

SPEECH BY THE RT HON LORD OWEN TO LSE GERMAN SYMPOSIUM ON  
WEDNESDAY, 11 MARCH 2015 IN REPLY TO THE SYMPOSIUM QUESTION,  
TO WHAT EXTENT IS THE NATION STATE AN ANTIQUATED NOTION?

There is nothing antiquated about the nation state in the eyes of the majority of the British people and what is more there is abundant evidence that in many other states within the EU there is a strong wish to retain the essentials of nationhood. What are those essentials? For the UK it means much more than controlling our own borders, having our own flag and national anthem and importantly within that framework actively participating in all multinational organisations. Since 1945 with the UN and IMF; from 1948 with NATO, 1949 the Commonwealth Declaration and in 1973 entering the Common Market. It means in addition being able to make in the House of Commons the basic economic decisions combining redistribution and aspiration which affect the lives of every citizen. That economic and social balance is part of the British identity. We see it in many other areas too. The NHS was chosen as the opening theme of the Olympics to reflect our values. There is the often misrepresented word 'patriotism' which is simply love of one's country, loyalty to the Monarch, pride in our armed forces. But it goes deeper than that. There is respect for religious diversity and yet too a regard for a secular democracy. We British are a reflection of our history and none the worse for that.

As early as 21 September 1962 Hugh Gaitskell as Leader of the Opposition in reply to a Prime Ministerial broadcast by Harold Macmillan warned the British people to be vigilant over the question of entry into the Common Market. He said that if this were to result in a European federation, it would mean "the end of Britain as an independent nation, we become no more than 'Texas', 'California' in the United States of Europe....Just a province of Europe." This basic question on the nation state remains unresolved within the EU.

Only two British Prime Ministers have ever come close to believing that the nation state is an antiquated notion: Edward Heath and Tony Blair. Even they drew back in office from ever admitting publicly that that was the outcome they desired. The closest any British government has ever come to accepting such a destination was over the European Constitution designed by Giscard d'Estaing and adopted in Rome on 29

October 2004, subject to ratification. It is important to remember that ratification in a referendum was promised by Tony Blair but withdrawn when the French on 29 May 2005 rejected that Constitution followed three days later on 1 June by the Netherlands. There then followed a disreputable political fix on the Lisbon Treaty and in 2007 neither Tony Blair nor Gordon Brown offered a referendum. David Cameron did later promise a referendum, but then withdrew the offer and that withdrawal proved so divisive within his own party that as Prime Minister he felt forced in his Bloomberg speech on 23 January 2013 to concede an in/out referendum before the end of 2017.

When David Cameron pledged an in/out referendum in 2017, Ed Miliband, as Leader of the Opposition, realistically and courageously decided to accept the European Union Act 2011 governing referendums which Labour in Parliament had very unwisely strongly opposed. In doing so Miliband showed that his adoption of “One Nation” from Disraeli was not just a slogan but he was ready to compromise in the broad tradition of Clement Attlee’s leadership when the national interest has to be paramount.

From now on, no government – whether Labour or Conservative led – can ratify any amendment to the European Treaties without a referendum if it falls within the restrictions spelt out in Clause 4 of that Act. In effect, any loss of UK sovereignty within the EU cannot now take place unless endorsed by the British people. For me personally this is an essential safeguard for which William Hague deserves much credit. The 2011 Act removes any possibility for a future British government acting without the people’s consent to ratify a Treaty that would allow a United States of Europe to emerge. It also goes a long way to negating those provisions of the Lisbon Treaty which come dangerously close to opening up that possibility.

As a consequence I do not believe that Europe is an overriding issue in this May’s General Election. Personally Ed Miliband’s endorsement of the 2011 Act has meant I no longer focus on Europe but instead am part of the Campaign to ensure the NHS in England is reinstated. Today, Green, Labour, Liberal Democrats, SNP and Plaid Cymru MPs are presenting The NHS Bill in the House of Commons which I believe will form the basis for legislation supported by all those parties after the May Election.

Reform of the European Union is no longer a specifically British issue. Instead it has become an issue for every Eurozone country. The flaw at the heart of the European Union is the Maastricht Treaty on Monetary Union which represents a big step in logic towards a single state. Yet logic has been set aside in favour of pretence. Germany now has an anti euro party. French citizens are still not enthusiastic for the euro. They only voted by the narrowest of margins for the Maastricht Treaty in the referendum in 1992 and that followed an impassioned TV appeal by the ailing President Francois Mitterrand. Marine le Pen is an advocate of getting out. In Italy membership of the euro is starting to divide the parties with its Northern based political party advocating exit.

A significant majority of British people never accepted that holding on to the pound was an antiquated notion. John Major fought and won a UK euro opt out in 1991. Next, the Referendum Party campaigned with huge financial support from Jimmy Goldsmith and forced John Major on 17 April 1996 to promise to go into the forthcoming General Election committed to not joining the single currency without a referendum. By the 1997 Election the Referendum Party had 60 political agents, 10 regional offices, more than 3000,000 audited members and had promised to field 547 candidates. Tony Blair and Paddy Ashdown, then respectively leaders of Labour and the Liberal Democrats, with extreme personal reluctance, but facing electoral reality, accepted they too would have to promise a referendum on the euro.

Some, like Roy Jenkins, still argued that Tony Blair should risk a referendum soon after winning the General Election but it was ruled out after a narrow escape when Labour nearly failed early on to carry Welsh devolution in a referendum on 18 September 1997. Blair's personal passionate commitment to the euro was apparent to me, however, when I saw him in July 1996 when he tried to persuade me to return to the Labour Party. That impression was reinforced in December 1999 when Blair tried to persuade me not to establish New Europe to campaign against euro membership while supporting EU membership. I did, however, form New Europe in 2000 and as Chairman worked very closely with Rodney Leach who was chairman of Business for Sterling. By July 2002 meeting Tony Blair again it was clear that he was still attracted to euro membership but expected there to be a military intervention in Iraq in 2003. Early in 2003 it began to be openly talked about in No 10 that a euro referendum would be called on the back of a 'Baghdad bounce' in the opinion polls assuming a popular success in Iraq. Few doubted

in those circumstances Gordon Brown would support Blair. Ed Balls would have opposed it. Nigel Lawson before him when working in the Treasury has also never equivocated on this issue. He intellectually opposed the euro in principle and tried, but failed, to stop Mrs Thatcher from letting the process of monetary union start in the Single European Act signed in 1986 and enacted in 1987.<sup>1</sup>

The “Yes to Europe, No to the euro” campaign we established was by 2003 well organised and properly financed. But even on a cross party basis we had no doubt that it would be very difficult to win a referendum against a barrage of propaganda and misinformation. By 2005, with the dire situation in Iraq, it was obvious there would be no euro referendum for a decade at least and New Europe was wound up. Fortunately, Rodney Leach built an excellent new organisation Open Europe ensuring that the arguments for Britain to remain outside the euro were consistently and cogently kept in the public mind.

Now, in 2015, no political party dare show any enthusiasm for the euro and they are all committed to a referendum before any euro entry. But no one should be misled – there are still powerful politicians in the Conservative, Labour and Liberal Democrat parties who clandestinely wish to not just keep the euro option open but would, given half a chance, try and win a referendum. Yet the reason why public opposition to the euro is so widespread in the UK is the perceived reality that to be successful a single country is a necessary accompaniment to a single currency. The trials and tribulations of the Eurozone point inexorably to the truth of this linkage. Slowly, by fits and starts, the ECB under Mario Draghi is edging Germany and the Netherlands towards accepting a watered-down economic federal transfer union to accompany monetary union. Progress has been inevitably slow because of popular resistance in Germany where the German Constitutional Court is a constant brake. The political question over the next few years is who will crack first? Merkel or the euro?

Governments in Europe fear referenda on any Treaty amendment. But Treaty amendment in the view of the German Finance Minister, Wolfgang Schäuble, is inevitable. He is correct. Treaty amendment will, however, only be faced up to when

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<sup>1</sup> David Owen, *Europe Restructure. The Eurozone Crisis and its Aftermath* (Methuen, 2012), pp 110-116.

another crisis hits the Eurozone, whether the looming crisis with Greece, the possible crisis with Italy, or a conceivable crisis with France. Amendments then will have to come and maybe urgently within weeks, without referenda, and by using the unanimity provision in the European Council. This Britain can support provided we are not faced with any loss of sovereignty as defined by the 2011 European Union Act. Britain should not aim to stop Eurozone integration but we cannot countenance such integration without inserting amendments to the Maastricht Treaty language that ensure that any member state outside the Eurozone has a guaranteed independent status on monetary matters and are not simply assumed to be in the waiting room for entry. The non Eurozone has to be a distinct entity controlling their own currencies without it being possible to be discriminated against in the Single Market by the European Court of Justice's [ECJ] Federal ruling creep. The ECJ is an institutional force for a federal Union and must in this area be checked.

A very important ruling, however, was made on Wednesday of last week by the ECJ preventing the European Central Bank [ECB] contravening a basic principle of the Single Market: namely, that economic activity is not discriminated against on the basis of its origin. But the ECB's anxiety about any infrastructure they deem essential to the integrity of the euro, in this case clearing houses lying outside the Eurozone, will not disappear. There are complex and real issues that have to be grappled with soon about an ever greater integration within the Eurozone impacting on EU member states that retain their own currency.

The EU Treaties, at present, in economic terms, are seriously unfit for purpose. They can only be changed by unanimity. Any British government likely to be formed after the May General Election must champion a truly credible and different design for Europe. I am not very impressed by setting artificial deadlines for European negotiations. I prefer just staying at the negotiating table until you succeed or the time has come to give two years notice of withdrawal from the EU. I feel no commitment to a British referendum by the end of 2017. But I do believe the British people must be given eventually the opportunity to determine our future relationship with the Eurozone. We should stay at the negotiating table as long as it takes, no walkouts but quiet persistence. But we must demonstrate to our European partners that the issue is not BREXIT – the issue is what reforms Europe makes to enable some members to opt for a single currency with all the

economic and political integration that entails in a ‘Union’ while other members opt to retain their own currency with no federal integration in a ‘Community’ but where these two European groupings stay within a Single Market and live in harmony.

Three years ago, in a speech at Cambridge University on 22 February 2012, I argued for a substantial restructuring of Europe and later wrote a book entitled *Europe Restructured*. The limited tinkering reforms of the EU which David Cameron envisages by 2017 will not suffice. The situation will be very different to the 1975 UK referendum. BREXIT will by then be forced on to the agenda in a very risky way.

The core priority for the UK is to retain a Single Market across both Eurozone and non Eurozone members. That is what the US, Canada and Mexico have. That is what Asia is developing. It can and should be an organisation potentially for the whole of Europe’s trading activity. We are not yet addressing the needs of Europe as a whole, only addressing those of some EU Member States and even that half-heartedly. A new design for a Eurozone can well be described as a ‘Union’, a new design for the non Eurozone countries can well be described as a ‘Community’. Such a Eurozone ‘Union’ would slowly become a Federal Union. Such a European ‘Community’ would never become a Federal Union.

The starting point would be the European Economic Area (EEA) Treaty that already includes non EU member states, Iceland, Norway and Lichtenstein but as non voting members. A new EEA should include Switzerland and cross the Bosphorus and include Turkey with all five countries having full voting rights. We are very close to a global strategic error of considerable magnitude by excluding Turkey from Europe – we do so mainly because we will not face up to the fact that free movement of labour is not essential for a Single Market. Free movement of labour is basically an accompaniment to a Federal Union. Turkey does not want Eurozone membership, but Turkey could and should be members of a Single Market as part of a ‘Community’ where there is no freedom of movement of labour. A Single Market comprising both the ‘Union’ and the ‘Community’ and based on the EEA Treaty with every country involved in qualified majority voting is necessary to ensure a single negotiator who can wheel and deal with other countries outside Europe. It is also a perfectly rational evolution of the present EU. It could be quickly achieved because the bulk of the negotiations are already done

because of the EEA. 'Community' membership over time could be available far sooner than 'Union' membership for such countries as Macedonia, Serbia, Montenegro, Bosnia-Herzegovina, Albania, Moldavia, the Ukraine (though not NATO membership) and eventually perhaps Belarus (though again not NATO membership). Those countries and Turkey in a 'Community' with a 'Union', would cover the whole of any wider Europe now that Russia has excluded any Euro Asian destiny. It would be bound together by a Single Market. The 'Community' so formed could continue – as does the EEA – with much of the existing EU environmental legislation and some of its social market policies.

The introduction of 'Community' and 'Union' membership would end the premature admission of countries to the EU, that happened over Bulgaria and Romania. The 'Community' could deal with economic migration by border controls where appropriate. Entry conditions to the 'Union' because it would be part of an integrated Eurozone would become tougher. It might be that a European 'Community' would reconsider the case for the 'ecu' formed by a basket of currencies at least for trading purposes. Probably some existing Eurozone countries will opt for 'Community' membership or be forced out of the 'Union'. Greece would be a prime example, but other countries like Italy, who appear to have parties who want the freedom to devalue, might also wish to make this transition, away from the Eurozone but to do so in an orderly and sensible manner. The most depressing feature of the current Eurozone crisis has been the absence of an orderly alternative for EU countries who find it difficult to live within Eurozone disciplines.

For the non Eurozone 'Community' there would be no Common Agricultural Policy (CAP), no Common Fisheries Policy (CFP), no common foreign security and defence policy (CFSDP). Those three major elements and many more recent qualified majority structures would be part of the 'Union' as at present. Foreign policy coordination in the 'Community' would rely on Political Cooperation across both the 'Union' and the 'Community' as in the 1970s and 1980s but using common accords built up since. Defence policy would lie with NATO for both 'Union' countries and 'Community' countries with the two exceptions mentioned, Ukraine and Belarus.

The institutions of the current EU would remain in place for the 'Union'. But the Commission would be charged, as at present on trade matters, with the handling of all aspects of the Single Market, but on behalf of the 'Community' and the 'Union'. The Commission has negotiated well with World Trade Organisation. Its mistake over TTIP was to agree to go beyond trade negotiations and accept secret adjustments, mainly with the US, to the European social market which has unleashed, rightly, a great deal of criticism within the European Parliament and elsewhere, particularly in regards to its impact on health and our own NHS. The European Central Bank, with the Commission, would handle the Eurozone. The European Court of Justice would cover the 'Union'. The Single Market would have a new legal framework outside the ECJ.

Some will of course argue that this splitting of the existing European Union into a 'Union' and a 'Community' represents a defeat and is too radical a restructuring. In actual fact a Single Market within the EEA framework would mean fairly marginal adjustments. What would be achieved would be a natural division between a single currency and a multiple currency grouping. It would create an inclusive wider Europe but allow for a Federal Europe within that wider Europe. This is not BREXIT, but a choice for the British people between 'Union' or 'Community' membership. Sadly, none of the British political parties are yet ready to even consider such a development. But in refusing to rethink fundamentals they will find that the BREXIT option becomes more and more attractive to the average British voter.

UKIP's success in becoming the largest party in the UK for the European elections of 2014 contains no guarantee that they will win more than a few seats in the General Election of 2015. That they recognise this is evident by their readiness to build a political party with a broader base and wider policy agenda than just Europe. They wisely dropped their previous immigration targets and instead advocate an Australian like qualification system for immigrants coming into this country. It is noticeable that UKIP have also wisely shifted their policy on the NHS, distancing themselves from the Cameron/Lansley NHS legislation of 2012. They hope they will come second to Labour in many seats outside London and use this as a springboard for the General Election that follows, perhaps before 2020 despite the existing fixed five year term.

In my judgement whether Labour or Conservative lead the government of the UK in May 2015, neither will achieve a permanent settlement or resolution of Britain's fraught relationship with the European continent within two years. In the 1950s over 90% of the country voted Labour or Conservative. In the 1955 Election the two party system meant that only 37 MPs were elected on less than 50% support. By 2010 433 MPs did not represent a majority in their constituency, the largest percentage since the 1920s. The rise of the Referendum Party and the rise of UKIP reflect a quite simple fact: that more and more people are challenging the two parties' attitude to Europe. Those two parties' supporters have been divided on Europe since Harold Macmillan advocated Common Market entry in 1962. Division on Europe fractured the Labour Party in 1981 and the Conservative Party in 1992. It is an interesting fact that the third force has polled highest under the SDP/Liberal Alliance in 1983 and 1987 at over 25% and 23% of the vote and that was not by any stretch of the imagination federalist like the old Liberal Party. Interestingly the Green Party in the UK was and remains against British membership of the euro.

David Cameron proposes that no trade union should be able to go on strike until it is supported by 40% of its members, yet if that is the yardstick of legitimacy every government since 2001 would be illegitimate and 634 of the MPs elected in 2010 would also be illegitimate. Ed Miliband, by contrast, is a more modern man, he knows that we no longer live in a three party system in the UK, and that if this trend continues we will see three or more parties influencing a future government. There is nothing illegitimate in this evolution of party strengths. It is absurd for those of us who wanted the Scottish people to reject separation and were pleased when the Scots voted 'no' last September to argue in March that the SNP should become a pariah and as a matter of principle have no role or influence on the shape of a government formed in the UK after May. No one is advocating a coalition with the SNP, least of all themselves. But the last way of holding the Union together is to deny them the chance to behave as a responsible part of our shared democracy. Nicola Sturgeon, the new leader of the SNP, has actually shown she understand this, when she wisely overruled Alex Salmond's claim that the continuation of the Trident submarine fleet in Scotland was a red line in any SNP negotiation over a new government should they hold the balance. The truth is that the British electoral system, even under first past the post voting, is a very sophisticated one. We arguably had a grand coalition after 1931 and then had coalition governments

of Conservative and Liberals for the rest of the 1930s. We have just had a 5 year fixed term Parliament for the Conservative/Liberal Democrat coalition. If after the next Election any or all of the smaller parties maintain unreasonable negotiating positions, the system allows for grand coalitions when the two largest parties come together. It is, of course, easiest to do this in times of war but we have always known that it is an option that can be pursued if it is in the national interest in peace time as well. After all, it was British experience and constitutionists who helped guide the present German Constitution. When Angela Merkel's party recently won big and was by far the largest, she chose not to form a coalition with the Greens but to enter into a grand coalition with the SPD.

The arithmetic of MPs after 7 May will be crucial. The Wilson/Callaghan government in which I served governed from 1974-79 mainly because of a constant dialogue between Michael Foot and Enoch Powell, then an Ulster Unionist. Until the devolution Bill collapsed there was also an important dialogue between Labour and the SNP. The Lib-Lab Pact was more formal between David Steel and Jim Callaghan but it only lasted from 1977-78. For David Cameron to pretend that it is all right for him to make an arrangement with the Ulster Unionists but not all right for Ed Miliband to make an arrangement with the SNP is to underestimate the intelligence of the electorate just as Cameron is doing in refusing to participate in inter-party debates. There should not be coalitions between the Ulster Unionists in a power sharing arrangement nor with the SNP with the big issue of separation dividing them with Labour, but dialogue and negotiating with these two parties is part of democratic politics. Since policy on Europe is not divisive between Labour and Liberals it would be foolish to rule out such a possible coalition.

The English people have shown their willingness to accommodate the aspirations and identity of Scotland, Wales and Northern Ireland. Today, that is best done by calling a Constitutional Convention after this Election. But most British voters want the essential sinews of nationhood to remain. They see nothing antiquated in this, rather the converse. They see clearer than many politicians that the erosion of the nation state is undesirable and unsustainable. They want a political programme that is neither xenophobic nor nationalistic, that does not turn away from Europe but asserts essential nationhood - retaining control of our own borders, our own currency and our own

foreign policy. Remaining firmly within the NATO Alliance as a way of keeping the United States committed to the defence of Europe. Is ready to accept that we can no longer expect America to fund 75% of NATO and it was good to hear Ed Balls's positive talk about defence expenditure. They want in conformity with our history a government that rediscovers the virtues of blue water diplomacy and puts our two new aircraft carriers to the service not just of NATO but of the United Nations and the Commonwealth worldwide and participates vigorously in all international organisations, not least the Non Proliferation Treaty on nuclear weapons.

The pretension that lies behind the President of the Commission, Jean-Claude Juncker from Luxembourg, arguing for a European Army is a reflection of Europe's deep seated problem. Europe pretends to be a nation when it is not. Europe pretends to be ready to defend itself when it is not prepared to pay for such a defence. Europe pretends to have a single foreign policy when it does not. Look at the Ukraine where Germany and France alone leads. A foreign policy depends on cooperation, not qualified majority voting, amongst nations with a history of economic, political and military cohesion. Nations that are ready to negotiate for peace but also ready to fight for peace.

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