

HOUSE OF LORDS QUEEN'S SPEECH, WEDNESDAY 10 MAY 2012

Lord Owen (Crossbench)

My Lords, I wish to speak about what I believe is the biggest constitutional crisis facing this country, and it is related to the eurozone. There is a feeling, which I think is profoundly mistaken, that somehow we can isolate ourselves from the constitutional changes that are being suggested for the eurozone. It is to the credit of the Government, the Prime Minister and the Chancellor of the Exchequer that throughout this eurozone crisis they have been ready to accept that in order to get the crisis eased, or at best overcome, there will have to be substantial changes in the eurozone.

There is no point spending time arguing about what has been; the milk has been spilt and this fatally flawed eurozone design is with us here and now. It is in all our interests—that of the United States economy, the British economy, obviously the European economy but also the global economy—that this eurozone crisis is resolved. However, the greatest danger would be for us in this country to think that we can go on watching the eurozone crisis unfold and the constitutional changes which are being made, and not recognise that it has deep and profound consequences for the constitution of this country.

In today's opening business the European Union (Approval of Treaty Amendment Decision) Bill was announced. It sounds very technocratic and would effectively mean accepting changes in the European treaty to create the European stability mechanism. I strongly support that. Europe needs that mechanism. We need this legislation to be passed and I am sure that we will try to ensure that that happens. The mechanism is meant to be in place by 1 July but today the leader of the Christian Democratic Union in the Bundestag warned that not only is the fiscal compact, which was due to be ratified in May, now likely to be postponed until June, and perhaps to the summer, but that it is not even certain that the ESM treaty will go through. There is profound unease about the piecemeal legislation being undertaken by Germany and the commitments that it is making. Finland is also causing great anxiety in that regard.

On top of this, it appears that there is now parliamentary deadlock in Greece. Today,

Bloomberg calculates that Greece's overall debt to private bondholders, the IMF and the ECB amounts to something like \$517 billion. A default on that scale would have repercussions throughout the world economy, and could happen very quickly. If it happens, there will be immediate demands on this country to tackle a range of issues which affect the running of the eurozone. The UK has to have a position on this. That position will be all the stronger if it can be said to be that not just of the Conservative Party, or even its Liberal Democrat coalition partners, but of the Labour Party in opposition.

It is one thing for us to have good will towards the eurozone and to try to help it emerge from its current difficulties but quite another to think that we can make a massive concession, whereby we effectively accept a degree of integration which nobody in this country would contemplate for any part of the eurozone, without asking ourselves where it would leave this country. This very big concession would comprise far greater integration than there has been hitherto; in effect, it would create an economic government based on many of the proposals put forward for the medium term by Angela Merkel and Gerhard Schroeder. Those two German Chancellors-one current, one former-have said openly that the fiscal compact is just the beginning. They know that the German people will be persuaded to fund the eurozone and to put substantial sums of money behind it only if far greater integration is involved.

If that is the course that they wish to follow, we should wish it well but we need to extract a price from that negotiation whether as regards unanimity within the EU or an arrangement whereby the fiscal compact is introduced outside the European Union treaties but has within it a pledge that it will become part of those treaties within five years. We are told-I do not know whether it is true-that the deputy leader of the coalition, Nick Clegg, was behind that addition. That has considerable and profound implications.

There is a growing view, most recently expressed by the noble Lord, Lord Mandelson, in a speech in Oxford, that a referendum on the European Union is inevitable. I believe it to be inevitable and it should happen fairly quickly. What are we going to say in that referendum? At the moment, if the referendum question was put in this country, it would be for a simple withdrawal. Can that be in the interests of this country? Consider the issue of the single market, for example. The Conservative Party, through all its long disagreements over the Common Market, the European

Community and the European Union, never doubted that it wanted to be a member of EFTA. The noble Baroness, Lady Thatcher, when Prime Minister often claimed, rightly, credit for the single market and our influence on the EU.

Are we ready to withdraw from the single market? Even Angela Merkel has said that if she, as she envisages, is to make these changes in 2013-14-changes that are far-reaching in their political consequences-there would need to be, for example, direct elections for the President of the European Council, which is an intergovernmental appointment that was agreed only recently after years of negotiation, first through the constitutional treaty and then the Lisbon treaty. Are we suddenly to have that position elected? Schroeder, with all the strength of a Chancellor who did actually introduce competitiveness into the German economy without devaluation within the European treaty and has a right to be heard, has made it clear that the European Council must give up powers and be transformed into an upper chamber with similar functions to the Bundesrat in Germany. They want economic government, far greater European integration and they see that as the way to rescue the eurozone.

We need to say what we want. What is the minimum that we want out of the European Union? My view is that an essential element is the single market and we cannot just be part of the European Economic Area, which is a sort of hand me down of single market provision in which Norway, Iceland and Liechtenstein are involved. Are we ready to set our sights much higher and involve Turkey in a single market? There is absolute silence in Europe about the British position. It is not enough for a view on that to come just from the Prime Minister. I earnestly hope that just as this country is approaching the issue of a Scottish independence referendum with a recognition that the parties must get together and have a common view in this country-my understanding is that the Labour Party, the Conservative Party and Liberal Democrats are starting to have detailed conversations about how to deal with that deep constitutional challenge-so they should be looking at the question of how we deal with saving the eurozone.

I notice also that a former SPD Finance Minister said only yesterday that if he was in his former position, he would want a plan B to deal with a situation in which there might not be 17 countries in the eurozone. What will the British position be? It simply cannot be to concede just one more little treaty amendment as being made here on the ESM. We have already conceded that a treaty should be considered outside the European Union treaties on the fiscal compact.

The Government, particularly the Prime Minister, have learnt from the totally mistaken stance that he adopted in December. I was travelling around Europe talking to Finance Ministers in EU countries and no one knew what the British Government's position was. It is not enough to go into these negotiations without it being well known where your bottom line is, what you are prepared to stick on and what your principles are. I say this: this big change in Europe cannot take place-an integration far greater than we have ever contemplated before for the eurozone countries-without we in this country having a clear line defining our constitutional bottom line and what we are rightfully to demand. That should not be done in a sort of "Flashman" way, thrust at people right at the last moment, but in a deeply concerned and considered way. We are part of these treaties. They belong to us as much as they belong to everyone else. Hitherto, they have always been based on unanimity on treaty amendment. Giving up unanimity on treaty amendment is a vast concession for us to make. I think we should be ready to do it if it accords with our view of how the European Union can be restructured; otherwise, we will watch, wait and slowly wake up, and before we know where we are we will have seen in front of our very eyes in a substantial part of the European Union the creation of a country called Europe, and we will say to ourselves, "How did we allow this to happen?".

Our negotiating position must be reasonable and, as I said, it ought to have all-party agreement. It needs to be sustained up to and beyond a 2015 general election and it needs to be accepted by the people of this country. It is a long time since we had wholehearted consent in this country to our position in Europe, and then we kept it for only a very short time. In my view, such consent can be forged out of the present situation. I do not think that over the coming decades the people of this country will accept going into the sort of integrated eurozone that is now not only on offer but necessary. I would not accept it myself, but that does not matter. The people of this country have to be given the choice in a structured referendum and we must have a position in Europe that we can stand up for and negotiate for. There must be no flouncing off, no walk-outs and no empty chair. We must sit there with a view of how we will be Europeans and how, at the very least, there should be a single market involving far more than the existing countries in the EEA. It ought to involve Turkey, which is a substantial and major country.

If we could produce such a concept, it would be greatly welcomed in Europe, where people are only too conscious that they are being shunted from pillar to post as

circumstances change. The most recent event is the Spanish banking crisis, which has the potential to cause a very serious crisis for the eurozone just because of the size of the country and the fact that it has 25% unemployment with youth unemployment at 50%. We are seeing more and more undemocratic measures taken to stoke up the system and keep it going. It is not pleasant to see interventions such as the forcing of technocratic Governments, first in Greece and then in Italy.

I dare say that these are bigger constitutional issues than have been debated in this House so far. I may be in a minority of one but I believe that the parties and leaders in this country, and particularly the Prime Minister, have a responsibility urgently to develop over the next few months a serious negotiating position for the United Kingdom and to stick to it in Europe over the next few years.