The Rt Hon David Lidington MP

*The European Union: Our Shared Future*

Helsinki, 20 March 2013

Introduction

Your Excellencies, Distinguished guests, Ladies and Gentlemen.

1. It gives me great pleasure to be here with you in Helsinki today.
2. I was last here just over a year ago. Then, as today, I was reminded how the British and the Finnish share a common fascination with the weather. The daffodils are beginning to bloom outside the Foreign Office in St James’ Park in London. I’m assured that spring is on its way here too, although I must say that this hasn’t been immediately obvious.
3. That said, I hope you have noticed that British Ministers at least are not put off travelling to Northern Europe during these cold winter months. I am here today, and David Cameron was in Riga for the Northern Future Forum three weeks ago. I am delighted that Finland has offered to host the Forum in 2014.
4. And each time I or any of my colleagues visit Finland or another of our Nordic and Baltic partners, we are reminded of just how much we agree on: whether in our support for free trade and open markets; our belief in budgetary discipline and a rules-based system; our respect for human rights, free speech and democratic values; or our determination to be competitive and successful in the global marketplace.
5. Of course, there are also areas where at first glance our views might seem to diverge. An obvious example, and not just because of my particular responsibilities, could be Europe. On the face of it, the British and Finnish approaches are quite distinct. The history of our respective membership, and the size, geography and politics of our two countries go some way to explain that contrast. The eurozone is one thing on which we have different positions. However, I would like to emphasise that the UK wants to see its friends succeed in bringing stability to the single currency. 40% of the UK trade is with the eurozone countries so the UK has naturally a strong interest in this as well. Beyond the media sound-bites and the news headlines, I think we have more in common – both in terms of interests, but also objectives - than may at first appear to be the case.
6. I want to explain why. And I will do so by posing a number of questions that I will try to answer today. Where is the European Union now? Where is it going? And what is the British vision for its future?

Where are we now?

1. If we look beyond the immediate crisis, there are three factors affecting Europe today:

* The global shift of power. When historians write about the 21st Century, they will write about the shift in dynamism to Asia, Latin America and most-probably parts of Africa. Countries such as Indonesia, India, China and Turkey are now challenging us with quality goods and services, which we thought we had a god-given right to. In addition, there is an increasing competitiveness gap between the EU and the US which we will need to address. We must pay attention to these concerning trends. If the future Europeans want to maintain the living standards and social welfare benefits we are used to, the EU must increase its competitiveness. We need to start watching these trends. The Single Market is an important driver for change. The Single Market is already operating well, but needs to go further to cover services, digital and more.
* Flexibility. The second driver for change also concerns the Single Market. The success of the single currency is very much in the interests of the UK, as much of our trade is with the Euro 17. There will inevitably be a need for members of the single currency to move towards a closer fiscal and economic union. This poses questions. As far as I can see, there will be a group of Member States inside and a group of Member States outside the single currency area. Banking Union was the first example of the EU facing up to the challenge of how to square a Europe of 17 and 27 (soon to be 28). We need to protect the Single Market as a whole.
* Sense of disaffection amongst the public with the EU. This can be shown by a 3rd of French voters voting for Le Penn in the Presidential elections, the rise of Syriza in Greece and the rise of the True Finns in Finland. More worrying is the rise of parties such as Golden Dawn in Greece and Yobic in Hungary. This is not solely down to the EU, but there is no doubt that these political sources have tapped into a genuine sense of disaffection of publics throughout Europe.

1. The European Union has brought peace, reconciliation, and prosperity to a continent with a troubled past. The Single Market has broken down borders, opened up opportunities, and helped to make our countries what they are today. We are all dependent on the Single Market, and Finland and Britain are champions of its expansion.
2. I think you would agree that the Single Market is a great achievement. But it is also work in progress. We cannot assume our economies will grow unless we break down the remaining barriers, to expand and deepen the Single Market.
3. Making progress on the Digital Single Market is an obvious first step. I am delighted that the UK and Finland are working together to organise a symposium on the Digital Single Market in May, targeted at business leaders, ministers, think-tanks and opinion-formers from across Europe.
4. Both of us want to keep increasing our trade connections - both within and outside the EU. A crucial part of this is our work to progress negotiations on Free Trade Agreements across the world, in particular by encouraging conclusion of agreements with Canada and India, and pressing for the launch of negotiations in the coming months for agreements with the US and Japan.

Balance of Competences

1. In the UK, as you may know, we are asking ourselves what EU membership actually means for us.
2. Last summer the British Government launched the Balance of Competences Review to give an informed, evidence-based analysis of the impact of EU membership on the UK.  We hope that this will also make a contribution to the wider European debate on reform.
3. I believe that analysing the challenges and benefits of the EU will benefit all of us, so we are keen to hear from others in Europe as part of this exercise.

Where is the EU going?

1. Speaking of challenges brings me to my next point: what are the main challenges ahead for the EU, and how should we meet these?
2. Perhaps most clear is that the Eurozone needs to fix its currency. How and when it succeeds will impact us all. We need the Eurozone to have the right governance and structures, whilst always protecting the integrity of the Single Market. We must ensure that, whatever arrangements are enacted for the Eurozone, they work fairly for those inside and out.
3. Wherever we stand on the European debate, we can agree that the EU needs to become more competitive to support the standard of living we have in Europe. We also need to work to ensure growth, to increase employment, and to address the gap between Europe and its citizens. There are populist movements rising around Europe which reflect the genuine dissatisfaction the citizens feel towards Europe.

The UK’s vision for our European future

1. So what does the UK think? Where are we planning to go? Or indeed not go? Where do we think the EU is going? What would we like to see? David Cameron in his speech emphasised the need for a reform through paying attention to Europe’s competitiveness, flexibility, and fairness.
2. We need to talk about these questions, bring them out into the open, analyse them, debate them. And that’s exactly what we’ve been trying to do. Look at the potential here today: there are business leaders, academics, officials, politicians and students here, and we all should and do have an interest in the EU.
3. I am sure you will all be aware of the speech on Europe given by my Prime Minister in January. The speech set out a vision for reform in the EU – reform which is in the interests of all Member States. It highlighted five areas: competitiveness, flexibility, power flowing both ways, fairness, and democratic accountability. I would like to take these in turn.

Competitiveness

1. First, competitiveness. The EU needs to become more competitive in order to maintain the standard of living which Europeans currently enjoy. As Chancellor Merkel has said, Europe accounts for only 7% of the world’s population, but even so it still produces around 25% of global GDP and finances 50% of global social spending.
2. Key to promoting competitiveness, I believe, is completion of the Single Market in services and in energy. We can overcome regulatory, cultural and ideological barriers and we can pave the way for a more ambitious and expansive Single Market.
3. We can focus on the vast potential of the Digital Single Market. Currently, cross-border online trade remains low. Half of all people who are online in the EU buy goods or services on the internet but less than 10% of this online trade is cross-border. It is estimated that completing the Digital Single Market by 2020 is estimated to increase EU GDP by 4%. Without this businesses will find it increasingly hard to compete globally.
4. Britain will continue to champion the EU growth agenda, with the aim of removing unnecessary regulations, particularly for small and innovative companies; deepening and widening the single market; and, liberalising trade. Agreement of a Transatlantic Trade and Investment Partnership would prove to the world that we are serious here and would open-up the historic prospect of global standards for transatlantic trading.

Flexibility

1. Second, flexibility. All countries are different, and EU Member States are no exception. Difference and diversity are positive. Any structure which is going to work for British and Finnish interests and the interests of 25 others needs to be flexible.
2. Flexibility within the EU reflects our diversity. Some are in the Euro, others not; some take part in the Schengen arrangements, others do not. Twenty four countries have signed up to the EU patent. Some will sign up to a financial transaction tax but a majority, including countries at the heart of European integration like Luxembourg, won’t. Almost every Member State has its sensitive issues whether agriculture, shipping or savings banks where the EU has to find a way of accommodating vital national interests.
3. The EU’s flexibility to accommodate variety is a strength, not a weakness. Our collective future is not about who’s joining in everything and who isn’t. It’s about embracing and mobilising the huge cultural, political and economic diversity of 27 – soon to be 28 – different countries.

Power flowing both ways

1. A more effective EU does not have to mean a bigger, more expensive or, indeed, more centralised EU. One of the problems therefore is that people feel that the EU is a one way process, that more and more decision-making is removed from national parliaments to the European level.
2. That needs to change. If we cannot show that decision-making can also flow back to national parliaments then the system will become democratically unsustainable.

Fairness

1. Turning now to my fourth point: fairness. The Damanaki reforms on fisheries hopefully show that it is possible to move away from central to regional control. Flexibility doesn’t mean that there are no rules. Flexibility is completely compatible with the Single Market and its rule-based structures. As I have mentioned, the Single Market and its common rules are the core of the EU. But that doesn’t require everything to be harmonised. On the contrary, harmonised European level rules and regulation could become intimidating for small, innovative companies.
2. All Member States’ voices need to be heard, whatever their size, currency, or opinion. All Member States must shape the rules. The integrity and fairness of the Single Market must be upheld, for all EU Members. Britain will continue to promote and defend the Single Market as the Eurozone evolves.

Democratic accountability

1. As the EU continues to evolve and the Eurozone integrates more closely, we must ensure that the people are heard. And this brings me to my fifth point: democratic accountability.
2. There is a worrying disconnect between the EU and its people, which I think is felt particularly acutely in Britain. The Eurobarometer survey conducted earlier this year showed that only 27% of Britons felt very or fairly attached to the EU. The figure is only slightly higher in Finland, where 33% of people said they felt attached to the EU. The EU average is higher at 46%, though that in itself is hardly encouraging. I think that the truth is this: there’s no such thing at the moment as “European demos”. For the most part, People’s sense of political identity and demand for accountability looks first and foremost to national democratic institutions. This explains why turn out at the European Parliament elections is so low.

32. National parliaments are the main source of democratic legitimacy and accountability in the EU. This is how the voices of people across the EU can be heard, and this is how their connection to the EU can be strengthened. So national parliaments need to play a greater role in the functioning of the EU. A key element is finding a way to get national parliaments more involved in EU decision making. I don’t have a blue print for this, but some ideas might include strengthening the yellow card procedure already in place or adding a second chamber to the European Parliament consisting of national MPs. Finding some way to increase the input of national parliaments would go a long way to increase the sense of democratic accountability in Europe.

Clarifying misconceptions

1. As I’m sure you will have noticed, there has been a fantastic range of responses to the Prime Minister’s speech, showing how far it resonates with the debate taking place across the EU about the future of Europe. But there have also been some misunderstandings, which I would like to take this opportunity to clarify.
2. I want to be absolutely clear: the British vision for the future of the EU is not about **cherry-picking**, or ‘Europe a la carte’. The Prime Minister has stressed that we want to reform the EU for the benefit of all Member States. Our vision promotes a Europe-wide debate on how to become more competitive in the global race and more democratically accountable to the people of Europe.
3. We may need at times to work in different ways. Europe does not have to always act as a bloc – indeed, currently it does not.
4. So the real debate is about how to modernise and reform the EU to get it to work better for all of us. Britain intends to play a leading role in that – not just by taking the Single Market further, but also by seeking a leading role in other crucial areas: for example, in energy, climate change, development, foreign and security policy, and enlargement.
5. Other people have interpreted the Prime Minister’s speech as a signal that the UK intends to leave the EU. I cannot stress enough that his speech made clear that this is quite the reverse of his intentions. The Prime Minister has been crystal clear that he believes that EU membership is in Britain’s national interest. He said very clearly that whilst Switzerland and Norway are our good friends, their system is not a viable alternative for the UK. He also made clear that we are stronger in Beijing and in Washington when speaking in a coherent voice with our European partners.
6. Having set out the reforms he wants to see in Europe, the Prime Minister said, that the next Conservative Manifesto in 2015 will include a commitment to a referendum on staying in a reformed EU, or coming out. He is confident that Europe can reform and adapt to the Twenty First Century and will campaign to stay in on these new terms with ‘all his heart and soul’. As the PM has said: ‘We’re not putting a list of demands on the table and saying we’ll storm off if we don’t get them. What we’re saying is we should in Europe have changes that will benefit all of the countries of the European Union, but which at the same time will make Britain more comfortable with her place in the European Union.’
7. I want to emphasise, as the Prime Minister did, that this isn’t about putting a question mark over Britain’s future in Europe because that question mark’s already there because of the public debate in the UK. And I want to say frankly that this is not just an issue in the UK; all of us need to recognise that disquiet and disconnect with the EU is at record levels and that simply ignoring that fact is not pro-European but exactly the opposite. For our part we want to face up to the challenge that confronts Europe: we want to see a successful Britain in a successful EU. Simply asking the British people to carry on a European settlement over which they feel they haven’t had much say means that when the question is finally put – and at some stage it will have to be – it is much likelier that there will be a rejection of the EU. David Cameron’s opinion is that by confronting the issue we can shape and lead the debate and secure the result we want – a Britain that is comfortable in its place in Europe with a decisive public endorsement which will settle the question for a generation.

Conclusion

1. Let me finish today by saying this. Change is necessary and doable.
2. There is a debate in Europe about the future of the European Union. It’s an absolutely crucial debate to have, and Britain is taking full part. Discussion is going on far beyond the UK.
3. We are committed to helping to shape the future of an open, flexible and adaptable EU. We want to achieve a better deal for Britain and a better deal for the Europe as a whole. We’re not saying it will be easy, but we think that change is necessary and that change is achievable.
4. I hope that this debate will lead us to a more successful, a more competitive, and a more democratic European Union. The European Union is best with Britain in it. We can and should strive for a European Union in which Britain can be comfortable and in which all of our countries can thrive and promote prosperity and security.