Good morning. Bonjour. I’m very pleased to be here in Paris...

And to be able to talk about what I see as the two biggest issues facing the UK right now. The two issues which pose the biggest risks to the economic recovery that is now well underway, thanks to actions of the coalition government.

Namely this September’s referendum on Scottish independence, and the ongoing debate about our place in the European Union. The context for my remarks on these issues is the sustained flow of good news about the UK economy:

- Strong economic growth - the best in the G7.
- Falling unemployment and inflation, record numbers of people in work.
- Our deficit cut by a third.

When the first British peace time coalition government since before the second world war came into office, we faced huge economic challenges. Indeed, it was the scale of those challenges, and the national interest in having a government strong and stable enough to tackle them, that motivated my party, the Liberal Democrats, and the Conservatives to come together. We’ve taken some very difficult decisions to improve our fiscal position.

And we’ve taken some long-term decisions to improve our competitiveness - by investing in infrastructure, in skills, ensuring we have an attractive tax environment, focussing on building exports and our manufacturing base, better regulation of our financial system.

There is a great deal more for us to do to secure the sustained recovery and the more balanced economy that the UK needs.

It is also important to think about the risks. In my eyes, the issues at stake in the Scottish referendum and the European debate overlap. Do we want to cut ourselves off from our neighbours, or do we accept that we share history and values and interests, and should continue to share them for the greater security and prosperity of all? Do we accept that in a global economy and a world of instant communication, working closely together is the only viable way forward, or do we want to go back to narrow national divisions? And do we want to withdraw into our own national exceptionalism, or are we confident enough to recognise the larger sovereignty which we gain by working with others to face similar challenges together?

History

Historically, nationalism is based on exaggerating the differences between their own societies and their next-door neighbours. Scottish Nationalists have contrasted their own virtues with British vices. English Nationalists have done the same with French, German, Spanish and Dutch. Over centuries, the people of Scotland and England have traded together, migrated between each other, fought each other, and married each other in the same way that British people have with their continental neighbours. Norman knights were invited to settle in Scotland...
The Bruce family among them. Huguenot refugees fled to England...The Farage family among them. It’s been a hell of a long time since we were an island, cut off from the continent.

In fact, England and Scotland have prospered we’ve traded – throughout history – with other continents.

Not just goods, but ideas too!

- Reforming Protestantism
- New strands of Catholicism
- the French Enlightenment for the Scottish Enlightenment
- the huge impact of German science and technology on Britain in the nineteenth century.

We’ve also fought each other, and our neighbours, of course. And we don’t have to look back too far to see the horrendous human cost of those wars. This year, we commemorate the 100th anniversary of the First World War. Next month, the Queen will visit Normandy to mark the 70th anniversary of the landings at D-Day.

Union between the four nations of the United Kingdom has delivered peace and security in our islands for more than two centuries. Just as Europe – and its institutions – have helped deliver peace for 70 years.

Where once there was war, now there is trade. Where once there was poverty, now – even allowing for the recent difficulties of the eurozone – there is prosperity. We benefit from living in an open global economy, in which travel and communication across borders is far easier and faster than ever before.

No state except for North Korea stands truly in isolation. We all depend on each other, and we all have to share our sovereignties to ensure that our international economy is stable and prosperous, and effectively regulated.

**European Union/Scotland – Regulation**

That’s why the European Union, with all its faults, is important in maintaining and promoting British prosperity. It provides a stable framework of market regulation for a single market of 500 million producers and consumers: the biggest integrated market in the world, to which the UK continues to send nearly half of its exports in trade and services.

Just as the United Kingdom offers members a single regulatory framework, and a national insurance system that creates jobs and ensures the freest possible movement of people. There have been various reports in recent years that have estimated the number of UK jobs that depend on Europe.
In 2011, a UK Government paper suggested that trade with Europe accounts for roughly 3.5m of our jobs... Just a few months ago the Centre for Economic and Business Research (CEBR) estimated that figure to be 4.2 million.\(^1\) Whichever figure is correct, the suggestion is that over 10% of our jobs are linked directly to our membership of the European Union. So why would any Party, which truly understands Britain’s national interest, want to do anything that could put these jobs at risk? But there are more benefits to working in close harmony with others than simply trade and jobs, vital though they are.

Scottish interests in defence and security have benefitted enormously from its role and place in the United Kingdom. Likewise, the EU is developing into an increasingly important framework for cooperation in foreign and security policy. This is a time when Ukraine is in crisis, Russian aircraft are testing UK airspace over Scotland and trans-border crime and terrorism affect us all.

Both UKIP – the party in favour of UK exit from the EU... And the SNP – the party of Scottish exit from the UK... Try to argue that they don’t want to opt out of all the proven advantages of close co-operation between states. UKIP claim that Britain can pick and choose those parts of European and international obligations it wants to hold on to, while throwing over the rest. The SNP claim that Scotland can keep the pound and other British institutions without sharing economic or fiscal policies.

But neither Scotland nor Britain can dictate the terms on which they cooperate with other states, cherry-picking what they like and rejecting everything else. Nigel Farage wants to persuade us that the other countries of the EU will have no alternative but to accept the terms a euro sceptic Britain would offer. Alex Salmond wants to persuade us that the UK will have no alternative but to accept his demands – even though support has all but disappeared for his idea that a currency union could be established between Scotland and the remaining UK.

Both rely on the myth of exceptionalism - the idea that if Scotland leaves the UK family, or the UK leaves the European family, those left behind will go out of their way to give them a unique and better deal than any country has otherwise achieved, sacrificing their own interests in the process.

In reality neither the SNP nor UKIP can say with certainty what life would be like after walking away. But in order to persuade people to support them they deny the risks, uncertainty and loss that must come with going it alone. For UKIP, the European Union is a malign social democratic creation, forcing onto Britain regulations which cripple our private enterprise and from which we will only escape through exit.

These scare stories may be superficially attractive but they are dangerous, deceptive and wrong. They often pick up on the sillier end of EU regulation. Often regulation which should never have seen the light of day. And they present the phasing out of straight bananas, or a ban on high heels for hairdressers as the only thing that Brussels offers us. This kind of populist shot is cheap and misleading.

\(^1\) Officials are worried about you using this figure, as they doubt its accuracy. But I think if we caveat it be saying ‘Whichever figure is correct...’ we’ll be okay.
Of course there are ways in which the procedures of the EU could be improved. The same argument can be made of the UK government - and every national government in the European Union. Which European nation would claim that its system of government is perfect? Flaws can always be found. But since the realities of a UK outside the EU or a Scotland outside the UK cannot be known, there is no reality to point to, nor a record to defend. So the nationalists simply assert that things would be better.

But look at the bigger EU issues – the real issues that affect jobs and trade and growth – and their arguments fall apart. Would British voters really be willing to live within an unregulated free market? Would we be better going back to a system that had 28 different sets of national regulatory standards? We’re only just emerging from the financial catastrophe that detonated in 2008, caused in large part by too little – rather than too much – regulation. Much of that regulation has by necessity to be negotiated and agreed above the level of single states. That’s not the kind of regulation that the speculators and offshore financiers who fund UKIP need. But it’s exactly the kind of EU wide regulation that those tempted to vote for UKIP need for their financial security.

The SNP makes a different argument. They say that Scotland can only preserve our social democratic welfare model by separating itself from England. Again, it’s an argument that is seductive for some, but wrong. It ignores the pressures that an ageing population and rising health demands are putting on the British welfare state. All the analysis shows that Scotland today benefits from levels of public service spending that could not be matched in an independent Scotland without big tax rises.

**Wider Questions**

There are, of course, wider questions at play about national identity and national confidence. And the retreat into a single, exclusive identity is the essence of nationalism. It is characterised by a narrowness of vision and spirit. It tries to pretend that the only true Scots are those who want a full separation from England. It tries to persuade that the only true Brits are those that class the French and the Germans as ‘Johnny Foreigner’.

I and my fellow Scots don’t feel the need to have a separate Scottish state and a full land border with England to reinforce our heritage. Neither do we need to be out of the EU to be British. ‘Britishness’ – in fact – can almost be summed up as being immensely tolerant of others and celebrating the diversity of the peoples that have migrated to these islands over centuries. Our ‘Britishness’ is not enhanced by the xenophobic rejection and compulsion to distance ourselves from our European neighbours. In fact, our ‘Britishness’ is diminished, not enhanced, by the philosophy of the euro sceptics and UKIP.

We have the self-confidence to welcome the interaction of multiple identities. Each of us has multi-layered identities - I am a Highlander, aScot, a Brit, and a European, each of these dimensions enriches the other. In fact, ours is the more generous offer - the chance to be part of a bigger club where diversity is embraced and opportunities are greater for every British citizen. So it’s extraordinary to hear Nigel Lawson arguing that Britain can only regain its self-confidence by leaving the European Union. Turning its back on its neighbours, shrinking its ambitions.
Those advocating separatism become ever more desperate in their attempts. Nigel Farage has suggested that the UK outside the European Union could take Iceland as its model. A country with a population the size of Coventry’s. Alex Salmond used to argue that Ireland offered the best model for an independent Scotland. But since the collapse of the Irish property market, he’s decided he prefers Norway – without recognising that Norway has a smaller population and much higher levels of taxation.

Now, I don’t want you to go away and think I see UKIP and the SNP as identically minded parties. They are very different. But both parties narrow minded-nationalism is – I believe – the wrong direction for our country to move into. And a decision for Scotland to leave the UK, or for the UK to leave the EU would be politically irreversible. A decision that could be taken only once, but with consequences that would last forever.

Conclusion

Political life is characterised by an endless flood of change. But occasionally trends emerge that define an era. And our is defined by our response to the economic calamity of 2008, and whether we respond to it by turning inwards or looking outwards. The battle, for prosperity as well as identity, is between those who see narrow separatism as the way to future peace and prosperity... And those who see that the only way to those desirable ends is by closer co-operation and the identification of common ground to work for the common good.

I believe in open societies, with well-regulated markets, managed by democratic governments cooperating together. That’s best in tune with Scottish values, British values, European values, and liberal values at their very best.