



Brussels,
2 Sept 2014

Member of the European Parliament

Dear Danny,

Thanks for your letter concerning some issues related to the referendum on Scottish independence. As it is a matter for the people of Scotland to decide on the matter, I will not dwell deeper into the core issue of independence as such, even though I personally believe that both Scotland, Great Britain and the European Union would all be stronger and benefit from the United Kingdom sticking together.

However, as you raise some questions that are related to my previous experience in the European Commission over the past ten years in the fields of enlargement and economic and monetary affairs, I consider it my duty to try to provide impartial factual information on them:

In case Scotland were to opt for independence and wanted to stay in or in fact re-join the European Union, it would have to apply according to the normal well-known procedures under the relevant articles of the Treaty on European Union. Subsequently, following the opinion of the Commission (if positive), an independent Scotland would have to negotiate on EU membership and fulfil the judicial, political and economic criteria as any other European country seeking to join.

One core part of the economic conditions under the Treaty is that any candidate country must be committed to the Economic and Monetary Union, which implies the will and expected capacity to meet the convergence criteria of euro membership in due course, as well as the existence of a competent monetary authority in the form of an independent central bank.

As to the question whether 'sterlingisation' were compatible with EU membership, the answer is that this would simply not be possible, since that would obviously imply a situation where the candidate country concerned would not have a monetary authority of its own and thus no necessary instruments of the EMU.

I recall that in 2008 the then Icelandic government requested the possibility of unilateral 'euroisation' of the krona to stabilise the monetary conditions and as a shortcut to EU membership for Iceland; the Commission simply rejected this as against the Treaty.

The Commission also requested Montenegro, which has used the euro as de facto currency since 2002, to create its own monetary authority as part of the conditions for EU membership. The Council of the EU was very clear on this matter on 15 October 2007 when assessing Montenegro's membership process by stating that "unilateral euroisation is not compatible with the Treaty, which foresees the eventual adoption of the euro as the endpoint of a structured convergence process within a multilateral framework. An EU Member State cannot adopt the euro and join the euro area without fulfilling all the criteria defined in the Treaty."

Moreover, the EU Treaty requires that all member states and candidate countries respect their commitments in public finances, including the deficit and debt targets.

Yours sincerely

Olli Rehn