

UK chancellor demands pro-business reform of European Union

Julie Hyland**17 January 2014**

UK chancellor George Osborne has called for wholesale economic and political “reform” of the European Union (EU), warning that otherwise Britain will quit its membership.

Osborne was addressing a conference of the Open Europe think tank and the Conservative Fresh Start group, who are pressing for corporate deregulation, a further assault on welfare and for some powers to be transferred back to Westminster from Brussels.

Since the financial crash of 2008, the EU has been the mechanism for forcing through a social counter-revolution—particularly in southern and eastern Europe. Savage cuts in public spending, mass layoffs and wage cuts have created social misery in Greece, Spain, Portugal and elsewhere.

Osborne made clear that he welcomed this assault but insisted it had not gone far enough.

“Over the last six years, the European economy has stalled. In the same period, the Indian economy has grown by a third. The Chinese economy by 50 percent. Over the next 15 years Europe’s share of global output is forecast to halve.”

Osborne claimed that Europe’s supposedly still-too-generous welfare provision is responsible for its stagnation. “As [German chancellor] Angela Merkel has pointed out, Europe accounts for just over 7 percent of the world’s population, 25 percent of its economy, and 50 percent global social welfare spending,” he said.

Setting out demands for greater attacks on public spending, privatisation and deregulation, he stressed, “There is a simple choice for Europe: reform or decline.”

His speech was broadly interpreted as a response to growing divisions within the Conservative Party over EU membership.

Prime Minister David Cameron faces a sizeable

number of backbenchers demanding Britain quit the EU. It was in a bid to placate them that he had promised to hold a referendum on EU membership in 2017, if he wins the general election due next year. He pledged to use the interim period to “renegotiate” the terms of British membership.

But Cameron’s plan was short on detail and not enough to satisfy many backbenchers. They are driven in no small part by the European elections in May, which many forecast will see the Conservative Party trailing in third place behind the United Kingdom Independence Party (UKIP) and Labour.

According to the Tories’ own membership survey, the party has lost 37 percent of those who voted for it in 2010, many to the UKIP. As with similar organisations elsewhere in Europe, the UKIP is able to utilise the reactionary and anti-democratic character of the EU to press its own right-wing ends, mainly centred on welfare cuts, immigration and the deregulation of business and labour protections.

Concerns at the Tories’ declining fortunes have led several prominent supporters to suggest the party enter into a tactical voting agreement with the UKIP for the general election. Toby Young, associate editor of the *Spectator* magazine, has proposed establishing a website, manned by representatives from both parties, for this purpose.

This has been rejected by Cameron and Foreign Secretary William Hague, who insisted that the Tories “don’t make pacts with other parties,” despite being in a coalition government with the Liberal Democrats.

Cameron and Hague had hoped that the pledge for a referendum would ensure defectors to the UKIP came back on side. But a letter to Cameron signed by 95 Tory backbenchers at the weekend, demanding parliament be given a veto over EU legislation,

indicates that the plan is coming unstuck.

It was former Tory leader Margaret Thatcher who had led opposition to a national veto at the EU, primarily as a means of blocking French interests. Now, her most faithful adherents are insisting this is changed to protect British interests.

The day before Osborne's speech, the euro-sceptic Business for Britain group—supported by former Marks & Spencer head Sir Stuart Rose and Next chief executive Lord Wolfson—called for 95 percent of all British companies to be free from EU regulations, on the grounds that only 5 percent of businesses trade with the EU.

The Fresh Start group that Osborne addressed has publicly disagreed with such demands, considering them unrealistic. It has complained that the Tory Party is becoming its own “worse enemy” on the EU, jeopardising more “constructive” reforms it considers vital for the interests of British capital.

While this section of the bourgeoisie are in favour of greater economic integration within the 18-member euro zone—considering this essential for pushing through even greater austerity—they are opposed to a political union.

They are animated above all by concern that greater integration must not impinge on the interests of the 10 non-euro members, and most especially the City of London.

That is why Osborne insisted that EU “reform” must include cast-iron legal protections for the City.

By 2016, euro zone members would have enough votes under the Lisbon Treaty to apply EU-wide financial services legislation, he said. Unless legislation was in place to protect the “collective interests of non-eurozone member states then they will have to choose between joining the euro, which the UK will not do, or leaving the EU.”

Osborne raised the prospect that Britain could establish a “free trade zone” within the EU. The principle of “enhanced co-operation” that has been used by euro members to establish the Financial Transaction Tax, he said, could equally be utilised “to allow a smaller group of Member States to move forward toward trade liberalisation in areas like services among themselves if not all EU member states can agree.”

The Tories are banking that their demands for greater

austerity, privatisation and deregulation are shared by the ruling elites across Europe. Osborne cited Germany especially in this regard, noting, “The new German coalition agreement [between the Christian Democratic Union and the Social Democratic Party] states ‘we will adapt the Treaty bases of the Economic and Monetary Union’.... There is potential common ground here.”

Representatives from Germany, Sweden, Austria and elsewhere were in attendance at Wednesday’s conference, with several signing a letter insisting that “If the EU is to thrive, it needs to embrace a series of bold reforms.”

The *Financial Times* complained, however, that the Tories’ increasingly “aggressive tone” against the EU for “domestic political” reasons was undermining British interests.

The constant scapegoating of immigrants had lost the UK allies among the former Eastern Bloc states, it warned in an editorial, while other commentators noted that most member states were anxious to avoid any treaty renegotiations, lest they trigger referendums on EU membership they would certainly lose.

Last week, German foreign minister Frank-Walter Steinmeier denounced “brainless” euro-sceptics for threatening the existence of the EU. “We must not avoid confrontation with populists, nationalists, with these brainless people who call themselves Eurosceptics,” he said on a visit to Greece.

It is the actions of the European bourgeoisie itself that are undermining the EU as its agenda of mass impoverishment has exposed it as a tool of big business.

There is a significant element of brinksmanship to the actions of the Tory party. Trying to block the mass anger that is developing against European capitalism with reactionary right-wing demagogic, they are inflaming the tensions among the major powers in Europe.



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