

**SPEECH BY THE RT HON LORD DAVID OWEN TO THE BRUGES GROUP
MONDAY 13th JUNE 2016**

It is appropriate in the last stages of this referendum campaign particularly addressing the Bruges Group to ask how it is that Margaret Thatcher, the most powerful Prime Minister we have had since we joined the Common Market in 1973, totally failed to slow down, let alone halt, the continued integration of the EU despite being, on the face of it, the most hostile Prime Minister ever towards the end result of integration – a United States of Europe. Even on the backbenches having been forced by her own MPs to step down as Prime Minister, she was never able to overturn Maastricht.

The answer - and it has direct relevance to why we should leave on 23 June - is that as a nation of pragmatists or shopkeepers, call it what you will, we continuously underestimate and simply will not address the underlying passion and commitment of the powerful people who on a day-to-day basis run Europe and steer it towards that end result, a United States of Europe.

We also ignore how effectively the Brussels believers turn the mind frame of the diplomats, civil servants and experts from the Member States to their 'idea of Europe'. Part idealistic, part realistic they constantly reiterate the idea that a nation state is rather old-fashioned in a complex world. That supranationalism enshrined in Treaties, which cannot be amended, is the only way forward. That democracy is untidy, inefficient and needs to be managed and tempered by expertise. They have both a design, a method and tenacity.

It is not a conspiracy and labelling it as such is a mistake, which they can and do label as paranoia. Behind their method lies a body of theoretical writings and a true bureaucracy in the sense that the administrators, who run the EU, feel themselves responsible to an 'idea of Europe'. Their Community Method has been defined as “the process whereby political actors in several distinct settings are persuaded to shift their loyalties, expectations and political activities toward a new centre, whose institutions poses or demand jurisdiction over the pre-existing national states.”

Behind the method is the notion of spillover - when integration takes place in one area but not in another, the resulting imbalance spills into the static area creating a momentum for change everywhere. They create a hugely complex Budget from the Member States then return part of the Member States' money but insist it is labelled EU. They have ensured that the instigation of legislation lies with the Commission not with the Member States and not with the Parliament.

They have linked the free movement of people and labour to their Single Market when it is not necessary because they know it is necessary for a single currency and a United States of Europe.

As a result there is a complex interlocking structure that measures its achievement by the extent to which it acquires central power and they have managed cleverly to keep the European Parliament as their ally. All this is underpinned by an overriding federalist ethos within the European Court of Justice.

Put very simply: unless we vote to leave now in 2016 we will pass a tipping point in powers and laws transferred from the UK which means we will have gone beyond the point of no return in our capacity to govern ourselves. The Common Market and the Community never came close to this tipping point but now with the Union and a common currency we are crossing over the line. TTIP does this in relation to the NHS.

Let us look at defence. Surprisingly it came very high initially on the European agenda. An EDC Conference was held in Paris on 15 February 1951 initially with little controversy but the Treaty was challenged by General de Gaulle still in retirement in 1953 and ratification was rejected in the French Assembly on 30 August 1954. De Gaulle, like Margaret Thatcher, a very strong leader who hated the very idea of a United States of Europe, was eventually persuaded to drop his 1962 Fouchet Plan and deal bilaterally with Adenauer forging not peace that was NATO but real friendship between France and Germany.

Now defence is being put on top of the integrationist agenda after our UK referendum is over. The Community Method has typically geared up the EU to use our UK decision, whether to leave or remain, to take another integrative step forward: this time on defence.

A German paper circulating in Brussels and Berlin advocates detailed plans for progressing an EU joint military headquarters and shared military assets. It has been held back deliberately. But it will come into effect without the UK and regardless of whether we vote to leave or remain because under the EU Treaties there is now the provision for enhanced cooperation. Under this arrangement, as long as nine countries agree, a very similar military arrangement to that being proposed will come probably with some minor modifications into existence and there will be more than nine countries out of 28 who will vote for it to go ahead. This is but one of many indicators of the direction in which the European Union, with or without us, is now heading.

People who ought to know better are involved in a soft shoe shuffle in the EU to diminish NATO and pretend that the EU can fill what is fast becoming a yawning gap in allied military capability in Europe. For decades the U.S. Defense Department has been hostile to EU "common defence" accepted by Major at Maastricht and to "autonomous defence" promoted by Chirac and Blair. The US has, at the highest level, repeatedly warned against two planning centres for defence in Europe, one in the EU and one in NATO. Every U.S. Secretary of State for Defense, the present incumbent excluded, has publicly when retiring opposed this development. So have most Secretaries in the State Department though somewhat muted at times by a prevailing opinion at official level in the State Department that has been favourable to a United States of Europe for decades.

President Obama, in his recent interview for the *Atlantic* magazine, correctly, 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 imbalance has got to be corrected and soon. But it will not be done by the EU. It will only be done by a UK freed of EU pretension that openly and determinedly champions NATO to the exclusion of EU defence. Not for a year but for at least ten years. Not just in the UK or even the EU, but in

America not just in Congress but nationwide in the US.

We are not without friends in standing by NATO. “Britain’s own security and its role in western defence was likely to be enhanced if it left the EU” so said John Kornblum recently who worked primarily on security issues in and with Europe for nearly 40 years, including as head of the European Security Division of the State Department, deputy U.S. representative at NATO, head of the U.S. Mission to the Organisation for Security and Cooperation in Europe, Assistant Secretary of State for European Affairs and not least, four years as U.S. Ambassador to Germany. Kornblum has little time for the standard EU arguments about soft power, helping social development and expressing solidarity that have become the EU’s cover for its total lack of a serious defence and security strategy, let alone capability.

Whether it be in the Balkans, the Middle East, Ukraine, counter terrorism or Russia, Kornblum believes, and I totally agree with him, that the EU could not succeed without NATO. Nor has he much regard for drawing artificial lines between NATO and the EU: such as NATO is war, the EU is peace. In fact, he reminds us that the NATO Treaty is essentially about peace and cooperation among democracies. Three of the first five NATO Articles being about democracy, mutual support and consultations. He correctly recalls the NATO was the source of the strategy of détente. Citing Western strategy towards the Helsinki process, arms control negotiations and the place where the relationship with post-Soviet Russia from 1989 were successfully worked out. Nor should we forget that from the early 1970s NATO has had an environmental and a disaster relief programme. Kornblum's voice is far from being a lone one in the US but the Obama Administration attitude to NATO has changed slightly during his time in office. Hopefully that will not gather momentum with his successors.

While the EU is dysfunctional, NATO is not dysfunctional. NATO would benefit today from a solely committed British voice not one hovering between it and the incredible concept of EU defence.

By the people's choice, not its elite, Denmark is the one NATO country already not part of some EU treaty language commitments on defence. A core priority, when as I hope Britain leaves the EU, must be for the UK to strengthen our support for NATO and help improve the Alliance’s capability to act cooperatively to preserve peace and security including dealing with ISIL wherever it surfaces.

President Obama's 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. Richards adds clearly “but we could not have done it with the French alone.”

Tragically 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 urgent 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, were shut out by NATO and mistakenly its strategy was never discussed in the NATO Russian Council. As a result Russia has been far less receptive to helping over Syria in the Security Council apart from leading the negotiations over sarin gas.

There are also lessons and a warning to both NATO and the EU from Georgia since 2008 and Ukraine where in truth, Article 5 would have been very difficult to invoke over the Russian annexation of Crimea if Ukraine had been admitted into NATO. That was because of a combination of circumstances surrounding the forcing out of the elected President and the nature of the EU/Ukraine Association Agreement with its foolish inclusion of EU defence language. This is the Agreement recently 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 subject to another case of what is described as hybrid warfare.

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 over 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 should 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 which Russia still rates as a serious organisation. This means not just words but military hardware and more troops not reservists.

We need now P5+1, (the UN Security Council Five plus Germany) 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 such an overall regional settlement is reached should there be any recognition of the annexation of Crimea.

There have been two phases in the history of the EEC (Common Market) that started with the original six: France, Germany, Italy, Holland, Belgium and Luxembourg in 1956. The first phase was broadly successful and it evolved into the European Community. It looked as if it had reached a level of acceptance in Britain with Margaret Thatcher's critical but in some senses positive speech in Bruges on 20 September 1988.

That speech we now know from the departmental files had a large input from Foreign Office officials, well known for their total commitment to project Europe. A senior diplomat, John Kerr, wrote on a text "80 per cent of the Foreign Office draft had been adopted, ten per cent might yet be won and the remainder barely mattered." But the headlines from the speech and spin from No 10 focused on one passage "We have not successfully rolled back the frontiers of the state in Britain, only to see them re-imposed at a European level with a European super-state exercising a new dominance from Brussels." This was seen as a rebuke to Jacques Delors who on 8 September had won a standing ovation at the TUC heralding Labour's return to supporting the European Community with by 1997 all the fervour of the convert.

Delors had also told the European Parliament on 6 July 1988 that 80% of economic and perhaps social legislation would be made by the European Community. Putting that claim in perspective we now know that counting all EU regulations, EU Acts of Parliament and EU Statutory Instruments approximately 62% of all legislative acts introduced between 1993 and 2014 that apply in the UK, were to implement legally binding EU directives.

Yet the seeds of the EU's current disarray lie in the major step in 1992 towards a single European currency and the big political shift it potentially represented towards a United States of Europe. Margaret Thatcher's mistaken decision six years before not to heed the two written warnings on 14 and 28 November 1986 from her then Chancellor of the Exchequer Nigel Lawson that there should be no reference in the Single European Act to EMU was critical¹. She was advised by Charles Powell, her Foreign Office private secretary in No 10, with by then formidable powers, and they fatefully accepted wording that led to a sequence of affirming meetings on EMU: Hanover in 1988, Madrid in 1989, Rome in 1990 and the Maastricht Intergovernmental Conference of 1991 ending with the single currency, the fundamentally flawed euro we have today.

How could it have happened? Charles Moore, Thatcher's thoughtful biographer, believes it is because

"the builders of Europe saw the EEC as a continuous progress in one direction, they used each treaty, declaration, protocol, directive and so on as the building block for the next. Mrs Thatcher was very suspicious of this, both as a method of proceeding and because of the nature of the goals. But she was also trapped in it; it was a condition of membership."

That analysis is correct and we today are in grave danger of becoming ever more trapped. The euro is a far reaching experiment which has proved to be a broken backed project. It coincided with the significant name change from Community to Union. It has created a dysfunctional EU.

In Germany, the Bundesbank opposed this design for the euro in principle throughout and fought to retain the Deutschmark but was overridden by Chancellor Kohl a committed federalist. In France a referendum on the Maastricht Treaty was very narrowly won in September 1992 by President Mitterrand deeply sceptical of federalism but worried about the emergence of a too powerful Germany.

In the midst of the global economic crisis of 2008 a crisis developed in the Eurozone. That euro crisis is still with us in 2016: posing a question at the heart of the UK referendum debate. How long do you continue being associated with a failed currency that will lead to a euro collapse in the present Eurozone of 19 unless they become a country?

¹ Nigel Lawson, *The View from No 11* (Bantam Press, 1992) p. 893

My answer is ten more days! This is the time and we must seize the opportunity to leave. To remain is to stay shackled to failure. With no prospect of reform of the euro. To leave is safer and will restore, rejuvenate and re-energise a global UK.

It is instructive to recall how President Obama's first Secretary of the Treasury Geithner viewed the euro. He used some very tough language about the Eurozone in his book *Stress Test* published in 2014. He writes about 2010 "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."

The question today, in 2016, is whether the UK should get out from under the EU/Eurozone for economic as well as political reasons? Find new global markets and greater independence. The analysis of the former Governor of the Bank of England, Mervyn King, in his book with the thought provoking word "Alchemy" in its title is both clear and simple². The Euro crisis will continue, a euro collapse will follow unless in effect a country emerges inside Europe to run this currency with a fiscal union.

I do not wish to decry an idealistic belief in Federalism. People's views have waxed and waned in continental Europe on this issue but in the UK the polls show little interest, let alone support and as little as 15% show any readiness to support a United States of Europe. I well understand its attraction to some people and to vote to remain is for them the logical choice. I opposed Federalism in 1962 when the Labour leader, Hugh Gaitskell, warned against it. As Foreign Secretary I wrote the papers in July 1977 for an all-day Cabinet defining an anti-federalist strategy for the UK which was unanimously accepted. That is every bit as relevant and in the best interests of the UK thirty-nine years later.

Let us return to the ever present danger of being enveloped within a United States of Europe.

The founding fathers of the European Economic Community, people like Jean Monnet, a Frenchman, and Spaak, a Belgian, all along wanted Federalism to be the end result. Monnet's biographer, Eric Roussel, reveals how much of Monnet's life was spent in America. General de Gaulle thought of Monnet as an American agent and in the Second World War Monnet was close to Franklin Roosevelt and subsequent US Administrations worked with Monnet. He was a friend of John Foster Dulles, the influential Secretary of State under President Eisenhower.

The State Department's diplomats' longstanding support for a United States of Europe has been pretty obvious over the decades and the Department's own archives show that the US funded Monnet's European Movement in a memorandum signed by General William J. Donovan, previously head of the wartime Office of Strategic Services (OSS), the precursor of the CIA. In 1949 Donovan, who was not officially in government, became the Chairman of the newly formed American Committee on United Europe (ACUE) promoting European Unity. Allen Dulles was then on its board. One memorandum from Donovan dated 26 July 1950

² Mervyn King, *The End of Alchemy, Money, Banking and the Future of the Global Economy* (Little, Brown, 2016).

reveals a campaign to promote a full-fledged European Parliament. In 1958 ACUE provided 53.5% of the European Movements Funds³ and the European Youth Campaign was 100% funded by ACUE.

A memorandum released from the State Department archive is of great significance to our own UK referendum today. Written on 11 June 1965 it appears to instruct the Vice President of the European Community to pursue monetary union by stealth, suppressing debate until the "adoption of such proposals would become virtually inescapable."⁴ President Obama's claim (writing in the *Daily Telegraph*⁵) that post war the peace in Europe had been maintained by the US and the EU without at least linking it to NATO was a first for any US President. By any standard of objectivity, it is incorrect but it demonstrates why the future of NATO is something that will have to be fought for in the next decade within the US. Yet President Obama was correct to accuse us Europeans of being "freeloaders" in NATO and it is not tolerable that the US should be able to claim they are paying between 73-75% of NATO's budget. In his *Atlantic* magazine interview President Obama also claimed he had told David Cameron that if the UK did not hold to the pledged NATO contribution of 2% of GDP that would adversely affect the special relationship. The British government has so far made good on that pledge but there is much more that needs to be done.

I am a European but a convinced anti-federalist for Britain. Yet without a federalist Europe, creating to all intents and purposes a country, I do not believe the euro currency can survive. A collapse of the Eurozone we know in the UK would be very damaging to us; far more damaging incidentally than to the US. We are not truly shielded by not being part of the Eurozone as our exposure stems from our membership of the EU and our being neighbours. We cannot change our geography but we can shift our markets. To a friend who argued that a Eurozone collapse was inevitable but that we in the UK should not appear responsible, my reply was tough. After waiting six years for reform the responsible course was unashamedly to put the interests of our own people first.

Let me illustrate why. I have a house in Greece and have watched in horror the tragic consequences of a near collapse of the euro in that country. The stark poverty, appallingly high unemployment, empty shelves in pharmacies and restrictions on Greeks drawing out euros from banks has had a profound impact on the political credibility and the economic viability of the EU. The social Europe, its social market, its social conscience has been abandoned in its blind pursuit of austerity budgets. A Euro collapse in a large country like Italy, very likely within three years, or two other countries, like Portugal and Spain, would have a devastating effect on the UK. Why is that never discussed by the Prime Minister while he is

³ Ambrose Evans-Pritchard, 'Eurofederalism financed by US Spy Chiefs', *Daily Telegraph*, 19 September 2000.

⁴ Ambrose Evans-Pritchard, 'The European Union always was a CIA project, as Brexiteers discover', *Daily Telegraph*, 27 April 2016

⁵ President Obama, 'As your friend, let me say that the EU makes Britain even greater', *Daily Telegraph*, 23 April 2016.

ever ready to hype the risks of leaving?

It was noteworthy that on 27 April Michael Heseltine, a prominent Conservative and supporter of remaining in the EU 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's 83.) There are many like him in the Remain campaign who take this view but pretend euro entry will never happen. David Cameron now claims it will never happen. But he knows no British government can bind their successors on the euro in a General Election manifesto as on any other policy while we remain in the EU. The way to close down completely being sucked in to a United States of Europe is to leave the EU. We are not having the best of both worlds in the EU just tagging along on the outside of most of its major projects: by the very act of voting to remain we risk having the worst. We risk being taken for granted and in view of the Cameron words in his document lodged in the UN formally lifting the UK veto on all monetary matters as well as "deepening " a word of great significance in Brussels we are giving the 'green' light to further integration.

Another federalist development is the EU's pretentious Foreign Office, or as it is more blandly called the European External Action Service (EEAS) replete with Embassies in 140 different countries and with a total foreign service staff of 3,400. It has spectacularly doubled its budget in 3 years from just short of €500 million in 2012 to one billion euros in 2015. The European Court of Auditors have heavily criticized the expenditure on lavish buildings. Increasingly the External Action Service of the EU is becoming a foreign and defence department of a government.

The advantage of the UK leaving the EU is the clarity of objectives it brings to the development of Europe. It will end the pretension, the besetting sin of the EU. The UK will return to self-government, making its own laws, controlling its borders with a points system for immigration and be free to trade as it wishes worldwide.

Far from being of itself damaging, the UK leaving allows the EU - if it can summon the will - to resolve the Eurozone crisis. When this will happen is anyone's guess. Meanwhile the EU will remain in disarray. It is an illusion that the British role is to Lead not Leave. We are becoming bit players in all aspects of the euro and much else besides.

There will be a special responsibility for the UK as an integral part of leaving the EU to devote effort and more resources to NATO. We should transfer all our present EEAS budget to NATO. I am convinced that NATO must be retained as the most effective international defence command and control organisation in the world. The American people will respond to more effort and commitments from the British over NATO and that is now the UK's main responsibility. We can be greatly helped in this by Canada. This is a country that demonstrates day by day that with its own currency, foreign and defence policy one can be a strong self-governing independent country.

All we need is Courage, Confidence and Conviction.

First and foremost, if we vote to leave, legislation to repeal the European Communities Act 1972 must be presented to Parliament in July or early September as I made clear in a speech

in Edinburgh on 7 June. We should have enabling legislation on the Statute Book by the Christmas recess in December 2016. This is vital to implement the people's choice and would mirror the decision taken by James Callaghan in the 1975 referendum on what should happen if the people had voted to get out of the Common Market. We would be fully out of the EU in two years, by December 2018, unless by unanimous agreement of 27 EU Member States, because of progress on a bilateral trade agreement, we could invoke a legislative provision for an extension of one year until December 2019 leaving nearly six months before a May 2020 General Election.

END

Note to Editors

Contact:
Maggie Smart
Private Secretary to Lord David Owen

Tel: 01442 872617 or 07710 494141
davidowen@lorddavidowen.co.uk