

# Parliamentary Resources Unit

## EU Referendum

Backbench Business Committee Debate

Monday 24<sup>th</sup> October 2011

(DRAFT 2)

### FURTHER ASSISTANCE

If you would like further assistance including more detailed background please do not hesitate to contact: Anthony Pickles tel: 1598 ([picklea@parliament.uk](mailto:picklea@parliament.uk))

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### POINTS TO MAKE

- **Does my Honourable Friend agree that the referendum lock in the EU Act will place a new onus on successive Governments, if needs be, to work harder on any further giveaway of powers so that future Governments, rather than giving way to civil service opinion, will have to consider public**

opinion much more carefully and seek public approval for any further transfer of powers?

- Does my Honourable Friend agree that during a time of severe financial difficulty in the eurozone, it would damage the economic interests of this country if we added to the instability by demanding a referendum on our continued membership of the EU?
- The eurozone is going through the most critical period in its history. France now looks like it could be on the verge of a downgrade by credit rating agencies. What impact would an in or out referendum in this country have on our hard won AAA+ credit rating?
- The current eurozone crisis is affecting some of our closest trading partners and allies and reducing demand for our exports. Is now the moment to question the British people on the fundamental basis of the UK's relationship with the EU?
- There is currently no discussion of a new treaty in the European Union.
- Does my Honourable Friend believe that measures being considered to stabilise the eurozone are likely to provide an opportunity for Britain to consider returning powers and competences best left to Member States?
- The EU Act which was introduced by the coalition Government now ensures that if any new transfer of powers are requested by Brussels, an automatic referendum would be triggered by the Act.
- With large eurozone economies like Spain and Italy having been downgraded in recent weeks, would opening up a debate on huge institutional change send the right signals to the markets?
- The UK has preferential access to the largest single market in the world through membership of the EU, what would be the impact on our economy and British jobs if the public voted to withdraw from the EU?
- Most people feel left out of decision making in the European Union. The Conservatives left the EPP and created a trade focussed European Conservatives and Reformists Group in the European Parliament. The Coalition then passed an EU Bill to give an automatic referendum on any further transfers of power. Does my Honourable Friend believe this Government is listening to the concerns of voters?
- The Government achieved a huge reduction in the annual contribution increase in EU budget negotiations for 2011 - 2012 from over 6% to 2.9%. This shows the Prime Minister's determination to be tough with Europe when he needs to be.
- Britain has been kept out of any future bailouts because of action taken by this Prime Minister and this Chancellor.
- It is vital for the prosperity of the UK that the Government is proactive in helping eurozone neighbours to stabilise the crisis in the eurozone to restore growth and prosperity.

- The motion being presented has three options for a referendum, which makes a clear outcome less likely and breaches Electoral Commission guidance.
- How should the Government act if the public vote and fail to give a clear mandate, say a third, a third, and a third in the proposed referendum?
- With key debates taking place in Europe about how to handle one of the worst economic crises in a generation, would the minister agree that it would be a distraction to hold a referendum at the current time?
- France looks to be on the verge of having its AAA+ credit rating removed. During the Conservative party conference, the UK had its top AAA+ credit rating reconfirmed. With Greece needing another bailout fund, and other eurozone countries looking increasingly unstable, the UK is seen by the markets as an area of stability and sensible economics.
- Eurosceptics have been vindicated over their choice to oppose the Euro. This does not however mean that a push for full withdrawal from the European Union would be right.
- Many feel angry about not being given a say on the Lisbon Treaty. The Labour Government ratified the Treaty without any say by the British people and that is why the Coalition Government now has on the statute book an Act which guarantees a referendum on any future treaty of transfer of powers.
- The Coalition Agreement commitment to enshrine the requirement for a referendum if further powers are proposed to be transferred has been met in the European Union Act, 2011. How does my Honourable Friend intend to honour the pledge to “examine the balance of competences between the EU and Member States” which is also set out in the Coalition’s Programme for Government?
- The petition to Downing Street called for a debate in Parliament on a referendum for our membership of the European Union. Does my Honourable Friend agree that the motion before us reflects a genuinely held strength of feeling amongst many constituents is, ill timed; not in the Coalition Agreement; does not offer a clear binding choice which are required for an effective referendum; and undermines the Government’s negotiating position in important engagement with Member States over current common challenges.
- The Coalition Government’s Programme for Government states that: *We will examine the balance of the EU’s existing competences and will, in particular, work to limit the application of the Working Time Directive in the United Kingdom.*<sup>1</sup>

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<sup>1</sup> Programme for Government, May 2010

## BACKGROUND

### THE COALITION GOVERNMENT AND THE EU

The Coalition Government has said that it will be a positive participant in the European Union. The Foreign Secretary William Hague, summed this up by saying that the British government would be 'active and activist, positive and energetic' from the beginning'. It means that the UK will play a strong and positive role with EU partners, with the goal of ensuring that all the nations of Europe are equipped to face the challenges of the 21st century, in particular, global competitiveness, global warming and global poverty.<sup>2</sup>

### THE EU ACT

The European Union Act ensures that if in the future there is a change to the EU Treaties that moves a power or an area of policy from the UK to the EU, then the Government will have to get the British people's consent in a national referendum before it can be agreed. So there will be a referendum lock on these Treaties to which only the British people will hold the key.

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<sup>2</sup> FCO website, Britain's relationship with the EU, 09/2011

The Act also provides that an Act of Parliament will be required for all types of EU treaty change, which was not previously the case, and before the Government can agree to the use of a ratchet clause, or passerelle. Where a passerelle would transfer power or an area of policy from the UK to the EU, then the Government will have to get the British people's consent in a national referendum before it can be agreed.

Lastly, the Act also provides Parliamentary approval for the Transitional Protocol on MEPs, which when ratified by all Member States will enable the additional 18 MEPs provided for under the Lisbon Treaty to take their seats during the current European Parliamentary term, rather than after the next European Parliamentary elections in 2014. The UK gains one additional MEP who will be elected from the West Midlands region, following a recommendation from the Electoral Commission to this effect, and in accordance with the procedure set down in the Act.<sup>3</sup>

## UK INVOLVEMENT IN THE ESM

The European Stability Mechanism is a change for Eurozone members only. It does not apply to the UK, although we still have to agree to this Treaty change. The ESM replaces two existing mechanisms: the first - a temporary Eurozone fund (technically known as the "European Financial Stability Facility", or EFSF) - allows Eurozone Member States to provide a loan to fellow Eurozone members. The second (known as the "European Financial Stability Mechanism", or EFSM) is based on the difference between the European budget and its headroom, which the UK has liabilities towards.

Ratification of this protocol has been completed by all eurozone Member States and is currently expected to in place by December 31<sup>st</sup> 2011.

The ESM is based on Article 122 (2) of the EU Treaties and is decided under Qualified Majority Voting [QMV].

The former Chancellor of the Exchequer, Alistair Darling signed Britain up to the ESM on 9 May 2010.

*'On 9 May, the Council has adopted a European Stabilisation Mechanism to preserve financial stability in Europe. The mechanism is based on Art. 122.2 of the Treaty and an intergovernmental agreement of euro area Member States. Earlier, the Commission had held an extraordinary meeting to adopt its proposal for a Regulation under Article 122'<sup>4</sup>*

Even though the UK is not in the euro area, Treaty changes must be approved by all Member States and the UK must therefore ratify this decision in accordance with constitutional requirements. The current requirements for parliamentary approval under the *European Union (Amendment) Act 2008* are that each House agrees a motion approving the Government's intention to vote for or support the adoption of a specified draft decision under Article 48(6) TFEU.

## THE EUROZONE DEBT CRISIS

George Osborne said in a statement to Parliament on 10<sup>th</sup> October 2011 that, "We need to see the Eurozone members increase the firepower of their bailout fund. If you're trying to protect larger countries €440 billion is sadly not enough. How they do so – whether by using more paid-in resources, more leverage, or more help from the

<sup>3</sup> FCO press release, July 19<sup>th</sup> 2011

<sup>4</sup> European Commission press release, May 2010

ECB – is up to them. Britain will not be a part of any permanent Eurozone bail-out fund.”<sup>5</sup>

Slovakia initially voted against increase in EU bailout fund on 11th October. The Slovakian parliament voted against ratifying the expansion of the European Financial Stability Facility. Slovakia was the last Eurozone state to vote on the plans to expand the EFSF’s effective lending capacity to €440 billion, as well as empowering it to buy Eurozone government debt and offer credit lines to member states and to banks.

The Slovaks have now voted for this measure.<sup>6</sup> A junior party in the country’s ruling coalition torpedoed the cabinet on Tuesday in a confidence motion connected with ratification of the plan to give the European Financial Stability Facility (EFSF) more powers to fight the debt crisis. The failed attempt had rattled financial markets. The opposition committed to provide votes for the EFSF in a repeated vote, once the early election plan was approved.

Slovakia was the only one of the 17 countries using the euro single currency that had not approved giving the rescue fund more powers, a measure European leaders say is urgently needed to save the currency zone from financial ruin.<sup>7</sup>

## THE EU BUDGET

2010 saw turbulent negotiations on this year’s annual budget, which resulted in an increase of 2.9 percent. However, the current year, 2011 will see attention shift to the vastly more important multi-annual EU budget, which will run from 2014 for between five and ten years but probably up to 2020. National governments have a veto over these key negotiations that will decide the size of the EU’s long-term spending. For example, how much funding is allocated to the EU’s wasteful farming subsidies versus research and development.

Against the backdrop of national spending cuts, the Prime Minister, David Cameron made it clear that his priority was to seek a freeze on long-term European spending or a deal that would reflect reductions to national government expenditure. At December’s EU Council meeting, he circulated a letter backed by France and Germany, the Netherlands and Finland demanding that:

*“European public spending cannot be exempt from the considerable efforted made by the member states to bring their public spending under control. Payment appropriations should increase, at most by no more than inflation over the next financial perspective. (2014-2020).”*

The Prime Minister along with 10 other Member States managed to negotiate a budget deal for 2011/12. The original 6 per cent rise was reduced to 2.9 per cent with the support of France and Germany.<sup>8</sup>

## THE EU REFERENDUM PETITION

In September, a group of MPs, MEPs and activists presented a petition signed by

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<sup>5</sup> CRD weekend briefing note, October 14<sup>th</sup> 2011

<sup>6</sup> BBC News, 11<sup>th</sup> October 2011

<sup>7</sup> Reuters, October 20<sup>th</sup> 2011

<sup>8</sup> BBC News, October 2010

100,000 people to Downing Street. The petition was led by the former UKIP MEP, Nikki Sinclaire.<sup>9</sup>

The text of this petition:

- *We call on the government to honour the promises that the British people will be given a referendum on this issue.*
- *We demand that the government stops ignoring the obvious will of the British people on this issue.*
- *We demand that this whole issue is given its correct prominence in the mass media and highlighted for all to see.*<sup>10</sup>

## Party Political Views

### GOVERNMENT

The Programme for Government states the following:

*“The Government believes that Britain should play a leading role in an enlarged European Union, but that no further powers should be transferred to Brussels without a referendum. This approach strikes the right balance between constructive engagement with the EU to deal with the issues that affect us all, and protecting our national sovereignty.*

*“We will amend the 1972 European Communities Act so that any proposed future treaty that transferred areas of power, or competences, would be subject to a referendum on that treaty – a ‘referendum lock’. We will amend the 1972 European Communities Act so that the use of any ‘passerelle’ (bridge) would require primary legislation.*

*“We will strongly defend the UK’s national interests in the forthcoming EU budget negotiations and agree that the EU budget should only focus on those areas where the EU can add value.*

*“We will press for the European Parliament to have only one seat, in Brussels.*

*“We support the further enlargement of the EU.”*

David Lidington MP, Minister for Europe, has said:

*“We believe that engagement with the European Union is an essential part of that global engagement. William Hague made it clear before the general election that a new government would take an active and energetic approach to the EU. I think few would deny that we have done that from the start. From the Prime Minister down, we have been busy meeting our counterparts in Europe and holding substantive discussions on some of the serious challenges that we face...*

*“The legitimacy of the EU ultimately derives from the people who live in its member states. Giving those people a direct say on any future transfer of power from the UK to European institutions therefore essential to ensure long term legitimacy of the EU. Similarly, it is important that the EU focuses only on those areas where cooperation at European level genuinely can add value, and dispenses with activities best left to member states. Doing that effectively and consistently would do a considerable amount to reassure people that the EU can be responsive to their concerns and that it doesn’t interfere in every corner of national life. I believe that it is hard, for instance, to argue that there needs to*

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<sup>9</sup> BBC News, September 8<sup>th</sup> 2011

<sup>10</sup> Downing Street – petition 2011

*be European level regulation over the hours that doctors work in each member state. Such regulation discredits everyone when it has an adverse affect on public services – in this case, patient care.”<sup>11</sup>*

The Coalition Government states in the Programme for Government that;

*“We will examine the balance of the EU’s existing competences and will, in particular, work to limit the application of the Working Time Directive in the United Kingdom.”<sup>12</sup>*

## OPPOSITION

The Labour manifesto commented:

*“We are proud that Britain is once again a leading player in Europe. Our belief is that Britain is stronger in the world when the European Union is strong, and that Britain succeeds when it leads in Europe and sets the agenda for change. Sullen resistance and disengagement achieve nothing.*

*“The poverty of the Tory vision is summed up by their false choice between an alliance with the United States and one with Europe. In Europe they are not just isolated, but marginalised – in a tiny group of far-right parties that endorses extreme views and is stuck in climate-change denial.”<sup>13</sup>*

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<sup>11</sup> Fco.gov.uk

<sup>12</sup> Programme for Government, May 2010

<sup>13</sup> Labour, *Manifesto 2010: A Future Fair For All*, May 2010.