

The UK and the EU: sovereign illusions in an age of interdependence

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Dear friends,

Distinguished professors,

It is a great pleasure to be at the London School of Economics, my old school. It feels like being at home. I suppose I could have opted for Oxford or Cambridge for my doctoral studies, but they felt very 19th century to me. The LSE was the right choice and remains the best place to be.

I spent wonderful years at this great institution, enjoyed its intellectual community and in the end even managed to produce my PhD thesis on European integration. I am deeply indebted to Professor William Wallace for gently and patiently guiding me through. I am proud to say that Lord Wallace is not only my academic mentor but has remained a close friend ever since.

In many ways Britain is a second home for me. Not only in academic terms, but for very personal reasons – my dear wife is British and our family is of mixed Finnish and British heritage with English, Swedish and Finnish words merrily mixing around the kitchen table.

I therefore owe Britain a great debt by having given me knowledge, love and family. I am immensely grateful.

Finnish ties to Britain are strong. Our early economic development was built on selling tar for British ships. For a long time Britain was among our biggest export destinations. We have always looked up to Britain as a European model and many of our statesmen have been strongly anglophile. The man on the street roots for the British premier league.

I have good reasons for admiring Britain – it stands for values we all appreciate. Reason, individual rights, proportionality, pragmatism, freedom, openness, opportunity, free trade and democracy are all ideals that Britain has defended and promoted. Sometimes at great cost, but with the conviction values are worth fighting for.

But when I look at the British debate on Europe I sometimes wonder where these qualities are. Pragmatism seems to have surrendered to ideology, openness to barriers, confidence to mistrust. Britain is one of the most civilised countries in the world, with arguably the most uncivilised debate on European affairs.

True friends are honest with each other, even when the truth may hurt. So if this speech were to be given on a personal note – as an intervention of a concerned but true friend - this session would start with the words: please sit down, we need to talk about Europe.

Dear friends,

My intention today is to give some friendly but direct comments on the British EU debate. And seeing Britain as a home, I feel entitled to speaking my mind.

I think it is useful to approach this debate in three stages: First, what is the British contribution to Europe. Second, how does the British debate look from my perspective. And third, what are the real solutions for Europe. What needs to be done in an age where interdependence rather than sovereignty defines international relations.

So, let us start with the British contribution to Europe, to the European Union. I have no hesitation in saying that the British contribution in shaping the European Union and building its policies has been a great success. The Union would be a lesser community without Britain.

The list of these positive and decisive British actions is a long one, and I am just quoting some prominent examples:

Britain was a pioneer in engineering the European internal market – a British idea well-defended by Prime Minister Thatcher. We cannot imagine what the European Union would be without the single market. It has brought great wealth and dynamism to the European economy.

Trade policy is a strong European competence and the Union is among leading trading powers in the world. Europe shapes the global economic order when we put our minds to it. But the free trading heart of Europe belongs to Britain – it has always been the leading light in pushing for free trade and economic openness with the conviction that in the long run this is the best option for Europe and its citizens.

Paying attention to competitiveness is a major British input both in terms of smarter regulation and pushing for solutions that are friendly to business. Britain has always been at the forefront in cutting red tape.

Being careful with money is an old British virtue and Britain has exercised remarkable restraint on the EU budget. Britain has had a decisive impact in promoting financial discipline.

Britain has been a leader in climate change policies pushing for a decisive EU contribution to reducing global CO2 emissions.

It goes without saying that Britain makes a valued contribution to EU foreign and security policy with its knowledge, capability and prestige. The Foreign and Commonwealth Office is probably the most respected diplomatic service in the world.

And Britain has consistently stood for an open Union promoting EU enlargement. Britain is perhaps one of the most influential EU members in ensuring that we have a Union of 28 member states and remains open for deserving applicants.

These are all major achievements that make Britain proud. Britain has made a great positive contribution to the Union.

And the impact of EU membership on Britain seems to be very positive as well. I understand that the review process is still ongoing, but the reports emerging from the Balance of Competences Review paint a general picture of the great benefit of EU membership for Britain. You only need to look at the single market or financial services to understand how much Britain is benefiting from being an EU member.

When Finland was a paper-based economy the elevator speech about the Finnish economy used to be that we were a nation of five million making paper for hundred million people. In the UK you could say that you have a square mile providing financial services for a whole continent. The City is successful because of the European market. It would be a modest place without it.

What I gather from the assessment of the impact of the single market on the UK economy is how interlinked and dependent most leading British industries are on the European market. Many British economic successes are built on relationships to the continent and the British economy is stronger by its close association to Europe. British strengths have wider roots than just Britain.

So, Britain has a decisive influence on the EU and its policies and it seems to benefit from being a member. But looking at where the British EU debate is going, this positive foundation seems to have a limited impact.

And this is not a new phenomenon. The debate on Europe has always been a difficult subject from the days of the proverbial 'Fog in the Channel – Continent Cut Off'.

As a sportsman I have sympathy for the idea that Britain's uneasy relationship with the European Union should be tackled head-on and resolved for good by putting the issue of membership to the general public. But as an analytical observer I have my serious doubts and wonder if this process can lead to an outcome that would be detrimental for both Britain and the Union at large with an unintended Brexit. This debate needs to be carefully framed by facts and realities.

I think that we have established one fact – that Britain is influential in the EU – and a second one – is membership of benefit to Britain – is being established by the Balance of Competences Review and looks very positive as well.

We had a similar exercise in Finland and the conclusion was that EU legislation is on healthy ground. There is no evidence of EU legislation run amok straightening cucumbers and imposing useless rules. We need to remember that EU legislation is the foundation of the single market – you either have one set of rules or 28. You don't have to be a brain surgeon to understand which is better for business.

The idea of a renegotiation of membership - or the repatriation of competences in other terms – is a notion that has been mentioned in the British debate. This idea however rests on the assumption that the EU's treaties would be open for renegotiation. I do not believe that this is a realistic notion. Let me present three arguments.

First of all, there is a practical consideration - treaty change at 28 members would be immensely complicated if not a practical impossibility. Once you open the treaties there will be 28 different views on what to do and a few referenda on top.

The EU is not about to become a federal super-state. The EU needs to evolve, but through pragmatic steps improving its practical output in terms of growth and jobs rather than institutional revisions. We have obsessed about European processes when we need to focus on European outputs. The use of competence is far more important than competence as such.

If copyright permitted, 'Just do it' should be adopted as the new EU slogan.

Secondly, there may have been an assumption that treaties need revisiting because fixing the euro would need new treaty powers. I think that events have demonstrated that this is not the case - the euro and its governance is being strengthened within the existing treaties. The real issue with the Eurozone crisis is not institutions or procedures, but getting the European economy growing and this is something that is fixed by improving competitiveness, developing the single market, promoting free trade - policies we must do together as the European Union within the single market, not just as members of the Euro area.

I am proud that Finland is in the euro, it makes good sense, but I still do not want the Euro area to dominate EU policy beyond its economic and financial scope. We need to work as a union of 28 members. Dividing the single market would be a misguided evolution.

And third, there is also a practical caveat against treaty change in the British context of renegotiating terms – the idea that only one member would be allowed to pick and choose the policies it wants is not a realistic perspective.

If we all could opt-out at will from the single policies we dislike, there would be no coherent union left. It would be like giving the individual citizen the choice which taxes to pay, which rights to take and which obligations to avoid.

Dear friends,

If EU membership as such proves unpopular, there is a lighter option where you participate to the Single Market, but opt out of many other policies like the common agricultural policy or fisheries. This is called the European Economic Area, with Norway, Iceland and Liechtenstein as its members. I cannot imagine a renegotiation of British EU membership leading to a substantially different outcome. But we have to be very clear about how the EEA works in practice – you are part of the single market, but have no say in legislation. And this is not a free lunch either - EEA members have to make a financial contribution for their access to the market. You have the obligations, pay your share but are not in the room when decisions are made.

And let us not forget that free movement is part of the deal anyway as an integral part of the single market. The free movement of labor is an essential part of the European Economic Area. What applies to the EU, applies to Norway.

There is an uneasy debate on the free movement of people and immigration, but it has to be put in the right context. Britain is an excellent and positive example of openness. Britain has always been open to new people, their talent, ideas and contribution. There would be no modern Britain without its open doors. And the facts speak for immigration. Studies point out that immigrants have a very positive economic impact. In reality immigration and mobility strengthen the economy, while many loud voices suggest they drain it. There may be some abuses, but fixing them does not mean that you need to close the whole show.

The current debate on restricting the free movement of people goes against my instincts and beliefs. We have to remember our history. Freedom was in short supply in Europe. We had a divided continent. I am persuaded that one of the great European achievements has been removing barriers and increasing opportunities for the ordinary people. We take many liberties for granted – moving freely, studying in European universities, working in other states, owning holiday homes abroad. The business of Europe is not erecting new fences, but removing existing ones.

We need a realistic understanding on how the world works today. States used to have a high degree of sovereignty when interaction between them was very limited. The treaty of Westphalia and the Congress of Vienna were all about sovereign states.

With little trade, limited communication, few exchanges, states were more or less free to do as they pleased. If absolute sovereignty is the thing you value, then autarchy is your natural policy option. Being strongly sovereign is a bit like being Robinson Crusoe. But the moment you start to work with each other you depend on each other. Globalization has only amplified this interdependence – the economy is global, problems are transnational, so political action must be international.

Most policies have an international dimension. There is no sense in dealing with climate change within national boundaries. Financial supervision needs to work cross-border. Energy or transport cannot just stop at the national frontier.

The notion of interdependence is perhaps the single most important determinant of international relations today. And we have to remember that European integration is built on this fact – de jure states are sovereign, but de facto we have to pool our resources and act together if we want to have an impact on anything significant. This logic of integration has not changed with globalization, only strengthened.

I am speaking today as a minister, but I am still an academic at heart. It is essential that as decision makers we are truthful about the limits of our reach. Going alone is not a real option anymore and we need deep cooperation with other states. The European Union is the most systematic way to do it and has demonstrated its usefulness.

Britain carries a great deal of influence, but primarily as a leading member of a major regional entity. The European Union counts among the global top, but as individual nations even bigger European countries would struggle to reach a seat at the top table.

We are witnessing a terrible crisis in the Ukraine. But I ask you – do we have the best influence over the events together as a strong union, wielding major clout and powerful instruments, or separately as a mixed group of larger and smaller states.

Dear friends,

Saying that the EU is useful does not mean that it cannot be improved. The EU needs to get it right, because global competition is more demanding than ever. The EU has done a good job in dealing with the financial crisis – the euro has been stabilized, we have agreed on far-reaching reforms to increase fiscal discipline, the banking sector is in better shape with more robust rules. But in 2014 we will choose a new Commission and we need to ensure a proper focus.

To my mind the next Commission is about sharpening European priorities. Less is more - small on small things and big on big things as Commission President Barroso has said recently. Europe should not be about doing everything, but doing the things that are best done at the European level and no more. This is in substance about reaching a better understanding on a European focus on growth and competitiveness. Acting firm where Europe really matters.

- We need to improve the single market – by taking it to the digital age. Slow progress on the Digital Single Market is a major European shortcoming.

- We need to make Clean Tech into a European growth area. This is an area where Europe can lead globally, but our market is fragmented by conflicting rules and regulations.

- We need to push for competitiveness. With our expectation for high living standards only the best is enough.

- We have to agree on free trade with the United States –our foremost economic partner.

The core business of the European Union is about making reforms and policies that will help Europe grow.

I think that this outline for the next Commission is very close to British views. And we all want to work with Britain in achieving this. Britain has been strongly promoting EU reform – making sure that it works for growth, jobs and competitiveness. This is an excellent mission.

Dear friends, academic colleagues,

I hope I have made a clear argument for Britain staying in the European Union. I believe that this is the best option for Britain, but I naturally respect the fact that ultimately this is a decision for Britain and the British people alone.

But as a friend I am telling you that we love having you in the European Union. You make a great contribution to Europe. But be careful with your choice and make sure that whatever you do is based on fact and careful assessment. Get your facts straight. The European Union is not about to transform itself to a super-state. The Eurozone will not become a dictatorship within the union. The EU will have a better focus on growth and competitiveness. We will do EU reform. Work with us.

My own conviction is that Britain has a better future as a full-partner in the European Union.

Thank you.