

BRITAIN AND IRELAND: STRONG PARTNERS IN AN EXPANDING EUROPE (16/12/03)

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Let me thank the Institute of European Affairs most warmly for bringing together such an eminent audience.

I'm especially pleased to be in Dublin today. It's hard to think of two countries in Europe which share as much as Britain and Ireland. Of course our history has been close, if often troubled. But today our relationship is based on a strong partnership in Europe, on a shared striving for peace in Northern Ireland, and on ever closer ties of family, culture and trade.

Yesterday marked the tenth anniversary of the Downing Street Declaration, which set out the principle that all parties which renounced violence could take part in the peace process. That declaration laid the foundations for the 'Good Friday' Agreement of 1998, overwhelmingly endorsed by the people on both sides of the border. Since the peace process began, Northern Ireland has enjoyed a significant dividend in terms of peace and prosperity. But we now face the challenge of completing the journey to a fully peaceful and democratic society.

The vast majority of the people of Northern Ireland want to see devolved government. All those elected to the Northern Ireland Assembly in the recent elections carry an important responsibility for ensuring that a way is found to enable devolution to be resumed quickly. As both our Governments have said, the 'Good Friday' Agreement remains the only viable basis for political progress that can command the support of both communities in Northern Ireland. In the weeks ahead we will work with all the parties to see how we can move forward.

Our shared efforts in Northern Ireland are obviously an important part of Britain and Ireland's relationship. But there is much more to it than that. Our trading links have always been strong. Britain exports more to Ireland in per capita terms than to any other country, and we are the second largest investor in Ireland after the US. Ireland exports more to Britain than to anywhere else, and it is the fifth largest source of investment into the UK. Trade between Northern Ireland and the Republic has doubled over the last ten years.

The family ties which bind Britain and Ireland have long been close. But in spite of that, people in our countries have sometimes had too negative an image of each other.

Now there are signs that that is changing. The British Council and the British Embassy in Dublin recently carried out an opinion survey of young people across Ireland, called *Through Irish Eyes*, which they will publish fully in the New Year. 77% of those interviewed felt our relationship had improved over the last 10 years, and over 80% thought the relationship between our two governments was good or excellent. 85% had friends or family in the UK - a sign of just how close our links are.

Europe has been a strong component of our relationship since we both started negotiations to join the then European Community in 1970, and became members in 1973. Our approach to European questions has often been similar. Indeed according to Hugo Young [in *This Blessed Plot*], we have Ireland to thank for our ability to use English at the European negotiating table. Young says Edward Heath had instructed British officials to speak French when they took up their seats as new members in Brussels - a promise he had given to Pompidou during our accession negotiations. The Irish delegates, however, were bound by no such undertaking - and along with the Danes they made clear from the start that they wanted to speak English. In due course, the British representative felt it would be absurd for him not to do so as well; and soon English's equality with French was established.

Today **Ireland** is preparing for its **sixth Presidency** of the European Union. This morning I discussed Ireland's priorities for the Presidency with the Taoiseach, and later I shall be having talks with Foreign Minister Brian Cowen.

Ireland is taking over the Presidency at a truly historic moment for Europe. It will start its work as one of 15, and end it as one of 25 members.

Enlargement will bring huge benefits to both new and existing member states. British and Irish companies will be able to sell their goods and services in an expanded single market of 450 million people. New partners will help us better face the shared challenges of an uncertain and interdependent world.

It's easy to forget that a decade or so ago, many were asking if the EU could really absorb 10 or more new members and carry on in its current form.

Thankfully, the sceptics were wrong. We agreed in 2000 at Nice an institutional framework to make enlargement work; and the new members will be joining earlier than many had thought possible. Enlargement will make Britain, Ireland and Europe stronger, not weaker.

Again some years ago, there was much debate on the question of how the future EU should look. Should it, as some argued, evolve towards a federal structure with power passed down from Brussels? Or could we have an effective Europe of nations?

Today there is overwhelming consensus on what the EU is: a union of sovereign nation states who have decided to pool some of that sovereignty in order to achieve objectives they could not achieve on their own. A Europe of nations, not an unwieldy and distant superstate, is the kind of Europe which works, and with which our citizens can be comfortable - which is why it is the kind of Europe we want.

The negotiations in Brussels last weekend on a new constitutional treaty were living proof that the EU is just that - an organisation of sovereign member states who have to reach agreements among themselves for the work of the Union to go forward.

Any negotiation of 25 states is bound to be complicated. But I don't believe that the fact the EU couldn't reach an agreement last weekend was a function of its size. After all, even with a European Community of only six members in the 1960s, a dispute about voting led to France pursuing a six-month long empty chair policy, before eventually agreeing to an opaque last-minute deal known as the Luxembourg compromise - which was in fact more a registering of disagreement than of common ground.

The real sticking point in Brussels last weekend was of course the issue of the relative weight in voting terms which each country will have after enlargement - the same issue on which negotiations at Nice three years ago almost foundered.

I don't buy the argument that last weekend was a disaster for the EU. As I said several times before the European Council - to consternation in some quarters - life will go on. Business will continue to be done in Brussels, and the Nice arrangements will see us through to enlargement. As Bertie Ahern has said, we now **need a period of reflection** on how best to take the negotiations in the Inter-Governmental Conference forward. We **cannot agree a new treaty until there is a consensus within the EU.** Building that consensus **will be a job for now for the Irish Government and possibly also for future presidencies:** it will take time. But time is what we have: the new treaty would not anyway have come into force for several years, and the new voting arrangements not until 2009. A new constitutional treaty will help the EU work more effectively after enlargement; but enlargement will go ahead without it, and it will be a success. We also need to think about the negotiating environment. There are some important tasks ahead. Next year we shall be starting negotiations on the financial settlement for the EU for the period 2007-13 - the successor to the Agenda 2000 agreement. We want to restart the World Trade Round. We have the EP elections in June 2004 - and a new Commission and Commission President by November 2004. And we have the objective of concluding enlargement negotiations with Romania and Bulgaria by the end of the year - while also considering whether Turkey is ready to start negotiations and next steps on Croatia. We need to reflect on how these events and

challenges link across to any resumption of discussions on the Constitutional Treaty - and whether the potential for read-across and linkage will help or hinder us to reach agreement. Finally, there is going to be quite a lot of talk over the next few months of **'core' or 'two speed' Europe**. On this I would make this comment. It is already the reality of Europe that there are different groups pursuing deeper cooperation in certain areas. Some countries are inside the Euro and some outside. Some countries are inside Schengen and some outside. Some countries are participating in European security and defence operations - in Macedonia and in the Congo - but not all. So groups, of varying membership, are already a feature of the EU.

In any event, I am convinced that Europe can work at twenty-five, or twenty-seven, or twenty-eight. And it should be our overriding objective and ambition to achieve this.

In formal terms, nothing in the new treaty will be agreed until everything is. But as Italian Prime Minister Berlusconi said at the end of our meetings last weekend, there are already some 82 points where consensus is close. Many are points which Britain worked hard to achieve: retaining unanimity for issues such as defence, tax, EU finance, social security and criminal law; changes on energy, civil procedural law and the so-called European foreign minister; and confirmation of the fact that any further treaty change will need to be subject to the approval of national parliaments. We are getting the right outcome in these debates by engaging with our partners rather than sulking on the sidelines.

When I first started thinking about what I wanted to say in Dublin today, I was working on the assumption that we would agree a new constitutional treaty in Brussels last weekend. My message was going to be this: for all the talk of institutions, we need to get the EU's focus back to what really matters to people - helping deliver more jobs, greater prosperity, and greater security at home and abroad.

I had to redraft my speech a bit after the weekend. But I am sticking to that message - the EU needs to focus on delivering what people want.

We need time to build consensus on EU institutions; but we cannot let that be a time of inaction in Europe. Much as we might like to after long nights of negotiation, we cannot afford to put Europe on hold, take a break from Brussels and turn our focus to other issues.

A recent poll by Eurobarometer highlighted a worrying trend - fewer than half of the people across the EU said they thought their country's membership of the Union was a good thing. Of course the figure differed across Europe - Ireland I know comes out of such polls better than most. But the declining level of public approval for the EU is sobering - and it is a welcome reality check for anyone who thinks that all the recent focus on the EU's institutions is a way of getting public support for a European project.

Of course it is important to get the institutions right so that the EU functions most effectively with 25 and more members. But institutions are only a means to an end: what people want is a Europe which helps make their country safer and more prosperous; which makes it easier for them to do business, to live, work, study or simply holiday abroad.

So we need for example to start implementing the EU security strategy which will give us a more coherent approach to tackling what people in the EU fear most: international terrorism and the proliferation of weapons of mass destruction. And we need more effective common action to tackle cross-border crime, illegal immigration and drug smuggling. Britain and Ireland are both island nations, but we recognise as much as any country that we can't wait until problems reach our shores: we need to work with our neighbours to stop them before they get here.

Most importantly, we need a Europe which helps us create growth and jobs.

Historically, the EU has been good at creating the right framework, in the shape of the largest single market in the world. It has given our businesses a level playing field in a market of 350 million consumers - soon to expand to almost 450 million.

But eleven years on from the setting up of the single market, it would be a serious mistake to think we could sit back and enjoy its success. The Taoiseach has put economic reform in Europe at the top of his agenda for the Irish presidency - and he was right to do so.

It's worth reminding ourselves why. On present trends, people in the US will be almost 50% richer than Europeans by 2025. China's industrial production is growing at 17% per year - and its share of our manufactured imports quadrupled between 1985 and 2002. Experts in America reckon that 3 million white collar jobs will move from the US to India over the next 10 years; in Britain we have already seen this starting to happen. It's not surprising given that India is now producing a quarter of a million science and IT graduates every year.

In this fiercely competitive global environment, European economies cannot rely on the models which brought them past success to deliver success in the future. We need to adapt to compete in the global marketplace.

At Lisbon in March 2000, the EU set itself the goal of becoming the world's most competitive knowledge-based economy by 2010. That means embracing competition to get more rapid industrial change. It means creating the conditions where business can nurture and develop new thinking, and making sure regulation does not get in the way of innovation. It means educating and training a dynamic, flexible and highly-skilled workforce able to adapt quickly to change. And it means labour market and welfare state reforms which cut the costs to employers of creating new jobs, and help the unemployed to get quickly back into work.

Of course the EU is not the way to achieving all of this. Harmonising taxes at the European level, for example, would make us less, not more competitive, which is why Britain and Ireland have consistently opposed it. But there is a lot that we can do together. Partly, this means EU-wide initiatives such as improving competition policy. But just as importantly, it means learning from each other's successes.

To take just one example, we in Britain admire Ireland's commitment to investing in human capital through initiatives such as the Transition Year in secondary schools. Ireland has shown great interest in UK initiatives aimed at helping the unemployed back to work, such as JobCentre Plus; and in our approach to making work pay, which I know will be an important theme of the Irish presidency.

A lot is already happening; but it is clear that the EU's progress towards the goal we set at Lisbon has not been fast enough. I can think of no country better placed than Ireland to push this essential work forward.

In 1973, when Ireland joined the EU, Irish GDP per head was 60% of the European average. Today, it is nearly 125%. Since the 1990s Irish economic growth has been almost 3 times the EU average.

Ireland boasts the kind of dynamic knowledge-based economy Europe needs. Irish business has shown the capacity to innovate and to challenge received wisdom which is essential to staying competitive. Ryanair for example changed the face of air travel with a business model which broke completely with convention.

Of course membership of the EU and access to EU funding have helped make Ireland successful. But several countries got similar levels of EU funding to Ireland - and none used them to such advantage. Ireland showed how a small country could make targeted use of EU help to build up its infrastructure and create the clusters of innovation which have generated jobs and growth. Many of the countries who will join the EU next year are queuing up to learn from the Irish model - and rightly so.

Ireland's success has been good for Britain too. Our close trading relationship means that growth on one side of the Irish sea benefits the other. Perhaps even more importantly, a confident and prosperous Ireland, secure in a European framework, has made an enormously positive contribution to the peace process in the North and to a more harmonious and productive bilateral relationship.

Greater prosperity has made our partnership stronger. We now have the chance to use that strong partnership to lead the push for economic reform across Europe.

The Irish presidency of the EU will lead the historic celebrations of EU enlargement next May. It will continue building a consensus on an institutional framework to make the EU of 25 and more

work more effectively. But just as important, it has the chance to refocus Europe on what people want. That means reforms to deliver jobs and growth; and it means more effective common action to enhance security at home and in the wider world. I am greatly looking forward to working with the Irish presidency to help make that a reality.