

JOHN P. MACKINTOSH MEMORIAL LECTURE

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The European Union: What's Next?

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I would like to talk about 'The European Union – What's Next?' It is definitely the right time to ask this question as 2019 is a decisive year for the EU. In 32 days, on 29 March, the United Kingdom will, sadly, regrettably, leave our community of states and in about three months, from 23 to 26 May, citizens in 27 member states will elect the 705 new members of the European Parliament.

Although I have a Scottish surname and Scottish roots, Germany is my home country. I have lived in Germany all my life but of course I have a special relationship to Scotland. There are many thousands of soldiers who didn't return home after their military service ended, preferring life in Germany. One of them was my father. Like so many in his generation his youth was interrupted by World War II. He landed on the beaches of Normandy in 1944 and the mission took him to France, Belgium, the Netherlands and finally to Northern Germany. In the Fifties, he then decided to go back to Germany, now as a civil servant with the British Military Government. Like so many he married a German wife. Scotland was the distant land where our relatives lived.

The last time I spoke in Edinburgh was in April 2015. It was during the time when Europe was recovering from the worst financial and economic crisis since World War II. For many

millions, the financial crash of a decade ago destroyed their faith in the political and financial world. Since then, the global market, the onrush of science, medicine and all forms of technological advance continues to move the world on at an ever-faster pace. In just a few years, the political context both in Europe and elsewhere in the world has changed fundamentally. In April 2015, nobody could have imagined that, just a few months later, the European Union would again be put to the test by another crisis, namely the huge challenge of mass migration.

Four years ago, I would not have guessed that Brexit will become reality, not many had heard of Donald Trump as a politician, and little did we talk about disinformation and Russian influence in fake news. Even though disinformation did exist back then, it had not taken the considerable route as it has now. This reminds us that today we live in a world of flux. Power structures are changing. Allegiances are changing. Little is as it was: even less will remain as it is.

This is especially the case in regards to Brexit and the future relationship between the UK and the EU. Needless to say, it is very unfortunate that the UK will leave our community of states. However we as EU-27 are determined to continue improving the European Union and to make it better, stronger and more efficient.

In my opinion and that of the European People's Party the European Union should focus on *eight policy areas* becoming, in the words of Jean-Claude Juncker, bigger on big things and smaller on small things.

1. A Deeper Economic and Monetary Union

More than 21 million companies, around 500 million consumers: the single market is the core of European

integration and at the same time the world's largest common market. Ten years after the collapse of Lehman Brothers, Europe has largely turned the page on an economic and financial crisis which came from outside but which cut deep at home.

The European Union economy has now grown for more than five years. Jobs have returned, with almost 12 million new jobs created since 2014 – more than there are people in Belgium. Never have so many men and women – 239 million people – been in work in the European Union. Youth unemployment is at 14.8%. This is still too high a figure, but is the lowest it has been since the year 2000. Ireland was able to leave the European rescue package in 2013, Portugal 2014, Cyprus 2015 and, since August last year, Greece has been standing on its own feet again. The task is now to make Europe financially crisis-proof. This will only succeed if we consolidate confidence in the euro and strengthen the monetary union.

My political family – the EPP – supports completing the Economic and Monetary Union, based on the core principles of convergence, fairness, resilience, flexibility and solidarity. Especially, the principles of liability and control as well as solidarity and responsibility must not be separated. Decisions taken on a national level require liability on the national level. This has to be taken into account especially for national debts.

This year the euro is 20 years young and has already come a long way – despite its critics in London. It is now the second most used currency with 60 countries linking their currencies to the euro in one way or another. But we must do more to allow our single currency to play its full role on the international scene.

Recent events have brought into sharp focus the need to deepen our Economic and Monetary Union and build liquid capital markets. It is strange that Europe pays for 80% of its energy import bill – worth 300 billion Euro a year – in US dollars when only roughly 2% of our energy imports come from the United States. It is also peculiar that European companies buy European planes in dollars instead of Euro.

The euro must become the face and the instrument of a new, more sovereign European Union. For this, we must first put our own house in order by strengthening our Economic and Monetary Union, as we have already started to do. Without this, we will lack the means to strengthen the international role of our joint currency.

2. A more innovative digital single market

The digital single market holds one of the main keys to a new dynamic across the European economy as a whole, fostering jobs, growth, innovation and social progress. All areas of the economy and society are becoming digital.

Europe needs to be at the forefront of this digital revolution for its citizens and its business. Barriers to digitisation are barriers to jobs, prosperity and progress. By creating a connected digital single market, experts predict that we could generate up to 250 billion Euro of additional growth in Europe in the course of the next five years, thereby creating hundreds of thousands of new jobs, notably for younger jobseekers, and a vibrant knowledge-based society.

It is not only about investing in digitisation and setting the necessary legal framework for EU-wide digital business. It is also about making the digital revolution fair. This includes big companies, especially from the United States, which

generate very high profits in Europe needing to pay taxes in Europe.

Digital giants such as Apple, Amazon, Google and Facebook pay far less tax than traditional companies because of the lack of branches in Europe. We need a fair and effective tax for large digital companies. Only by working together can we shape the digital revolution instead of being shaped by it.

3. A resilient Energy Union with a forward-looking climate change policy

Energy production and consumption account for roughly two-thirds of global greenhouse gas emissions. In the EU, 55% of emissions come from the energy sector. Ambitious yet realistic and flexible targets for the use of renewable energy and energy efficiency, including in buildings, are important in the next decade for the EU to achieve its targets to reduce CO₂.

Five years ago – at the beginning of this legislative term – the Energy Union was a vision, a strategy, an action plan which united us. Today, the Energy Union is a new reality. The objective of providing every EU citizen with secure, sustainable and competitive energy is now enshrined in legal texts. This required redesigning our electricity market, reinvesting in infrastructure, rethinking the role of renewables and other sustainable technologies, redefining the role of energy consumers and much more.

Perhaps the most important initiative to name is the Clean Energy Package. This package has set the way to reach our joint climate and energy targets for 2020 and 2030. But equally important, it creates the new standards for a future-proof, sustainable and smart electricity market. In order to reach the Paris Agreement objective we may need to

achieve a global CO2 neutrality by 2050 and greenhouse gas neutrality soon after. The global industry might therefore need to drop its CO2 emissions by up to 90% compared to 2010 levels. This is a huge challenge which requires us in Europe to think further ahead and work closely together.

4. A Europe that shapes the international trade order

Europe is a continent whose prosperity is largely based on trade. Trade is a key driver of jobs in the EU, with more than 30 million jobs, or one in seven, already dependent on trade with the outside world. It is not only goods and services that we export through open global trade. It is our values and standards. Sharing and enforcing them is a critical part of our response to globalisation.

However, protectionism and unilateralism are on the rise and significantly challenge the international trade order as we used to know it. In particular, the isolationist approach taken by the US administration under President Trump poses a threat to it.

We in the European Union will continue to make the case for an open and fair global trade order with clear regulatory frameworks, as we are a leading advocate of the rules-based international trade system. The EU has recently concluded free trade agreements with Canada (CETA) and Japan (JEFTA). And two weeks ago the European Parliament approved the free trade and investment agreements between the EU and Singapore.

The Canada agreement is the best-ever trade deal, setting new standards. With these new free trade agreements, we as the European Union are setting out a clear signal against President Trump's policy of isolation, and for international co-operation with like-minded partners. In the next term, we

need to further strengthen free, fair and rules-based trade in the interest of our economy; to modernise the World Trade Organisation and adapt it to the global economy; and to conclude further trade agreements with the Mercosur countries, Australia and New Zealand and start negotiations with India.

5. A Europe of Subsidiarity

Subsidiarity is a fundamental principle laid down in the Treaty on European Union. This means that not every problem *in* Europe is a problem *for* Europe. It is about the EU concentrating its efforts on issues where European action is particularly important.

For the forthcoming negotiations on the Multiannual Financial Framework 2021-2027, the EU should therefore concentrate on key challenges. In concrete terms I am thinking for example of an effective protection of the EU's external borders; a common foreign, security and defence policy; and more investment in education and research.

The European Parliament has advocated making an additional 100 million Euro available for the Erasmus Plus education programme by 2020. A total of four million young Europeans will then have benefited from the programme.

We need to focus more on those areas that bring a *clear* European added value. More may mean doing less, but better, than envisaged in the 1990s.

6. A comprehensive migration agenda

Migration is the central political challenge of our time. 2015/16 deeply upset German politics and society. The EU has since made more progress than is often acknowledged.

The efforts to manage migration have borne fruit: arrivals have been drastically reduced – down 97% in the Eastern Mediterranean and 80% in the Central Mediterranean. EU operations have helped rescue over 690,000 people at sea since 2015. In particular, the EU-Turkey Agreement has helped to manage migration. It saved the lives of many refugees because they no longer had to place themselves in the hands of smugglers and traffickers.

This indicates that we need more and closer European co-operation. Now we need to create an efficient Common European Asylum System that is resistant to crises and based on solidarity. That means to control, manage and limit migration; to combat the root causes of migration efficiently; and to better protect and control the EU's external borders.

Deficiencies in the protection of our EU external borders jeopardise one of the central achievements of the European Union: co-operation in the Schengen area of more than 25 states.

Therefore FRONTEX must develop into a genuine European border police force and coastguard and – taking into account national sovereignty – be equipped with the appropriate personnel, competences and resources. I welcome the European Commission's proposal to better protect our external borders with an additional 10,000 European border guards by 2020. We also need to further develop the European Asylum Agency to make sure that Member States get more European support in processing asylum seekers in line with the Geneva Convention.

Another point is that by 2050 Africa's population will number 2.5 billion. One in four people on earth will be African. We need to invest more in our relationship with the nations of this great and noble continent. And we have to stop seeing

this relationship through the sole prism of development aid. Africa does not need charity, it needs a true and fair partnership – and Europe needs this partnership just as much. Reciprocal comments are the way forward; we ought to build a new partnership *with* Africa.

The EU and the Member States need to redesign their foreign policy, trade policy, development aid policy and neighbourhood policy, and this might require new structures in the Commission.

7. More co-operation in European security and defence policy

The international order as we used to know it has changed significantly in recent years. Russia is breaking international law in Crimea and Eastern Ukraine and violating international marine law in the Sea of Azov. China is making strategic state enterprise investments in Europe and continues to expand its influence. The US has withdrawn from international treaties and organisations. This has weakened the transatlantic relationship to some extent.

It becomes clear that Europe must ‘take its destiny more into its own hands’ (Angela Merkel). It is time that the EU develops what Commission President Jean-Claude Juncker named *Weltpolitikfähigkeit* – the capacity to play a role, as a Union, in shaping global affairs. Europe has to become a more sovereign actor in international relations.

In concrete terms, we need to decide by qualified majority instead of unanimity when it comes to foreign policy issues; we need to set up a European Security Council with changing, rotating formations of member states; and we need to establish a fully-fledged European Defence Union by 2025.

It is not right that one member state was able to hold the renewal of our arms embargo on Belarus to ransom, or that sanctions on Venezuela were delayed for months when unanimity could not be reached. That is why I am in favour of moving to qualified majority voting in some areas of our external relations, not in all but in specific areas, human rights issues and civilian missions included. This is possible on the basis of the current treaties and I believe the time has come to make use of the 'lost treasure' of the Lisbon Treaty.

In regards to the European Defence Union, all member states should aim to spend at least 2% of GDP on defence by 2025. At the same time, I welcome the establishment of the European Defence Fund. This will promote co-operation and cost savings among member states on producing state-of-the-art and interoperable defence technology and procurement of equipment. We should build on, and extend, the system of Permanent Structured Co-operation (PESCO) to enable us to co-operate in defence, including better EU command and control structures. We need an integrated defence market and vastly improved pooling of resources in research and development.

Allow me to clarify one important point: it is not about militarising the European Union. And it is not about duplicating or even doing things against Nato. If Europe were to unite all the political, economic and military might of its nations, its role in the world could be strengthened. We will always be a global *payer* but it is time we started being a global *player* too.

8. A close relationship with the United Kingdom after Brexit

In four weeks, the UK will probably leave the European Union. Like so many, I personally deeply regret this. To put it in the words of John Major, Tony Blair and Nicola Sturgeon, Brexit is a 'historic mistake'. The post-Brexit world will be very different from now. It cannot be otherwise, because no form of Brexit for the UK will remotely match up to the promises made by the Leave campaign before the referendum. They were just vote-gathering fantasies, not serious politics.

European politics can be – as I do know – very frustrating. Nonetheless, after weighing frustrations and opportunities, there is no doubt in my own mind that the British decision is a colossal misjudgment, which will diminish both the UK and the EU. It will damage national and personal wealth, and may seriously hamper our common future security. And – once this becomes clear – I believe that those populists who promised what will never be delivered will have much to answer for.

To reduce the consequences of Brexit for both the UK and the EU, both sides agreed after 18 months of negotiation on a 585-page long Withdrawal Agreement as well as a Political Declaration for our future relations. The adoption of the withdrawal agreement by the House of Commons and the European Parliament is a prerequisite for an orderly EU withdrawal and this also for the agreed transition period. Companies and institutions on both sides need this period urgently to get prepared for Brexit.

The Withdrawal Agreement will not be reopened even under 'keyhole surgery' – it is take it or leave it. The focus to solve the Irish backstop should be on the future relationship

including a follow-up agreement with alternative measures. The EU will be ready to open the second round of negotiations on our future relationship as soon as possible after the withdrawal of the United Kingdom.

As Jean-Claude Juncker, Donald Tusk and Angela Merkel have said, the United Kingdom will never be an ordinary third country for us. The United Kingdom will always be a very close neighbour and partner, in political, economic and security terms.

The political declaration agreed between the European council and the UK government has already laid the framework for this, making provision for an ambitious partnership. According to the declaration, the future relations should be based on four pillars: trade and economic relations; foreign policy; internal security; and thematic co-operation, for example on cross-border research and innovation projects.

Now, first the House of Commons and then the European Parliament have to ratify the treaty. In particular, the political situation in Westminster is concerning – especially considering that it was passionate pro-Europeans like John P. Mackintosh who campaigned energetically for British membership of the then European Community - I wonder what he would say? Mackintosh's ability to encourage political debate, co-operation and new ideas crossed the political divide and influenced the thinking of those of all political persuasions. This is exactly what we urgently need today to overcome the political division.

Without ratification in the House of Commons there will be no withdrawal agreement and no transition agreement; nor will there be the mutual trust we need in order to build our future relationship. To reiterate: these are not ordinary trade

negotiations where failure just means the parties going back to square one. In the case of Brexit a no deal scenario, unlike an orderly withdrawal which would allow us to prepare for the future, would take us back to a distant past where customs duties were part of the daily life of our businesses.

Conclusion

From 23-26 May, citizens in 27 member countries will elect a new European Parliament.

These elections are probably the most important ones in Europe since 1979 and will take place in one of the biggest democratic exercises anywhere in the world. This is not only because of the sheer number of citizens who are to cast their vote: 373 million, 23.4 million of them voting for the first time. It is also because the elections will decide, firstly, if the majority in the European Parliament stays on a constructive track and, secondly, if the foundation for a better, stronger and more efficient European Union will be laid.

My fear is that the extremes of the far right and far left will widen divisions and refuse to compromise. The risk of 'my way or no way' is that mainstream parties will be dragged further right and further left.

Populists, nationalists and radicals want to destroy the EU and return to a European of nations. That is what they call patriotism. However, real patriotism includes European integration. We should remember John P. Mackintosh's concept of 'dual nationality': that Scots could be both Scottish and British, and indeed European.

My home is in Niedersachsen; my nation is Germany, conscious of my British routes; and our future is in Europe - three overlapping identities. I am suspicious of politicians

telling people you need to decide between being the one or the other.

The world has not stopped turning. It is more volatile than ever. The external challenges facing our continent are multiplying by the day. At this historically crucial moment we all need to focus on policy, not personality, on substance, not show, on interest, not ideology. Decisions that must soon be taken will shape the futures of our children and grandchildren for many years to come.

Without Britain, the European Union will be a very different one. Your country is one of Europe's strongest powers. It has substantial influence on the world stage. It has the most entertaining parliament in the world. Britain in many ways invented the single market and was a force for liberal economic reform. However, the EU-27 will continue to further develop the European Union and to make it better, stronger and more efficient.