The Conservatives and Europe, 1997–2001

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As Conservatives reflected on the 1997 general election, they could agree that the issue of Britain's relationship with the European Union (EU) was a significant factor in their defeat. But they disagreed over how and why 'Europe' had contributed to the party's demise. Euro-sceptics blamed John Major's European policy. For Euro-sceptics, Major had accepted developments in the European Union that ran counter to the Thatcherite defence of the nation state and promotion of the free market by signing the Maastricht Treaty. This opened a schism in the Conservative Party that Major exacerbated by paying insufficient attention to the growth of Euro-sceptic sentiment. Membership of the Exchange Rate Mechanism (ERM) prolonged recession and undermined the party's reputation for economic competence. Finally, Euro-sceptics argued that Major's unwillingness to rule out British entry into the single currency for at least the next Parliament left the party unable to capitalise on the Euro-scepticism that prevailed in the electorate.

Pro-Europeans and Major loyalists saw things differently. They believed that Major had acted in the national interest at Maastricht by signing a Treaty that allowed Britain to influence the development of Economic and Monetary Union (EMU) without being bound to join it. Pro-Europeans noted that Thatcher had agreed to an equivalent, if not greater, loss of sovereignty by signing the Single European Act. They believed that much of the party could and should have united around Major's 'wait and see' policy on EMU entry. But the activities of a small number of hardline Euro-sceptics undermined the government's domestic authority and its influence in Europe. An electorate that had little interest in the European issue – but which responded most favourably to the 'wait and see' position on EMU and continued membership of an intergovernmental EU – recoiled from a divided party and punished it at the polls.

Given this background, Europe was going to be one of the most important and difficult issues facing William Hague as Conservative leader. This chapter examines Conservative policy on Europe under Hague, arguing that, despite the pragmatism of Hague's position, the Conservatives took significant steps in a Euro-sceptic direction. The term 'Euro-scepticism' is

conceptually loose and contested. In their work on Euro-sceptic parties, Taggart and Szczerbiak distinguish between a 'hard Euro-scepticism' of principled opposition to EU or to the integration project as currently conceived and a 'soft Euro-scepticism' that supports membership but opposes further economic and political union.¹ The post-1997 Conservative Party is situated somewhere between the two. The pragmatic 'In Europe, but not run by Europe' platform and 'two Parliaments' position on EMU entry suggest a 'soft' scepticism but they masked demands for major reform of the EU and a renegotiation of the Nice Treaty. If these were not forthcoming, Conservative support for fundamental renegotiation or withdrawal was no longer inconceivable. Though the party did not cross the Rubicon under Hague, it adopted a Euro-sceptic position considerably 'harder' than both its stance in the mid-1990s (when withdrawal was unthinkable for most Tory MPs) and those adopted by other mainstream centre right parties in the EU. Yet this stance did not bring great electoral rewards and Europe remained a significant faultline in Conservative politics.

Hague and Europe

Europe featured prominently in the 1997 leadership election. At the outset, eventual winner William Hague had the least clearly defined position on Europe of the five candidates. Michael Howard, Peter Lilley and John Redwood – who had challenged Major in 1995 on an anti-EMU platform – were on the Euro-sceptic right. Kenneth Clarke was the standard bearer of the pro-European Tory left. Most committed Euro-sceptics and significant numbers of sceptic-leaning MPs from the 'party faithful' voted for the candidates of the right.² Redwood finished third on the first ballot; Lilley and Howard withdrawing after poor performances. Hague won forty-one votes, mainly from the centre right, and trailed Clarke by eight. Hague recognised that to pick up votes from supporters of Lilley and Howard (both of whom now endorsed him), he must convince them of his Euro-sceptic credentials. But his inconsistency and prevarication on the single currency question sowed further seeds of doubt in the minds of many Euro-sceptics.³ Hague first indicated that he was opposed to EMU entry in principle, then declared that he would oppose British entry for the 'foreseeable future', suggesting this meant a period of two Parliaments or ten years. He was also criticised for stating that accepting the policy on EMU would be a precondition of membership of his Shadow Cabinet.⁴ This show of virility worried pro-Europeans but did not fully convince Euro-sceptics. Hague gained ground on Clarke in the second ballot, which eliminated Redwood. Clarke's attempt to clinch the leadership by brokering a deal with Redwood that promised a free vote on EMU entry backfired. Euro-sceptics like Iain Duncan Smith, Redwood's campaign manager, recoiled from the pact, doubting its

durability and fearing it would institutionalise rather than bridge the party's Euro-divide.

Hague was the beneficiary, coming through to win by ninety-two votes to seventy on the third ballot. But the victory was not resounding: only on the final ballot had Hague secured the backing of the bulk of the Euro-sceptic right.⁵ There were uncomfortable parallels with Major's win in 1990. In both contests, an ideologically shallow candidate with little political baggage and few enemies had come through to win. Hague appeared to offer a European policy (or form of words) that could draw support from across the party, but had not convinced committed Euro-sceptics and had antagonised pro-Europeans. After his victory, Hague gave Euro-sceptics prominent positions in the Shadow Cabinet. Within a year, three pro-Europeans had left the Shadow Cabinet – Ian Taylor and David Curry resigned in October 1997 after policy on the euro was hardened; Stephen Dorrell left in June 1998.

A number of factors shaped Conservative policy on Europe, offering opportunities to forge a new position but also constraints on its effectiveness. The first factor was the position inherited from Major: the 'wait and see' policy had run its course allowing Hague to develop his own position, while he could also build on the moderate Euro-sceptic position formulated for the 1996–97 Intergovernmental Conference (IGC). Policy would also be forged in response to a pro-European Labour government and to developments in the EU. Considerations of party unity and electoral impact would also be significant. Major's 'wait and see' position was replaced by a tougher line that ruled out British entry for two Parliaments but not for all time. The 'In Europe, not run by Europe' platform envisaged a new relationship between Britain and the EU based on flexibility and renegotiation.

Economic and monetary union

Election defeat and Major's resignation nullified the 'wait and see' policy and the pledge to hold a referendum on EMU. Cast from office, the Conservatives no longer had to take the decision on whether Britain would join EMU at its launch, taking some of the heat out of the party's Euro-divisions. Hague sought to bring party policy in line with his pledge to oppose EMU entry for the lifetime of the current Parliament and the next one. But he toned down his message at the 1997 party conference as the Shadow Cabinet had not reached a firm policy decision, in part because three pro-European members missed a meeting at which the issue was to have been resolved.⁶ But the Shadow Cabinet approved the 'two Parliaments' position soon after, signalling that the Tories would campaign against the euro at the next general election and in a referendum held in the period in question. A Conservative government elected at the next election would oppose EMU entry and would not hold a euro referendum. Hague weathered the pro-European

storm that followed, cementing his authority and the legitimacy of the new policy by holding a ballot of party members that produced an 84.8 per cent vote in favour of the 'two Parliaments' line in 1998. Critics noted that the ballot did not seek opinions on alternative policies and that 40 per cent of members did not return their ballot papers.

In October 1997, Chancellor Gordon Brown announced that Britain was unlikely to enter EMU in the current Parliament but should join in future if the single currency proved a success. A decision on membership would be taken on the basis of five economic tests: sustainable convergence, sufficient flexibility and EMU's impact on investment, the financial services and employment. Brown declared that the government supported British membership in principle and saw 'no over-riding constitutional bar to membership'. Hague thereafter presented the choice facing the British people as one between a Labour Party committed to EMU entry and a Conservative Party that had major economic and political objections to membership – even though it did not rule out entry in the long term. Labour's National Changeover Plan, the slide in the value of the euro against the dollar, Commission proposals for tax harmonisation (resisted by the government) and the 2000 Danish referendum 'No' to EMU entry reinforced Conservative opposition. As Shadow Chancellor, Michael Portillo maintained the 'Sterling Guarantee' outlined in the 1999 *Common Sense Revolution* and backed Bank of England independence. In February 2000 Hague launched a 'Keep the Pound' campaign, stepping aboard a flatbed truck to take his pro-sterling message around the country.

The Conservatives focused on the economic case against EMU, though political and constitutional concerns also surfaced. In his first party conference speech, Hague apologised for ERM membership and warned that EMU would bring greater dangers. A month later he developed a wide-ranging economic case against entry.⁷ The EU lacked the labour market flexibility needed to survive economic shocks. There was little evidence of sustained economic convergence: the British and German business cycles were diverging. Sustainable convergence appeared unlikely given the 'fundamental differences in the structure of the British economy compared to other European economies'. Britain had a larger equity market and financial services industry, more homeowners with mortgages and funded pension provision and was a net exporter of gas and oil. It also had a more flexible labour market and lower taxes than many EU states, plus a higher proportion of trade with non-EU countries. Finally, there were important differences between British and European welfare, fiscal and regulatory regimes. Britain could be more influential as a low tax, free enterprise economy outside the euro zone.⁸

Hague established a commission of supportive economists and businessmen, chaired by former Cabinet minister Lord Nott, to examine the case for retaining sterling. The Nott Report highlighted the economic dangers of

joining EMU and claimed that as the fifth (later fourth) largest economy in the world, the UK would prosper outside EMU.⁹ Yet the commission went beyond its remit and Hague's 'two Parliaments' line by presenting political arguments against EMU entry at any time.

The Conservatives built up a relatively coherent case against EMU entry despite inconsistencies in policy and poor presentation. But, as Major had discovered, a pragmatic position based on compromise did not stand up well to rigorous analysis. The single biggest flaw of Hague's formula was the tension between a case against entry based on economic and *constitutional* grounds and the official policy of ruling out EMU entry for just two Parliaments.¹⁰ Given his grave concerns about the economic and political costs of EMU entry, was Hague opposed to membership in principle? If not, under what circumstances would he support entry? Hague had struggled to effectively answer such questions in the leadership contest and continued to do so.

To limit the damage, Hague focused on the economic case against entry but he and senior Conservatives regularly alluded to the adverse implications of EMU for democratic self-government. The 'two Parliaments' position reflected a compromise between the party's rival wings, but would allow more time to assess the performance of the euro zone, and reflected the conservative disposition towards the tried and tested. However, Conservative opposition to EMU on political and constitutional grounds was principled rather than time constrained. The political implications of membership – the loss of national control over key economic decisions and the erosion of self-government – were long-term and likely to become more pronounced if, as Hague predicted, EMU entailed further harmonisation. The Blair government had a principled answer on the question of EMU membership but its enthusiasm waned when faced with the practicalities of entry. The Conservatives did not agree on a principled anti-euro position, despite the leadership being more convinced of its position than their Labour counterparts. It was difficult to envisage any circumstances in which Hague, Portillo, Maude and others would recommend or support EMU entry, but they were unwilling or unable to say as much in public.

'In Europe, not run by Europe'

Hague had come up with the phrase 'In Europe, not run by Europe' in 1997 and it featured in that year's manifesto. After private polling revealed the phrase struck a chord with voters, it was widely used and became the title of the 1999 European election manifesto.¹¹ The policies it encompassed were gradually fleshed out, the leadership emphasising flexibility and renegotiation from 1999, committing itself to legislation on 'reserved powers' the following year, then proposing significant EU institutional reform in 2001.

The 'In Europe, not run by Europe' platform had its roots in the Euro-sceptic position adopted for the 1996–97 IGC. Hague went further, seeking not only to halt the integrationist tide but also to row back from Treaty commitments and radically reform the EU. Unlike his predecessor, Hague made little effort to back up his claim that he wanted Britain to remain in the Union by highlighting the benefits of membership. Instead, he argued that Europe had to choose between an integrationist path leading to a European 'superstate' or a flexible 'network' Europe.

FLEXIBILITY AND RENEGOTIATION

Flexibility became a central plank of Conservative policy. In the mid-1990s, Major had envisaged a 'multi-track, multi-speed, multi-layered Europe' in which Member States would be bound by single market rules but could opt-out of other policy areas.¹² A small group of Member States could pursue closer cooperation provided that any arrangement allowing them to use Community institutions to promote new measures was agreed by all states, open to all and did not force reluctant states into further integration.

Under Hague, the Conservatives held that 'new members should have the right to accept some EU policies on a selective basis in perpetuity and ... existing Member States too should be free to develop a mix and match approach'.¹³ The new policy had three main elements. Firstly, a Conservative government would press for a new Treaty provision on flexibility. All Member States would have to accept the 'rights and responsibilities of the single market' and the 'core elements of an open, free-trading and competitive Europe'. But, outside the core areas, a new Treaty provision 'would allow countries not to participate in new legislative actions at a European level which they felt they wished to handle at national level'.¹⁴ Little detail was given as to how this provision might be arrived at or how it would work in practice. Shadow Foreign Secretary John Maples claimed it would neither block those countries that wanted to go ahead with new legislation, nor affect existing legislation.¹⁵ But the Tories also sought to repatriate policies, opposed many commitments entered into by the Blair government and demanded the renegotiation of the Nice Treaty. Determining which new legislative proposals fell within the 'core areas' would be a fraught process. Hague indicated that 'things that cross national boundaries' like trade and the environment might be considered core areas, but that taxation would not.¹⁶

A second, related element was 'two-way flexibility'. The Conservatives accepted the Amsterdam provisions for enhanced cooperation by which some Member States could forge ahead with new legislation using EU institutions and procedures without requiring the involvement of all states. But during the 2000 IGC, Hague's third Shadow Foreign Secretary, Francis Maude, opposed proposals on flexibility that were ultimately included in the Treaty

of Nice. These were that enhanced cooperation, using EU institutions, include as few as eight Member States; be established by qualified majority voting (QMV); and that the 'emergency brake' be abolished. Britain had no desire to prevent states from pressing ahead with new policies just because it was not in its national interest to move with them. But Maude demanded that Member States retain the veto, though he 'would expect the presumption to be against Britain exercising its veto, save where necessary to protect our national interests'.¹⁷ Whereas Major had rejected the idea of a hard core, Maude felt that, should a core emerge, Britain might not block it. He dismissed Europhile claims that Britain would lose influence and Euro-sceptic fears that opt-outs would ultimately be surrendered. Finally, the Conservatives argued that the EU should grant Central and Eastern European applicant states derogations from the *acquis*. In a flexible EU, new Member States should not be compelled to join EMU, defence arrangements and the like.

Policy on flexibility was coupled with renegotiation. A future Conservative government would aim to renegotiate any Treaty resulting from the 2000 IGC that did not include their favoured 'flexibility clause'. But a key problem would be the likely opposition of other Member States to the party's proposals on flexibility and renegotiation. No matter how attractive and coherent policy might appear domestically, translating it into practice would prove difficult and divisive. Both sides of the party's Euro-divide speculated on the extent of renegotiation the leadership envisaged. Pro-Europeans argued that a flexibility clause allowing states to opt-out of new policy areas was unnecessary as Treaty changes required unanimity. They feared that 'renegotiation' was code for eventual withdrawal. Euro-sceptics felt that a flexibility clause covering only new policy areas was insufficient, pressing instead for renegotiation of existing commitments or, if this was not forthcoming, withdrawal. Senior Conservatives denied that they were seeking a renegotiation of existing EU legislation or Britain's terms of membership. But their opposition to a raft of recent EU policies and the difficulties of securing agreement from other Member States for the Conservative position encouraged speculation that the leadership saw withdrawal as a possible scenario if renegotiation failed.

At the 1996–97 IGC, the Major government had sought a limited renegotiation of existing Treaty commitments and the repatriation of some competences to the nation state. Demands included an end to the Common Fisheries Policy, an exemption from the Working Time Directive and curbs on the power of the European Court of Justice. The signing of the Amsterdam and Nice Treaties fuelled Euro-sceptic demands for renegotiation and EU reform, though the leadership was cagey on how it might deal with new areas of the *acquis* that it opposed. Following the signing of the Nice Treaty, Maude signalled that the Conservatives would call for two IGCs. The first would

be a brief affair, coinciding with the next European Council meeting. Its remit would be to produce a Treaty stripped of its 'integrationist' elements but containing those clauses deemed essential for enlargement. A second, more thorough IGC would renegotiate other areas of the Treaty, the intention being to reverse the extensions of QMV, include a new flexibility clause and overhaul EU institutions.

The Euro-sceptic thrust of Conservative policy was evident in two further developments. *Believing in Britain* included a proposal to create reserve powers, guaranteeing Parliamentary sovereignty in some policy areas by ring fencing them in new legislation. This would prevent EU law from overriding the will of Parliament in areas currently excluded from the treaties – such as defence, education, health and direct taxation. Future governments could participate in new EU initiatives but would require the express approval of Parliament to do so. The legislation would also prevent EU law overriding Parliament where unanimity had been replaced by QMV, countering the 'Treaty creep' that forced Britain to accept the Working Time Directive. Secondly, the 2001 manifesto stated that any future government that wished to 'surrender any more of Parliament's rights and powers to Brussels' should be required to secure approval for the transfer of competencies in a referendum. This echoed demands for referendums on the Amsterdam and Nice Treaties.

REFORMING EU INSTITUTIONS AND POLICIES

The Conservatives opposed the Treaty of Amsterdam (agreed in 1997) and the Treaty of Nice (agreed in 2000), claiming that they pursued an integrationist agenda rather than focusing on enlargement. These were the first cases in which the Conservatives issued a three line whip against legislation amending the 1972 European Communities Act. The party proposed major changes to the role and powers of the main EU institutions. The resignation of the Santer Commission following a damning report into fraud and mismanagement provided extra ammunition, Hague issuing a ten-point plan for reform that featured in the European election manifesto. In May 2001, Maude unveiled new proposals designed to strengthen the Council of Ministers and weaken the Commission, the latter becoming 'an impartial civil service' with its right of initiative constrained.¹⁸

Hague took up the Major government's proposals for reform of the European Court of Justice, demanding Treaty changes to ensure that the Court did not extend the powers of other EU institutions. Legislation that the ECJ had interpreted in a way different from that originally intended should be subject to rapid amendment, while Member States' liability for damages should be limited to the most serious cases. The goal of eliminating 'unnecessary bureaucracy' threatened a number of EU bodies, including the Committee of the Regions. The principle of subsidiarity – understood as

shifting decision-making to the national, rather than regional or European level – should be strengthened by a new Treaty provision on its application and the creation of a ‘subsidiarity panel’ to screen draft laws.

As for the Council of Ministers, the Conservatives supported the Nice Treaty provisions for a re-weighting of votes in the Council to reflect the population of large Member States. But they rejected any extension of QMV. Under Maude’s proposals, senior ministers from Member State governments would be appointed to the Council, taking direct control of EU negotiations and spending half the week in Brussels. The British Minister for Europe would be accountable to Westminster, perhaps through a weekly Question Time. Parliament’s powers of scrutiny over EU matters would be strengthened, for example by the establishment in statute of the scrutiny reserve by which ministers should not approve proposals in Council until parliamentary scrutiny is completed.

Hague argued that the Union had almost reached the end-point of acceptable integration and should concentrate on market liberalisation and enlargement. The Conservatives continued to promote a deregulatory agenda, urging the completion of the Single Market, the liberalisation of protected sectors and tougher competition policy. They were uncomfortable with parts of the EU’s regulatory regime and employment policy framework.¹⁹ Their free trade agenda extended beyond the EU, looking to strengthen the World Trade Organisation and achieve global tariff-free trade by the year 2020. The Common Agricultural Policy was ‘indefensible socially, economically, ecologically, environmentally and morally’, and the Common Fisheries Policy should end with responsibility for British territorial waters transferred to national or local level. The communitarisation of parts of the Common Foreign and Security Policy (CFSP) and Justice and Home Affairs (JHA) intergovernmental pillars was opposed. The Conservatives were wary of the post-Amsterdam adoption of parts of the Schengen *acquis* and sought intergovernmental and bilateral cooperation (rather than extended EU competence) on asylum and immigration. Blair’s initiatives on a Rapid Reaction Force and enhanced European defence were strongly criticised by Shadow Secretary of State for Defence Iain Duncan Smith who took his message about the dangers of a ‘European army’ undermining NATO to Washington in 2001. Finally, the Conservatives also opposed the Charter of Fundamental Rights agreed at Nice.

A Euro-sceptic party

For many Conservative MPs and party members, Euro-scepticism has become the defining feature of their political identity and the defence of British sovereignty the over-riding mission of their party. The Conservative parliamentary party has become significantly more Euro-sceptic over the last

decade. This increase in Euro-sceptic sentiment is a result of changes in both personnel and attitudes. Pro-European MPs have stood down and been replaced by MPs who are more Euro-sceptic while election defeats have also removed sitting pro-Europeans. Additionally, a number of Conservative MPs who were in Parliament for some or all of the period have hardened their position on Europe, becoming more sceptical as integration moves on apace and its impact becomes more pronounced.

Surveys of the attitudes of Conservative MPs reveal that a sizeable majority of the parliamentary party hold Euro-sceptic beliefs that go beyond official party policy. The party became more Euro-sceptic after 1997: two-thirds of MPs responding to a 1998 survey believed that joining the single currency would 'signal the end of the UK as a sovereign nation', 80 per cent favoured an Act of Parliament to establish the ultimate supremacy of Parliament and 26 per cent felt that Britain should withdraw from the EU.²⁰ A disproportionate number of pro-European or loyalist MPs stood down at the 1997 election, many being replaced by Euro-sceptic candidates. Philip Norton calculated that 30 per cent of Conservative MPs belonged to the Euro-sceptic right, 21 per cent to the pro-European left and 50 per cent to the party faithful, though 29 per cent of the party are 'sceptic-leaning' party faithful.²¹

Activists on both sides of the debate have published surveys of the attitudes of Conservative candidates. The internet-based Candidlist compiled by Sean Gabb used a range of information to classify candidates, including a questionnaire asking if candidates would oppose entry into the euro-zone even if it were recommended by the party leadership, and vote for withdrawal from the EU if forced to choose between this and accepting the supremacy of EU law. Candidates who replied 'yes' to both questions were classified as 'Sceptic'; those accepting the party line, providing vague answers or about whom little was known were put down as 'Don't Knows', while others were dubbed 'Europhiles'.²² In May 2001, more than eighty Tory MPs were listed as Sceptic implying that they opposed euro membership in principle and supported either renegotiation or withdrawal.

The Pro-Euro Conservative Party claimed that 57 per cent of Conservative MPs opposed EMU entry, listing eighty-seven as 'Ultra-Sceptic' (opposed in principle) and thirty-four as 'Sceptic' (opposed to entry in the next Parliament).²³ Eighteen MPs 'might' be in favour of entry in the next Parliament; just three 'would' support it. Both the Pro-Euro and Candidlist data showed that Euro-sceptics heavily outnumbered pro-European candidates in target seats.²⁴ Euro-scepticism had also spread at grass roots level: a majority of party members are opposed to further integration and EMU.²⁵

After the tumult of the 1992–97 Parliament, divisions over Europe abated somewhat. Hague imposed a three-line whip requiring Tory MPs to vote against the ratification of the Treaty of Amsterdam. No Conservatives voted

with the government though a number of pro-Europeans were absent from the vote on the Second Reading of the European Communities (Amendment) Bill. There were no Tory dissenting votes on European issues during the first three sessions of the 1997–2001 Parliament. In the fourth session, four votes saw very low levels of dissent.²⁶ The relative absence of rebellions suggests that Euro-sceptic MPs were more comfortable with party policy and recognised that the tide was moving in their direction. But the party was not quiescent: some Euro-sceptics favoured tougher positions on EMU and renegotiation than those adopted by the leadership, while pro-Europeans were publicly critical of Hague's stance.

PRO-EUROPEANS

Conservative pro-Europeans became more openly critical of the party's drift towards Euro-scepticism. Three (Curry, Dorrell and Taylor) left the Shadow Cabinet. Peter Temple-Morris lost the Whip in November 1997 after holding discussions with Blair about his possible defection, sitting as an Independent before joining Labour in 1998. The new policy on EMU provoked a chorus of criticism from ex-ministers including Lord Howe, Lord Hurd, Chris Patten, Kenneth Clarke and Michael Heseltine. Heseltine warned a 1999 conference fringe meeting that the party was being pushed towards the 'incalculable folly' of withdrawal. He and Clarke then shared a platform with Blair and Brown at the launch of the 'Britain in Europe' group. They urged the Prime Minister to present a positive case for British membership of the EU (which he was willing to do) and EMU entry (on which he was more wary, sticking to the five economic tests mantra). The Positive European Group and the Tory Reform Group presented a Conservative case for the euro. Pro-Europeans were critical of the Keep the Pound campaign, but stayed largely silent during the European election and general election campaigns.

Former Conservative MEPs John Stevens and Brendan Donnelly set up the Pro-Euro Conservative Party in 1999. The breakaway party failed to win the endorsement of heavyweight Conservatives (Clarke was highly critical). However, Lord (Ian) Gilmour and Sir Julian Critchley had their Conservative membership 'terminated' as ten former Conservative MPs and MEPs gave their support. Nor did the Pro-Euro party attract large numbers of disillusioned Conservative voters, winning just 1.4 per cent in the 1999 European election. In December 2001, it was wound up and its small band of members joined the Liberal Democrats.²⁷

The 1999 European election was contested under a regional list variant of proportional representation. Stevens and Donnelly had gained lowly positions on the South-East list before resigning from the party, but the selection procedures did not produce a uniform Euro-sceptic slate.²⁸ The thirty-six-strong Conservative representation in the European Parliament included a mix of pro-Europeans and hardline sceptics, the latter being reluctant to sit

with the centre right European People's Party. Discussions eventually saw the MEPs allied to the newly christened European People's Party and European Democrats under a deal allowing them to oppose policies that ran counter to the Conservative line.

EURO-SCEPTICS

Conservative Euro-sceptics are not a homogeneous group, exhibiting differences in ideological positions, policy proposals and favoured political tactics. Many are ideologically Thatcherite but differ in the importance they attach to the twin foundations of Thatcherism, neo-liberal economics and defence of the nation state. Neo-liberals tend to view the EU as a threat to their favoured scenario of a low tax, deregulatory and free-enterprise-driven British economy competing successfully in a global free trade regime. But in the early 1990s neo-liberal Thatcherites differed on the merits of ERM membership and in the late 1990s on the prospects of achieving their economic goals within a reformed EU. Baker, Gamble and Seawright distinguish between a 'hyper-globalist' position that advocates national economic independence outside the EU and a 'national political economy' perspective that opposes the euro but supports continued membership of a reformed Union.²⁹ 'National' or 'constitutionalist' Euro-sceptics, meanwhile, emphasise the threat integration poses to national sovereignty and self-government, emphasising the importance of institutions and the constitution to British identity. On European policy, Conservative Euro-sceptic positions range from greater EU flexibility, through renegotiation to outright withdrawal.

Hague's refusal to advocate principled opposition to the single currency and his claim that Britain could be 'in Europe' without being 'run by Europe' was questioned by hardline sceptics. Leading 'constitutionalist' sceptic Bill Cash advocated a fundamental renegotiation of the treaties and left open the possibility of withdrawal.³⁰ The Conservatives Against a Federal Europe group had, in the mid-1990s, advocated withdrawal unless membership terms were radically altered. The group, which boasted eleven frontbench spokespersons including Duncan Smith among its members, was slow to fall into line with Hague's policy.³¹ Redwood argued that greater economic independence would be possible through an enhanced relationship with the North American Free Trade Agreement (NAFTA).³² Lady Thatcher advocated both fundamental renegotiation and NAFTA membership.³³

A few Tories flirted with Euro-sceptic fringe parties. Christopher Gill, one of the Whipless Eight in the mid-1990s, left the party (but did not resign the Whip) shortly before he was due to stand down as MP, becoming chair of the Freedom Association which advocated withdrawal from the EU. The Whip was withdrawn from retiring MP Charles Wardle who, like Gill, campaigned for the UK Independence Party (UKIP) in the general election. Former MPs Roger Knapman and John Browne stood as UKIP candidates.

In the 1997 general election campaign, more than 200 Conservative candidates declared their opposition to EMU. Many candidates issued anti-European personal manifestos in 2001 but Hague limited dissent by reportedly allowing candidates to state that they would vote to keep the pound without having to limit this pledge to a single Parliament. Thatcher provided the highest profile break with the official line, telling an election rally in Plymouth that she 'would never be prepared to give up our own currency'.³⁴ But fear of being made scapegoats for a second landslide defeat ensured that pro-European and Euro-sceptic candidates largely kept their counsel.

Europe and Conservative electoral strategy

The leaders of Britain's main political parties have tended not to prioritise European issues at general elections, recognising that the issue is not easy to exploit as it does not figure highly among voter concerns and can expose divisions in their own ranks. Hague, however, put the Keep the Pound message at the heart of the 2001 Conservative election campaign. Opinion polls suggested that the Conservative's Euro-sceptic message was closer to public opinion than Labour's, making Europe a potential vote winner for the Tories. The same had been true in 1997 but Europe did not bring significant electoral benefits as the Conservatives were viewed as divided and the Referendum Party competed for Euro-sceptic votes.³⁵ Hague hoped for more in 2001 but after another Labour landslide, critics blamed his focus on the euro.

Since 1999 Hague had increasingly – though not exclusively – focused on issues such as Europe and asylum that appealed to traditional Conservative supporters. This 'core vote' strategy shored up Hague's position and brought greater media coverage. The 1999 European election provided encouragement as the Conservatives topped the polls on the back of a concerted Euro-sceptic campaign. It provided a section of the electorate with a low-cost opportunity to vote on the basis of their opposition to EMU, but this scenario was unlikely to be repeated at a general election. A leaked document written by Labour strategists identified Europe as a 'life preserver' for the Conservatives that could make the party 'relevant and electable'.³⁶ But time would show that the 35.8 per cent of the vote the Conservatives won in a low turnout election dominated by a single issue should not have suggested that a Euro-sceptic campaign offered the optimal route to electoral salvation.

Post-mortems conducted after the 2001 election pointed to short-term tactical errors in the presentation of policy on Europe and posed questions about the impact of Europe on voting behaviour and support for the Conservatives. The Keep the Pound campaign had been running for over a year and hit centre stage in late May when, after Blair suggested that voters could be

persuaded to accept the euro, Hague began to countdown the number of days left to 'save the Pound'. Despite advance planning, the Tory campaign did not play out as anticipated. Hague invested more energy into the single currency issue than some of his campaign team would have liked, while party strategists also complained that the media focused on Europe despite their efforts to direct attention elsewhere. With the opinion polls showing little movement and members of Hague's team voicing their concerns, plans to focus on the euro in the final days of the campaign were scaled back.

The Keep the Pound message might have been delivered more effectively. Hague concentrated on the constitutional arguments for retaining Sterling, brandishing pound coins on the hustings. A bruising BBC *Newsnight* interview with Jeremy Paxman exposed the tensions between Hague's message and his policy of opposing entry for the next Parliament. A claim that the Commission planned to harmonise taxes hit the buffers when scrutiny of the document in question indicated this was not the case.³⁷ Two issues might have been further developed. Hague claimed that a changeover to the euro would cost £36 billion but more might have been made of the government's preparations for entry. Secondly, the campaign did not highlight the impact of membership of the single currency on UK public spending effectively. In an election in which public spending featured prominently, Hague only linked EMU entry with potential constraints on investment in health and education late in the campaign.

More significantly, Hague claimed that a vote for the Conservatives at the general election provided the last chance to save the pound. Labour's commitment to holding a referendum should it recommend entry did not provide a sufficient safeguard as the government could not be trusted to produce a 'fair' question and had formulated the rules for the conduct of the referendum so that the 'Yes' campaign could heavily outspend the 'No' side. Independent Euro-sceptic groups feared that association with a failed Tory campaign would cause lasting damage to their prospects. The No Campaign group, made up of Business for Sterling and New Europe, hastily dissociated itself from Hague's fatalistic message and stressed that a cross-party 'No' campaign could win a referendum.

Defenders of the campaign note that the single currency issue was a strong one for the Conservatives, the Keep the Pound message shaped the agenda and maximised media coverage of the Conservative case, and that the campaign had some success in getting Euro-sceptic Conservatives out to vote. Two of the architects of the campaign, Andrew Lansley and Tim Collins, point out that the single currency 'was a powerful issue for us; there were not many other policies we had which were supported by over 70 per cent of the public'.³⁸ Opinion polls suggested there was a two to one majority against membership of the euro, though the decline in the 'no' figure when voters were asked how they would vote if government and business urged a 'yes'

vote suggested that opinion was fickle. The 'wait and see' position (condemned as a vote loser by Euro-sceptics) was the preferred position of a plurality of voters. But more voters chose Labour (50 per cent) than the Conservatives (33 per cent) as the party that best represented their views on Europe; only 8 per cent of Labour voters and 27 per cent of Liberal Democrat voters picked the Conservatives.³⁹ A majority of Conservative supporters were also unaware of their party's precise position on the euro, some believing it had ruled out entry for all time and others that it would hold a referendum.⁴⁰

Europe did not rank highly among voters concerns: ICM found only 40 per cent of voters saying Europe was important to them, the issue coming bottom of a list of eleven issues even among Conservatives voters.⁴¹ Although Mori reported an increase in the number of people citing Europe as an important issue as the campaign progressed, the figure still totalled just 14 per cent.⁴² Furthermore, Europe was not a key issue among floating voters and was unlikely to be a swing issue. Existing Conservative voters were more likely to be receptive to a Euro-sceptic message. The issue played better with older and less-well-educated voters than with the university-educated, middle-class voters whose votes were crucial in many target seats.⁴³ The Keep the Pound message may have persuaded some hesitant Tories to vote, but for others, it reinforced their perceptions of the party as extreme and out of touch. A post-election Gallup poll reported that 65 per cent of those surveyed believed the party focused too much on Europe.⁴⁴ An overwhelming majority of those who switched to the Conservatives in 2001 were Euro-sceptic, but not enough people changed their allegiance to give the party a decisive electoral boost.⁴⁵ The Tories were, though, the main beneficiaries of the decline of the UKIP which, after causing Conservative strategists some concern, polled just 1.5 per cent of the vote.⁴⁶

Conclusion: from Hague to Duncan Smith

Hague's record on Europe was a mixed one. The 'two Parliaments' position and 'In Europe, not run by Europe' platform reflected his desire to develop a more authoritative Euro-sceptic position while also holding together much of a fractious parliamentary party. Although these pragmatic positions were not wholeheartedly endorsed by Euro-sceptics, Hague's policy was the one most likely to find most favour in a party where Euro-sceptics were predominant. The new position was also significantly more Euro-sceptic than that of Thatcher or Major. From being the 'party of Europe' in the 1980s, the Conservatives were now the most Euro-sceptic mainstream party in Britain and perhaps the EU. Their agenda of flexibility, renegotiation and reserved powers, plus opposition to many EU developments, suggested a radically different relationship between Britain and the EU. The transition would be an acrimonious one as there was minimal support for this vision in the EU.

Special status for the UK in an enlarged EU or British withdrawal emerged as possible future scenarios. Ultimately, Hague's emphasis on Europe failed to deliver the votes he required and contributed to his downfall.

Europe was again prominent in the leadership election that followed Hague's resignation, especially in the second stage when Clarke and Duncan Smith competed for the votes of party members. Duncan Smith denied claims that he backed withdrawal but confirmed his support for renegotiation and indicated that he would never support EMU entry. His record of rebellion on Maastricht became a virtue rather than a vice. Clarke reiterated his opposition to federalism, indicated he would appoint a majority of Euro-sceptics to his Shadow Cabinet and would allow all Tory MPs free speech in a euro referendum. However, he would be prominent in the 'Yes' campaign and would abstain in the vote on the Nice Treaty even though party policy was to oppose it.

In the MPs-only stage of the election, Duncan Smith's support came mainly from the Euro-sceptic right. Clarke topped the second ballot of MPs, winning votes mainly from the pro-European left, but also from some sceptics who believed he offered the best prospect of a Conservative revival. In the party membership stage, twenty-seven Euro-sceptic MPs publicly backed Clarke. An ICM survey poll of four constituency parties showed 37 per cent of members identifying Europe as the most important policy area when deciding how to vote, with 76 per cent saying it was 'very important' or 'quite important'. However, two-thirds said that the most significant factor was which candidate was most likely to win the next general election.⁴⁷ Ultimately the question that Clarke set himself – whether a largely Euro-sceptic party could be successfully led by a staunch pro-European – was answered in the negative by party members as Duncan Smith won 60.7 per cent of the final ballot. A predominantly Euro-sceptic party had followed its instincts, choosing the candidate that most reflected its views.

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