

Europe – the traitor's kiss

4 February 2010

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I'm here to talk about the profound and irremediable damage I believe British euroscepticism does to the British interest – and to argue for a far more ambitious British approach within the European Union to our trading and political relations with the growing world economies.

Now I know that's not how the eurosceptics see it. They believe that they are the sole defenders of the British interest – and that it is successive British Governments under Brown, Blair, Major and even Thatcher, who signed up to the Single European Act, who have betrayed Britain. They argue that we have destroyed a thousand years of British history. That Europe draws up 90% of our legislation. That membership was sold to us in the UK's 1975 referendum as merely an economic free trade association and never as a political union. That our membership of the Union is inordinately expensive. That Westminster, the ancient seat of English liberties is completely neutered by Brussels.

What is genuinely distressing about these eurosceptic arguments is that they are so historically inaccurate. It's a bit like reading 1066 and All That, with its simplification of every moment of British history down to absurdity. Kings are either a Good Thing (with capital letters) or a Bad Thing, the USA becomes Top Nation (again more capital letters) and of course, 'the Pope and all his followers seceded from the CofE'.

Let me just put the facts straight. Britain is no less British by virtue of our membership of the Union. Nor is France less French or Italy less Italian. Barely a tenth of UK legislation is a direct transposition of EU law. Our Parliament still determines how to incorporate every element of EU legislation into our own laws. Our courts determine how the European Convention on Human Rights applies in the UK under the Human Rights Act.

Our contribution to the Union amounts to 1 per cent of our national wealth and the Union increases EU GDP by approximately 2 per cent – equating to a UK boost of £25 billion a year. The Foreign Office estimates that the single market is worth the equivalent of £300 per person in terms of added value – which is nearly five times the amount per head the UK Government contributes.

And our membership of Europe was always ‘sold’ – if that’s the right word – as an economic and a political union – for the simple reason that you can never divorce economics from politics and because at the heart of the Union lies a political belief that democracy, freedom and the pooling of national sovereignty will bring peace and prosperity to a continent that has been marred by centuries of vicious bloodshed and gross inequality.

It’s worth pointing out, in parenthesis, that Parliament has something of a self-aggrandizing habit. We tend to think we are the oldest representative assembly in Europe – wrong. It is Iceland’s althing which has sat since 929. We tend to think it was the English who dreamt up the idea of an elected parliament. Wrong, it was a Frenchman, Simon de Montfort. What is more the lines on the floor of the Commons are not swords’ lengths apart as MPs have not been allowed to bring swords into the Commons for centuries, nor do ‘toeing the line’, ‘it’s in the bag’ or ‘on the fence’ come from the Commons.

Ignorance is no excuse in law, in politics or in foreign affairs.
So let me try and deal with a few more urban myths.

First, Britain’s membership of the EU does not dismantle our history or neuter parliament.

Second, just because one supports the UK’s active engagement with the EU does not mean one is unpatriotic. I am every bit as proud of being British as the next person. I may have spent a few years in Spain and Belgium, but I like being British. I like our historic defense of personal freedom against arbitrary government. I value our peculiarly British way of doing things. I feel a lump in my throat when Brits win medals (and for that matter when Wales beats England).

I just happen to believe that the euroscepticism that is prevalent in parts of British society undermines the British interest at every turn. It’s an act of false

patriotism.

Third, euroscepticism is nowhere near as dominant in the UK as many suppose.

When my father first went to work in Spain in the 1950s he was virtually a working class pioneer. Now roughly a million Britons live in Spain and 17 million visit every year (the figures were down this last year to 11 million). Another 3 million visit Greece.

My constituents in the Rhondda, many of whom work in the aeronautical industry, will travel to Germany or France when their skills are needed.

Even our food has been transformed over the last thirty years – with pizza and pasta a mainstay of the national diet.

We may sound eurosceptic but actually we've become steadily more European over the years.

And on enlargement of the EU we have been the most passionate supporters.

There's a fourth wrong-headed but I'm sure well-intentioned ES argument: that instead of binding ourselves to the EU we should spend more time building our relations with the Commonwealth and the English-speaking countries. Of course the Commonwealth and the English-speaking world matters to us economically and politically. Over a million Brits today live in Australia; 600,000 each live in the USA and in Canada; and 200,000 in New Zealand. We do £12.6bn bilateral trade with India and £1bn with Pakistan.

But I don't see this as a zero sum game. The insular mentality that constantly refers back just to the old British Empire is mistaken.

It's mistaken historically.

Yes, we do more trade with the USA than our EU neighbours do. But France is the second biggest investor in the UK. Yes, we have historic ties with India which we should build on. But we do also with other fast-growing economies; we were the first country to recognize Mexico's independence, around 300,000 British tourists visit Mexico annually and over 3,000 Mexicans come here to study each year.

Likewise, almost all of Brazil's 19th Century inward investment came from the

UK. That's why the São Paulo Railway is nicknamed 'Ingleza' (the English) because it was constructed and run by a British company to bring coffee from the inland plateau to the Atlantic. Sadly the son of a British railway engineer who worked on 'L'ingleza' – Charles Miller – introduced football to Brazil.

Indeed this is true for much of Latin America. In Peru we are the second largest investor (and it was an English family, the Flemings, who developed Inka Kola) and the subte in Buenos Aires still runs on the British side of the road.

So the UK should be far more ambitious in its global pretensions. But our membership of the EU – far from undermining that ambition – gives it free rein.

Let's look at the facts. In each of the four BRIC countries the EU is the largest trading partner. In Brazil and India the EU accounts for over a fifth of total trade and Brazil is the single biggest exporter of agricultural products to the EU. The EU is also China's biggest trading partner and China is now the EU's 2nd largest trading partner behind the USA.

EU-India trade doubled between 2003 to 2007 - with EU investment to India tripling in the same period.

And the EU is by far Russia's biggest trading partner, accounting for over half of Russia's overall trade turnover in 2008 and with three quarters of all Russia's direct foreign investment coming from EU Member states.

That is not to say that all in the EU is rosy. Despite its many advantages the EU has systematically failed to make as many inroads into the growing economies as it should.

So, agreements reached between Russia and the EU on World Trade Organisation accession sit unimplemented while Russia continues to introduce more protectionist measures.

China avoids discussing human rights when EU citizens - who care passionately about human rights - consume hundreds of billions of Euros worth of Chinese goods each year?

India has so far been unable to break down both tariff barriers and non tariff barriers to trade, and we are working hard with the Indian government to improve

the prospects for developing business and investment opportunities between the EU and India.

And Europe failed to get China, India and others to agree to the EU's proposal for a sustainable global deal on climate change at Copenhagen.

These are issues that the EU must face up to. We cannot afford to ignore the glaring shortfall in the EU's ambitions.

The problem is threefold.

A. When it comes to exercising harder power around the world the EU is only as strong as its most reluctant member, so it only takes one Member State to say 'no' for there to be no action at all.

B. There is an immense temptation for each Member State to pursue its private economic or commercial interests.

And C. Non-EU states know this. So when faced with the EU trying to project its interests, countries outside the EU will focus on individual EU members, and try to pick off the easiest one – the one whose commitment to the policy in question is the most wobbly.

That's why the EU not only struggles to be more than the sum of its whole – but can end up being considerably less.

This is not an argument for us to move to qualified majority voting for external policy. Fiscal autonomy and the right to determine one's own foreign and security policy must remain with the Member States.

But the EU must get better at convincing its member states of the power of a united front when it comes to external relations. And the Members States – all of us – if we have a genuine global ambition – must develop a far greater degree of discipline.

We know this is possible. Faced with the global economic crisis every member of the EU took concerted action. And that concerted action achieved far more than action in any one country could hope for. We need a similar approach this year to tackling the deficits and building growth across the EU. But we also need concerted action in relation to the emerging economic giants like Russia, China, India, Brazil and Mexico.

Top of the list is Russia. As a whole, the EU imports around a quarter of its gas needs from Russia. That amounts to around 118 billion Euros a year and is a

sizeable proportion of Russia's total exports.

But different EU members import vastly differing amounts. A number of EU countries import all of their gas needs from Russia, while the gas we use in the UK contains a minimal amount of Russian gas. This is why EU members such as Bulgaria, with 98% of its gas from Russia, suffered so badly when Russian gas via Ukraine stopped flowing into the EU in January 2009, while we in the UK were largely unaffected. Concerted EU action can help to mitigate the risks to individual members – but it will require real discipline.

So we need to continue working on gas interconnection across the EU; we need to fully liberalise the EU energy market; and we need to diversify energy supplies. This is an urgent problem and one we cannot continue to evade.

This is why, at the EU-Russia summit in Stockholm in November, the EU agreed an early warning mechanism on energy with Russia. It's an agreement that allows EU monitors to observe developments in the Russia-Ukraine gas relationship - and therefore be in a better position to know of - and react to - any future problems.

The Summit in Stockholm showed is that the EU can work together when it comes to Russia – for the benefit of both the EU and Russia. But it needs to do so resolutely and with determination, not turning a blind eye to the serious human rights problems.

At that same summit the EU also announced a new initiative to support Russia's modernisation agenda. President Medvedev has said that Russia needs to diversify its economy so that it isn't so heavily reliant on oil and gas exports.

Such diversification would also benefit the EU as it would make Russia a more stable, less asymmetric trading partner. And as the EU is Russia's largest trading partner, we're in a position to help them achieve their aims.

Second, China and India.

2008 saw China's economy grow larger than Germany's in nominal terms. This year it is expected to eclipse Japan. Within the next 15 years, Price Waterhouse Coopers predicts that China's economy will overtake the US to become the world's largest. China and India are now the most and the third most preferred

location for inward investment - according to the United Nations Conference on Trade and Development. EU-India trade doubled to over €55billion between 2003 and 2007.

The EU is already China and India's largest trading partner. But we cannot rely on our historic dominance. Today Asia, not Europe, as a whole produces over 80 per cent of all computers and over half of all textiles and electronics. Every time you ring a call centre there is a greater than 50% chance you will be speaking to someone in India. And when you buy something made of plastic, the odds are that the plastic came from Malaysia. That is why 70% of recent global growth has come not from the older developed world, but from developing and emerging nations. The trend is clear.

But the EU has not mastered the business of dealing with either China or India. All too often it veers between patronising neo-colonial attitudes and virtually supplicant messages. So if Europe wants to continue to be a key player in world trade – it has to adapt.

Third, Mexico and Brazil.

Brazil is the largest beef exporter in the world accounting for 32% of world beef exports and expects its production and export to increase by 30% in next 7 years. It is also the world's largest exporter of coffee, sugar, soy and grain and second biggest exporter of poultry and pork.

But Brazil remains a protected market with many tariff and non-tariff barriers to free trade. Likewise Mexico has enormous economic potential, not least because of its northern border with the US. But many of its assets remain locked behind old legislation.

There has been a tendency in European thinking to leave Latin America to Spain and Portugal. This is a profound mistake. We need a whole Europe approach to the region and especially to the growing powers of Mexico and Brazil. It needs to recognise the specific challenges of the region, especially in relation to minerals and petrocarbons, as well as the problems of endemic poverty and violence, but tackling those problems should be on the basis of open free and fair trade.

So, some suggestions:

1. The EU should continue to seek new annual Economic Dialogues with countries to be taken forward by the High Representative for Foreign Policy.

2. The new Commission should step up activity to identify and act on protectionist measures and barriers to trade and investment that harm Europe's businesses under a new EU Market Access Strategy.
3. The EU should continue to pursue Free Trade Agreements offering substantive opportunities to EU business. We urge the EU to secure signature and ratification of the EU-Korea Free Trade Agreement as soon as possible.
4. The EU must do all it can to conclude the Doha Development Agenda – which is likely to deliver around \$170bn in global growth annually.
5. The EU must prioritise the removal or reduction of tariffs to free up trade in low-carbon and environmental goods and services to complement the agreement reached in Copenhagen.
6. The EU should secure further extension of free and fair trade in Latin America with an accompanying reform of the Common Agricultural Policy.
7. The EU should push for a new energy law in Mexico to release the economic potential of petrocarbons in the Gulf and for reform in Brazil to provide greater legislative certainty and stability for EU investors..
8. The EU should play a key role in binding the growing economies in the G20 into strong global concerted economic and financial action to ensure there can be no repeat of the worldwide economic crisis.

Let me end with a growing economy on our doorstep – Turkey, now the 16th largest in the world, the Bosphorus Tiger. Europe will make one of the biggest mistakes imaginable if it does not ease the way to Turkey's accession to the Union. Yes, much reform is needed in Turkey but a Turkey that looks west is undeniably in our economic and political interests.

I have tried to argue two things today. First that euroscepticism is a false patriotism because it fails the political eye test. It fails to see that the British interest, our standard of living and our influence overseas is not undermined by our membership of the European Union but is enormously enhanced by it.

And second that the EU needs to be far more imaginative, disciplined and resolute in its approach towards the growing economies of the world.

If we fail Europe will languish – and the UK with it. If we succeed we stand to build a new era where the EU and the UK play a pivotal role in ensuring sustainable growth based on free and fair trade.

It is a prize of ultimate worth.