

# 14th Anniversary of the Centre for European Reform

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Foreign Secretary William Hague spoke about Britain's relationship with the European Union and the Eurozone at an event to mark the 14th anniversary of the think tank Centre for European Reform.

Speaker: Foreign Secretary William Hague



I am delighted to be speaking here at the 14th anniversary of the establishment of the Centre for European Reform as a think tank. I am particularly pleased that the Irish embassy is hosting it. I have always thought the European Union's highest purpose is the promote friendship among the nations of Europe. The relationship between the nations of Britain and Ireland has often been a difficult one but now I think our links at every level are stronger and warmer than they have been for a long, long time, perhaps as far back as since a Welshman converted the Irish to Christianity and the Irish returned the favour by converting the heathen English and Scots.

The Centre for European Reform describes itself on its website as 'pro-European but not uncritical', and such a delicate double negative proves that they are not unfamiliar with the nuances of European diplomacy.

The CER has always argued the case for an open, outward-looking, economically-liberal, enlarging, more effective EU – and notably one with more effective foreign policy co-operation. Those are goals I agree with. I have not always agreed with everything the CER has put forward, such as British membership of the Eurozone, but their analysis has at times been prescient.

As their chief economist, Simon Tilford wrote in a paper in 2006, "The core problem is that membership [of the Eurozone] seems to have reduced pressure on governments to undertake the reforms needed to ensure the currency union is a success. Freed from the risk of a currency crisis and higher debt service costs, [southern countries have] done little to strengthen public finances, make labour markets more flexible or introduce more competition. The result has been declining productivity, inflation above the eurozone average and a sharp decline in competitiveness relative to other members of the eurozone. [They] now risk getting caught in a vicious circle of very slow economic growth and rising debt."

All sadly true.

I want to particularly thank Charles Grant for his commitment to the debate on the EU. I don't always agree with him – I think we differed somewhat on the merits of Britain's position at the last December Council – but his intellectual sincerity and passionate commitment to what he believes are admirable.

Perhaps even unequalled, because I understand that he has even attended meetings of Bruges Groups to persuade them of the merits of European integration, which for those of you who don't know the Bruges Group is a bit like trying to convert the Masai Mara to vegetarianism.

## Britain & the EU

I want now to make a few remarks about Britain and the EU – and my apologies to the European heads of mission who heard much of this at lunch.

We are also committed to the European Union. The Single Market is one of the greatest forces for prosperity the continent has ever known. Our common foreign policy has allowed us to use our collective weight to advance our shared interests and values in the world to great effect on some of the most serious issues we face today: the Arab awakening in North Africa, the appalling conflict in Syria or the Iranian Government's pursuit of nuclear weapons capability.

Above all, and particularly for those of us who were young politicians in the last years of the Cold War, the European Union has been crucial to the establishment of democratic freedom governed by the rule of law as the European norm and the potent attraction of membership has helped guide many countries along that path. If we compare where Central Europe and Central America were twenty years ago and where they are now we can see just how great that achievement – a Europe undivided and free – is.

I can also make the case that we are a nation of good Europeans. We do not want to be part of a federal Europe because we are comfortable with our national democracy but we do practise Europe as my colleague the Rt Hon Jo Johnson elucidated in a paper for CER last week:

- We are open to Europe. We import £243bn worth of goods and services a year from the EU and the UK is the Eurozone's biggest trading partner. More than 1 million Britons live in EU countries and 1.9 million people in this country come from other member States. In fact, London is now France's seventh city. We were the only major economy to welcome citizens of the A10

without restriction or delay. We believe in the liberalisation of services and a fully integrated energy single market.

- We are the EU's gateway for global investors. A quarter of non-EU companies have their European HQs in the UK.
- We play by and stick to the rules. Between 2006 and 2010 we had half the number of infraction cases of comparable countries. We uphold European values such as human rights abroad even at the cost of business.
- We add weight to Europe globally. On defence, with France, we represent 40 per cent of European spending, 50 per cent of capacity, and 70 per cent of R+D. We play a key role in CSDP missions, for Afghanistan, Kosovo and Somalia.
- We contribute 12 per cent of the EU budget, including own resources we are the budget's second highest net contributor; indeed, for all but one year of our membership we have been net contributors. We promote solidarity in Europe and globally, even if as a nation we sometimes sound a bit grumpy about it. We pay 15 per cent of the EU's international Development Fund. We have gone to great lengths to help EU citizens in trouble overseas – we helped fellow Europeans out of Libya and Egypt.

But, as you know, it is also the case that public disillusionment with the EU in Britain is at an unprecedented level. The EU's democratic legitimacy and its links to national parliaments are issues across the continent and they need to be addressed. And some issues are more effectively dealt with at a national or regional level. There is no reason, to use the example of the Working Time Directive, that common limits on working hours need to be set at EU level.

## Eurozone

Every European country's thinking is, of course, currently pre-occupied by the crisis in the Eurozone. For a number of good reasons Britain has decided to keep its own currency, and I was one of those who argued that we should, but we take no joy in the Euro's situation which is causing so much personal suffering and anxiety for so many millions and is having a chilling effect on our own economy.

No single event would provide a bigger boost to the British economy in the short term than the resolution of the crisis and a return to growth in Europe.

I also appreciate the sacrifices that have already been made by Eurozone countries. Some countries are doing harder homework than us and doing it faster

– we have the greatest respect for what the Governments of Ireland, Portugal, Spain and Italy have done. Others have shown extraordinary generosity. But the crisis is not yet overcome.

We have suggested some solutions. As we are doing here, we think fiscal and monetary policy should complement each other. Clearly, those with stronger public finances have choices and, perhaps, responsibilities that are not open to others. For monetary union to work there must be a measure of greater economic integration. There are a number of well known options. Which ones are chosen are for the countries of the Eurozone to decide, as is the difficult judgement of how to combine the requisite speed and decisiveness with the demands of national democracy.

In our response to the credit crunch of 2008 the British Government has taken significant steps since then to improve the regulation and supervision of our banks. Rightly the then British Government bailed out the banks then with British resources to prevent a wider crisis. In our view responsibility for financial stability belongs at the level of the lender of last resort. It would not have been appropriate for us then to have asked Eurozone partners for help then; just as now we believe the Eurozone should take steps to ensure the stability of the banking sector in the single currency area. That is the level at which a full banking union logically belongs.

But all of us, including the United Kingdom, have a collective responsibility to address Europe's growth challenge. Much of the EU's influence in the world stems from its economic strength. We must tackle Europe's low productivity, lack of economic dynamism and flexibility.

Progress on the single market is crucial to that; we should agree the specific steps we will take to widen and deepen the single market. Faster progress on trade liberalisation, in particular a deep and credible EU-US trade agreement and the launch of an EU-Japan free trade agreement worth up to €33bn to the EU, would be of material assistance.

We understand how important the Euro is to its members and that it stands for more than just a means of exchange. But the EU as a whole, the EU of 27, also has great achievements of real value. We must work out how we can keep the 27 together, protect the single market and make sure that the rules that govern it are in the interest of all its members.

This is a time of great difficulties for every government in Europe but we have a collective responsibility to ensure that we are not overcome by them, that we do not allow the nations of Europe to resign themselves to managed decline but return ourselves to vigour and enterprise and uphold the health of our democracies whatever is thrown at us.

