

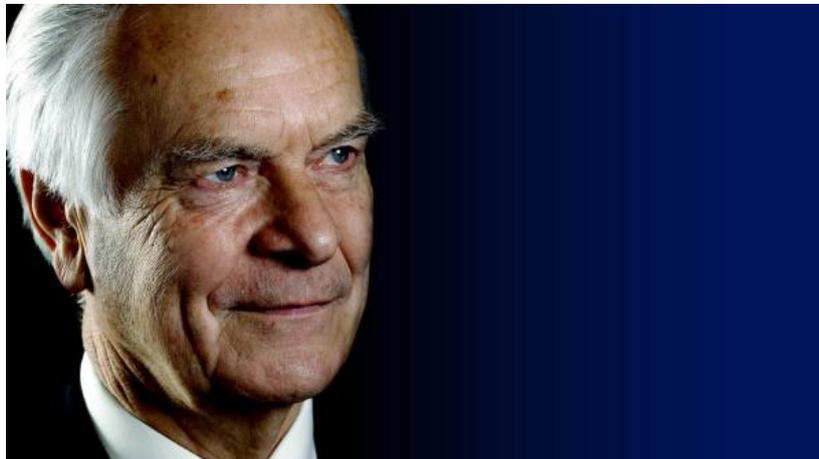


# 'All we have to fear is fear itself'

David Owen, the former foreign secretary, on why we should quit a 'dysfunctional' EU

David Owen

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David Owen: the EU extends 'evermore into the nooks and crannies of our daily lives'

JACK TAYLOR

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It is irresponsible to enter the polling booth on June 23 without trying to assess the reasons why so many citizens in the UK want to leave the EU. That disillusionment with, and sense

of detachment from, Brussels is becoming widespread all over the EU.

There is a sense that austerity applies to all but the rich. A belief that the social part of the social market has been cast aside; deep unease at appalling levels of unemployment in some EU countries; shock that the commission negotiated in total secrecy with America the Transatlantic Trade and Investment Partnership, which will affect our NHS and goes far wider than a trade agreement. A growing sense that EU laws and activity extend evermore into the nooks and crannies of our daily lives.

The automatic freedom of movement of people means that it is false to say we control our own borders. Outside the EU we can introduce a points system, allowing us to admit those who will contribute to our economy from the EU and the rest of the world. We can live in harmony with continued immigration in the UK but only with targeted money and honest, open debate.

Leaving the EU means that £10bn a year is saved, according to the Office for National Statistics. So £50bn, invested over five years, should be earmarked to restore the damage

done by uncontrolled immigration to British society. It could be split into three broad categories — 50% for elements in the NHS, 25% for education and 25% for low-cost housing. If designed properly, it could provide a boost to our economy of 0.5% of GDP each year of the transition.

Facing a period of readjustment for two to three years while we leave a dysfunctional EU, the only thing we have to fear is fear itself. Every year that the UK can spend transitioning out from the EU will be well spent. We have already switched 10% of our EU exports to world markets over the past 10 years. We can speed that up considerably outside the EU.

An EU which creates, and then cannot deal with, the structural flaws in its eurozone is not

one we would have joined and is one we should leave. The single currency changed everything. Its basic design, opposed by the Bundesbank, is unworkable. It was pushed through by Helmut Kohl when he was German chancellor as a way of reassuring François Mitterrand who, as French president, was worried by Germany's reunification. France only endorsed the euro by the narrowest of margins in its referendum.

No one knows when the eurozone crisis will morph into a collapse, at which point every country within the EU risks collateral damage. The fact that the UK is not a member of the eurozone does not mean we will escape unhurt. In his perceptive book, *The End of Alchemy*, the former governor of the Bank of England, Sir Mervyn King, says, in a nutshell, that the collapse of the euro is inevitable, unless there is a system of fiscal transfers and the emergence of what is, to all intents and purposes, a country called Europe.



Owen: we're better off militarily outside the union

It is significant that Richard Sharp, an external member of the Bank's financial policy committee, has broken ranks and criticised the views of the present governor, Mark Carney, about the UK depending on "the kindness of strangers" if it left the EU.

"The UK is a thoroughly investable economy whichever way the vote goes," Sharp said. "I think the strangers make a risk/reward assessment and they would continue to view the UK as an extremely good risk."

International leaders believe that if they can postpone Britain's exit then they can put in place in their own countries sufficient insulation to reduce the shock wave of a eurozone collapse: they are entitled to do so but not at our expense.

The Treasury's model, and the International Monetary Fund's, make no comparable assessment about the risk to the UK of staying in the EU. They do not want you to know about that. The impact on the UK of Italy crashing out of the eurozone in two to three years' time would be considerable. As for Greece, a few days ago another settlement was cobbled up that should tide it over for a while, which is welcome. But its €336bn (£256bn)

debt, about 180% of GDP, cannot be dealt with without major debt relief — which Germany and the Netherlands refuse to sanction.

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In Italy, the last Ipsos poll showed 48% in favour of leaving the EU. It is not just Beppe Grillo's Five Star movement that wants to restore the lira. Other political parties are exploring the possibilities.

Italy's national unemployment rate is 11.4% but in Campania it is 53%, in Sicily 56% and in Calabria 65%. Italy has lost 30% in labour-cost competitiveness against Germany in 15 years. Before the euro it could have made this good by devaluation.

The dysfunctionality of the EU goes into many areas. The European External Action Service — its diplomatic arm with EU embassies and ambassadors — had a budget for 2012 just short of €500m. By 2015, while the EU made dangerous diplomatic mistakes over Ukraine,

this had spectacularly doubled to €1bn. The former US defence secretary, Robert Gates, reveals in his book, *Duty*, that Anders - Rasmussen, who was secretary-general of Nato at the time, told him “Germany would not agree to any Nato action on Libya mainly because it wanted the European Union to be in the lead”.

Britain outside the EU would be free of the illusion, costs and encumbrance of EU defence. We must increase our financial and physical support for Nato and demonstrate that EU countries’ freeloading is unacceptable and that we value immensely American and Canadian involvement. That is the answer to ludicrous claims from government ministers that Brexit would be welcomed by President Putin.

Those who want to remain in the EU should reflect on what awaits them. Michael Heseltine has said: “One day we will join the euro . . . There’s no hurry and I don’t think it’s going to happen in my lifetime.” (He is 83.) The UK, meanwhile, will be bound by David Cameron’s pledge in a document lodged with the UN not to “impede the implementation of legal acts directly linked to the functioning of the euro”. Furthermore not to “create

obstacles but facilitate such further deepening of the EU”. Deepening is a word with far-reaching political implications in the EU. It means going along with the majority view on the Five Presidents’ Report – the blueprint for completing economic and monetary union, to be unveiled by Brussels after our referendum – and accepting many other moves for greater integration in the years ahead.

Cameron’s distortion and manipulation of what should be a level playing field in this referendum is designed to dismiss the option we have to disengage from the EU using legitimate mechanisms. Under article eight of the EU treaty there is a commitment to good neighbourliness. Under article 50 there can be a two, probably three-year transition. The cabinet, if we vote to leave, must establish in the initial months what are the attitudes of EU heads of government and the commission to bilateral trade agreements. On the basis of mutual interest, a bilateral trade deal is negotiable during this transition.

I am confident we can negotiate bilateral trade agreements and respond to the challenges and opportunities of leaving the EU. That we can export into global markets and prosper by becoming an outward looking,

vibrant, self-governing democracy.

*David Owen was foreign secretary in the Labour government from 1977 to 1979*

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