

SPEECH BY THE RT HON LORD DAVID OWEN TO PRINCETON UNIVERSITY
CONFERENCE ON 'EUROPE AND THE CHALLENGES OF BREXIT'
15 APRIL 2016

When you are a member of a dysfunctional organisation like the EU that can neither reform nor restructure you have two choices: either to reluctantly remain in the organisation or be brave enough to leave. That is the choice that faces individual British voters on 23 June.

President Obama's first Secretary of the Treasury has used some very tough language about the Eurozone in his book *Stress Test* published in 2014. In writing about 2010 he says, "The second drag on our recovery was Europe, which was in financial and economic disarray," and "the European mess was a serious threat to us."...."The sudden panic in Europe was shocking."...."Now Europe was burning again, and it did not seem to have the tools or the desire to control the fire. The Eurozone was sixteen [now 19] nations with sixteen fiscal policies and sixteen banking systems,.."

Geithner writes in words with which I totally agree. "For all the flaws of the U.S. system, our fragmented regulatory agencies were at least part of the same nation, with a common language and traditions. And we routinely transferred resources to economically weak regions through our national budget."

Six years later despite constant urging by Geithner and Jack Lew, his successor as Secretary of the Treasury, the Eurozone remains basically unchanged though now practicing qualitative easing under ECB Chairman Draghi.

No wonder many British people are puzzled, to say the least, why President Obama should, in the light of his and our failure to reform the Eurozone, come into the midst of our referendum campaign to urge us to remain in the EU, despite an impending collapse of the Eurozone which would impact far more on the UK than the US.

As Geithner reflectively writes "after building some credibility with the markets, the Europeans quickly squandered it, a pattern that would recur over time." After visiting Paris a few days ago and Berlin a few weeks ago I see no sign of any Eurozone reforms before 2023 at the earliest.

It is David Cameron, our Prime Minister, who lead the call for this referendum. He included it in the Conservative Party election manifesto and chose the date. Yet Cameron sometimes appears to forget this and creates fear as if there is no legitimate democratic choice for the voter. I am sure President Obama will be careful about recognising the democratic basis of our choice when he makes an unprecedented visit to Britain in the midst of our campaign. Especially in view of Franklin Roosevelt's inaugural speech, "The only thing we have to fear is ...fear itself..."

The crux of the decision in June 2016 is the direction of travel for decades ahead. The leave campaign and voters may choose that direction of travel but we will not and could not negotiate every aspect of our exit. It is the elected Conservative government who in the four years left of a fixed Parliament will be responsible for the mechanics of our exit.

If the UK votes to leave the EU in June - as I hope they will - Brexit Conservative leaders will have to be more strongly represented in the Cabinet and Government. They will, I hope, demand that this Conservative government follow the decision that James Callaghan took during the 1975 referendum campaign. Callaghan was given by the then Prime Minister Harold Wilson the lead role and he overrode a senior Cabinet Office civil servant Patrick Nairne's belief that months could pass after the vote before legislative action. Callaghan was adamant that a quick restoring of the legal powers of the British Parliament through amendment of the 1972 European Community legislation would be an essential democratic response in the event of a vote to come out of the then EEC (Common Market). Taking this enabling power must be the immediate response to Brexit but some enactments will depend on negotiations with the EU during our transition, but there are many aspects to Brexit that neither require nor involve negotiations.

This referendum is an exceptional democratic mechanism that is used in our democracy when political parties are profoundly split on very important issues. At every turn since 1970 British Cabinets have been constrained on the UK's European identity and commitment by public opinion.

The U.S. Defense Department for decades has been hostile to EU "common defence" and to "autonomous defence" in the EU as well as to having two planning centres for defence in Europe, one in the EU and one in NATO. That is no secret and a factual judgement which I and many other people in Britain share.

Ever since Tony Blair and Jacques Chirac gave credence to the mistaken vision of EU defence in St Malo in 1998, every U.S. Secretary of State for Defense has publicly opposed it. So have most Secretaries in the State Department though somewhat muted by a prevailing opinion at official level that appears at times favourable to a United States of Europe.

President Obama in his recent interview for the *Atlantic* magazine, correctly, and in the view of many Europeans rightly, openly criticised us in Europe for 'freeloading' on the NATO defence budget. It is clearly not tolerable for the U.S. voters that they should pay 73% or 75% of the NATO budget. That direction of travel has got to be corrected and soon. But it will not be done by the EU.

While the EU is dysfunctional NATO is not. NATO would benefit today from a solely committed British voice not one hovering between it and EU defence. By the people's choice, not its elite, Denmark is not part of some EU treaty language on defence. A core priority after Brexit must be for the UK to strengthen NATO and help improve the Alliance's capability to act cooperatively to preserve peace and security including dealing with ISIL.

President Obama is, I am sure, aware that his former Secretary of Defense, Robert Gates, records in his book *Duty* that the then Secretary General of NATO, Anders Rasmussen "had shared with him his concern that Germany would not agree to any NATO action on Libya, mainly because it wanted the European Union to be in the lead." We also know from General David Richards, the then UK Chief of Defence Staff, that he "insisted in the National Security Council that any military operation in Libya had to be a NATO

operation” and that President Sarkozy was advocating an essentially Anglo-French operation “but we could not have done it with the French alone.” As it turned out the handling of the aftermath in Libya was a failure which President Obama admits more openly than David Cameron. There are many lessons for EU and NATO to be learnt here. They also have implications for the UN. Russia and China, having abstained over Libya in the Security Council so the military intervention was legal, have been far less receptive to help over Syria in the Security Council apart from negotiations over sarin gas.

Article 5 would have been very difficult to invoke over the Russian annexation of Crimea if Ukraine had been admitted into NATO. That is because of a combination of circumstances surrounding the forcing out of the elected President and the nature of the EU/Ukraine Association Agreement. This is the Agreement rejected in the referendum in the Netherlands. President Putin must, however, be under no illusion that Article 5 will be invoked if any Baltic state was to be subjected to similar tactical military incursions from Russia as happened in Ukraine.

In Europe we are sleepwalking in relation to security questions and the situation is not stable. There is no shadow of doubt that all European NATO member states should now increase their defence budgets as agreed two years ago in their Newport meeting to 2 per cent of their GDP. Sadly, there is little chance that they all will, but at least the UK has committed itself to doing so. There must also in future be less talk about EU military defence in EU documents such as the EU–Ukraine Association Agreement, less talk about EU common defence, and a far greater European commitment to NATO, not just in words but in actions.

We need now P5+1, the same combination that operated well over Iran, to negotiate settlements of a number of the current boundary disputes in and around Ukraine including Transnistria while standing by the Budapest Memorandum which we and the U.S. signed in 1994. Not until an overall regional settlement is reached should there be any recognising of the annexation of Crimea.

Outside the EU, the UK has an unique opportunity to shield itself from a future collapse in the Eurozone by starting to negotiate global trading arrangements and improving our competitiveness and simultaneously demonstrating a greater commitment to NATO.