And some will say well – how can this be? Sterling isn't in the eurozone, nor likely to join. Well nine other nations are not in the euro nor – although some have ambitions – are many likely to be admitted for many years. Denmark has an opt-out; Sweden and the Czech Republic don't wish to join; others are far less enthusiastic than once they were. And their interests are often our interests. The Eastern Europeans for example were admitted to the European Union because we British – together with Germany – championed enlargement against the opposition of some others. We are a natural ally for their ambitions and for the reforms they seek. President Giscard d'Estaing has said our negotiation, and I quote, 'opens the way for the indispensable reform of the European machinery'. He is right. There is an opportunity here and we should lead it in the negotiations to come.

We must seek further reform of the budget, where we will have allies in Holland, Denmark and Sweden and, in many areas, would be able to make common cause with Germany.

We should reengage the argument for completion of the Single Market. I'd like to see us advocate the appointment of a Single Market Commissioner to oversee this work across the whole range of services: financial, retail, medical, digital – the list is very long, and the potential gain is very large.

We could seek to interconnect the energy market. We could widen trade agreements. We could try and create a true European venture capital market. There's no lack of areas where we can seek to lead, and change, and improve European policy.



We should continue to work with France in particular to develop policy on the Middle East and the North African rim. Stability in that region – with its trade and investment potential as well as its proximity to southern Europe – is crucial to Europe, and Britain and France are well-placed to lead policy. We have had successes with action against Libya and sanctions against Iran, but there are many more options.

I believe a proactive role in Europe would pay rich dividends in policy and perception – both at home and overseas. It would also highlight our British value to the European Union, and by highlighting our value encourage acceptance of our demands. Our case is logical and can change minds, but it will require time and patience and commitment.

What of the future?

Why are so many of the British – perhaps especially the English – so cool towards the EU?

Some blame Eurosceptic opinion, and that has been a powerful factor. As pro-Europeans have remained silent, anti-Europeans have become more vocal – and less tolerant.

But that is far from the whole story. Europe is also culpable. Year after year, Continental leaders have told us that Britain is an essential and valued member of the European project. That is flattering, but their soft words are offset when they pursue policies they know to be anathema to us. For years, Continental leaders have denied a federal ambition, while their policies have moved us closer towards it. They have introduced a single currency, job-destroying legislation and excessive regulation. There has been a wilful refusal to complete the Single Market. Some have flirted with protection. All of these policies are against British advice and British interests. If we are seen to be unreasonable by some, we do have some cause for that stand.

And emotion matters too, in this debate. Our electorate doesn't like to see Britain dragged along at the tail of the cart: they'd much prefer to see us to be in the driving seat. I suspect that if Britain were seen to be proactive in policy, it would revolutionize British public opinion.

And that is necessary: because at present, public frustration is very deep. Perhaps deeper with Europe than I can ever recall it being at any time in the past.

We don't know where 'more Europe' will end. Or how we can stop an ever-increasing bureaucratic power grab into what Douglas Hurd memorably called 'the nooks and crannies of our national life'. People fear: will we eventually be

submerged in an undemocratic United States of Europe? For most of us, that is simply unacceptable.

We need an end point, and we need to know what it is. And we need to be confident that it will not be breached. These are all matters for the negotiations to come.

Let me summarize.

When we come to the referendum, the public will decide. At present, affection for the European Union is minimal. Its virtues are denied, even ridiculed. Its drawbacks are emblazoned in debate. Years of negativity have sunk deep into the British psyche. Ill-feeling between pro and anti factions is worn by some like a badge of honour. Debate over Europe tends to be conducted at the extremes of opinion, with most of the country uninvolved. A single-issue party, dedicated to withdrawal, has grown in public popularity. Public scepticism about Europe feeds on an intense patriotism, and has become a reality our political system cannot ignore.

Some see the referendum as merely a piece of party political management – but it is much more than that.

It can be cathartic.

It can end 40 years of political squabbles.

It can allow our Parliament, undistracted, to put vital issues – such as the growing underclass and the disregard into which politics has fallen – where they should be: at the very forefront of our national debate and national agenda.

The referendum can help reform the European Union, and for the better.

It can resolve both justified – and unjustified – fears about our membership.

And it can encourage the United Kingdom to take a more positive leadership role in the development of future policy.

All this is possible.

Let me close with a vignette. In 1990, in an attempt to head off a Single Currency, I advanced the concept of the 'hard ecu': a parallel currency that was market-driven and would co-exist with national currencies. Our proposal failed. It was – first – too late; but the more pertinent reason was explained to me by President Mitterrand. His response was simple. 'Right policy – wrong country.'

'Right policy – wrong country.' All too often, that sums up how Britain has been regarded in Europe. The referendum gives us an opportunity to change that perception. It is in Britain's interests – and Europe's interests – that we take this opportunity and that we do so.

Thank you very much.