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Seeing through the hallucinations: Britain and Europe in the 21st century

Hugo Young Lecture

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Ladies and gentlemen,

Let me start by saying what an honour it is to be the first non-Briton to be invited to give the Hugo Young Lecture. The first non-Briton but not, I hope, the first European.

And Britain's place in Europe is what I would like to explore today. I will argue that we must set aside what Hugo Young called *'the hallucinations, both positive and negative, that have driven the British debate for so long'*. The time has come to recast the whole framework of this debate to take account of the new realities of the 21st century.

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Europe's raison d'être was crystal clear from the beginning. It was not the common market. It was not the CAP. It was certainly not some plot 'blessed" or not, created by foreigners for the sole purpose of eroding the sovereignty of the United Kingdom, or indeed any other country.

No. Its fundamental raison d'être was a noble one, and Robert Schuman, in his declaration of 9 May 1950, made sure everyone knew it. It's there in the very first sentence: *'World peace cannot be safeguarded without the making of creative efforts proportionate to the dangers which threaten it.'*

The words 'peace' and 'peaceful' appear no less than five times in this historic declaration of a mere few hundred words. This was not some vague aspiration, an empty declaration. This was a pragmatic, muscular, concrete peace.

Schuman said that pooling the production of coal and steel – the raw materials of war – under a supranational authority, *'will make it plain that any war between France and Germany becomes not merely unthinkable, <u>but materially impossible</u>.'*

Schuman, Jean Monnet and the other founding fathers were right, and their plan worked. Today, the success of this strategy is self-evident. Not only has war between France and Germany indeed become unimaginable, but thanks to successive enlargements we have spread peace, stability and prosperity across the European continent.

Those enlargements reinforced another rationale for Europe – freedom. That is an argument for Europe which is easily forgotten, but very important to me personally. When I started university in Portugal, I could not buy the books I wanted, or listen to the music I liked. To buy a copy of "Je t´aime" was a prohibited act; not by the police of political correctness but by the government authorities.

Like many of my age, I rebelled against this dull authoritarianism. My generation saw Europe as an inspiration, a destination for those who wanted freedom and democracy. To my generation in Portugal, to those living in the dictatorships of central and southern Europe which the magnetic power of the European Union helped to overthrow, Europe meant, and still means, freedom.

But, for all its triumphs, the European Union has become the victim of its own success.

60 years of peace has meant that the image of Europe as a bastion against war is losing its resonance. 30 years of pluralist democracy in southern Europe is doing the same to the idea of Europe as a source of freedom.

Equally, the freedoms that Europe offers to its citizens – to travel, to study, to work and to live in any EU Member State are now taken for granted; which is understandable, but perhaps unwise. What the member states of the European Union have created, they can easily destroy. To take fundamental freedoms for granted is to put them at risk. We only have to look at what is happening today to freedom of expression and thought to realise that those dangers are there.

So let me turn to the political landscape of today's Europe. It is one characterised by a basic tension between those who fear the future, who fear the world, and want protection from it, and those who reach out to it. In truth, that is a tension which exists inside each one of us. That tension is played out at a European level in the reactions to the extraordinary changes going on in the world. Should we close, or should we open, our doors to the people, the products, the ideas that come from outside?

My answer is clear. We must have an open Europe. A Europe which is open to each other and to the rest of the world. A Europe which is engaging with the rest of the world, promoting its interests, its ideas and its values beyond its borders. A Europe which is confident enough to promote change in order to sustain its values, its interests, its ambitions.

To achieve an open Europe, we must find a path through two extremes. On one side, 'market fundamentalists' reject any European political action as unnecessary meddling in the business of the nation state or individuals. On the other, 'statist fundamentalists' whip up fear of change and see a plot behind every economic action.

Both are wrong. As Hugo Young described in "This Blessed Plot" the European Union was never just a political project or just an economic project. The two go hand-in-hand.

First, Europe needs a strong and open economy to underpin its political ambitions. That is why this Commission's agenda of jobs and growth is an essential element of a strong Europe, not a distraction from it.

Second, Europe needs a strong political dimension to nurture and sustain its economic achievements. The economic dynamism which this Commission is fighting for will not happen on its own; it needs strong institutions to make it happen. To create, defend and extend the single market, you need the European Commission and the European Court of Justice. You cannot do this without them. If you want an open Europe, you need a political Europe. You will not get one without the other.

But, as I have argued, the European Union needs new foundations. A new core purpose. One which looks forward, recognises new realities, that draws inspiration from but does not depend upon the achievements of the past. One in which, as I said in my first speech as Commission President elect, everyone can find themselves.

And as chance would have it, our purpose is staring us in the face.

In 1950, the challenge was securing a lasting peace. But look at the challenges facing Europe today. Climate change. Growing competition from China and India. Global pandemics. Mass migration. International terrorism. Demographic change. Energy security.

These challenges are shared by all Europeans, from London to Lisbon and Ljubljana. They are also challenges which no nation state can hope to tackle successfully alone. The smaller member states know that. The larger ones may not feel this as strongly. But I think it is true for all EU members, large and small. Size is relative. The United Kingdom looks big next to Ireland. It looks small next to China.

The fact is, the European Union is a uniquely effective instrument for helping the United Kingdom and other European countries to develop solutions to these new, cross-border challenges.

And surely this is the EU's raison d'être for the 21st century: to help Europeans prosper in a globalised world.

There are those who claim that in our interconnected age, it is grassroots politics that matters. That globalisation has liberated the local. There's a lot in this. But there are those who then argue that the EU is rendered irrelevant in this globalised world. They are wrong. The opposite is true. Globalisation makes the case for the European Union.

Because size matters in the globalised world. The actors of globalisation; the United States, China, India, dwarf any single member of the EU in terms of population, and in some cases in terms of economic size and security strength. The EU has that size; 500 million people, the biggest single market in the world, the biggest exporter in the world, the biggest aid donor in the world.

Yes, countries like the UK will have special relationships with India or China, and it is to the EU's benefit that they do. But one of the reasons that these countries want to keep good relations with the UK is precisely because it is an influential member of the EU. Lose that influence, and you lose some of that interest.

You also lose the leverage which size brings. Let me take a topical example. On Friday Tony Blair, myself and other EU leaders will sit with President Putin to discuss energy policy. There are common energy challenges which all the EU's members face, and which the Commission will address with a package of proposals in January. The UK's influence in tackling those challenges is increased, literally tenfold, by being part of a united European bloc when sitting down with the president of Russia.

In other words, globalisation has reduced the ability of the nation state alone to provide solutions, while failing to provide a realistic alternative at the global level. Europe – with its weight, wealth, shared values, diversity of expertise and unique range of instruments - fills that gap.

This is not to deny an important truth; the nation state is and will, I think, remain the principal source of political power, because it is to the nation state that most Europeans feel greatest allegiance. But in an era when the challenges facing nation states are global, governments can best deliver for their citizens by leveraging our common strength as Europe.

Let me look at what some of those challenges are.

Tackling climate change and promoting energy security.

Fighting global poverty, especially in Africa.

Boosting Europe's security.

Increasing Europe's ability to compete.

The European balance sheet in all these areas is encouraging.

Take climate change. The EU was the prime mover in the Kyoto Protocol negotiations. It was EU leadership which secured the final agreement on multilateral action to tackle climate change.

Today, the EU Emissions Trading Scheme is a vital instrument to reduce greenhouse gas emissions in a cost effective way. The European Commission designed and proposed the EU Emissions Trading Scheme. We will develop it further. It is exactly the sort of market-based mechanism that British political leaders, across the spectrum, are calling for.

Take energy. The problems faced by the UK - high energy prices, ageing infrastructure, increasing dependency on imported hydrocarbons - are European problems. Having 27 energy mini-markets will get us nowhere.

European problems require European solutions, and as the largest importer and second largest consumer of energy in the world, the EU is well placed to find them. European leaders recognised this at Hampton Court last year when they gave the go ahead to the Commission to develop a common approach to energy policy – a classic example of demand-driven integration.

So the Commission will drive forward consumer choice and competitiveness with a new legislative package to strengthen the energy single market next year. We will build up co-operation with strategically important transit and supply countries. We will extend the principles of the internal energy market beyond the EU's borders. We will adopt this week an ambitious plan to increase Europe's energy efficiency. We will invest more in research in renewable and other forms of low carbon energy. Through all this we will encourage greater diversity - of energy sources, of country of origin, of country of transit. It is through energy diversity that we will get energy security.

Now, take Africa and the fight against poverty. Trade is essential to help the poor get out of poverty. It is at the heart of our development strategy. The European Union is the most open market in the world for the poorest countries, and their largest trading partner.

Those who like to complain about Europe's agricultural policies might be surprised to learn that the European Union buys 85 per cent of all Africa's agriculture exports. In fact, it imports more goods from Africa than all the other G8 countries combined (you can throw in Australia and New Zealand as well, if you like). By 2009, the 50 poorest countries in the world will be able to export all their goods, apart from arms, duty and quota free. No other major trading bloc can match this.

Collectively, the EU also accounts for 55 per cent of all official development aid spent worldwide – a figure projected to rise to 63 per cent by 2010. It has agreed to double aid by 2010, and to provide 80 per cent of the 50 billion dollars pledged to Africa at the G8 Summit in Gleneagles last year.

In all these areas, our aim is to accelerate Africa's progress towards meeting the Millennium Development Goals, and keep development at the centre of global concerns. Where it belongs.

There is a human element to this as well. I was in Darfur last week, on my way to co-chair the first ever meeting of the European Commission outside Europe, in Addis Ababa – the home of the Commission of the Africa Union. I am amazed at what I have seen in these young people that travel so far to help the people of Africa. I am proud of this Europe, I feel proud to feel European.

Let us look at security. There is a rising demand for a European role in external crises. And the EU is responding. It has doubled the number of peace and security missions in recent years. It is playing a central role in conflict prevention and resolution from Darfur to Palestine, from the Congo to Lebanon.

It is an effective actor because of the range of instruments at its disposal. In Darfur, for example, it is the biggest contributor to humanitarian aid, the main supporter of the African peacekeepers there, and playing a political role in pushing the Sudanese government to avoid another humanitarian catastrophe. The same is true in Congo, further from the eyes of the world's media. So too in Palestine, or in Indonesia, Acheh or closer to home in Kosovo and Bosnia. This work is raising Europe's credibility as a stabilizing force, and raising expectations for even greater commitment. It is happening without a great fanfare. But it is happening. It is a major development in Europe's role. It is a responsibility we shouldn't duck.

Finally, helping Europe compete. We must unleash the full potential of the single market to generate growth and jobs. That is why this European Commission will defend, extend and modernise the single market.

We have an ambitious agenda. Financial services, health services, postal services, copyright levies, and defence procurement are some of the areas that will come under the spotlight in the months to come.

This is important because a competitive single market is a vital ground for sharpening Europe's industries; to enable them to compete not just in Europe but in the global marketplace. So this Commission will fight hard to ensure that Community law is respected, and that this important playing field remains an open, fair and level one, for all our companies.

Of course, some talk of economic nationalism and patriotism. But I ask you to look at the facts before listening to the comments. European markets are opening up. Energy cross border mergers notified to the Commission are up 75% since 2000. The Commission has already looked at ten cross-border energy mergers this year, three more than in the whole of 2005. The rhetoric about protectionism may point one way, but the reality points the other. And, in fact, this rhetoric is resistance. There is resistance because of movement.

So Europe's agenda, this Commission's agenda, is not some alien construction; it is one which responds to the challenges being addressed by the UK and by others in Europe.

Let me put it another way. If the United Kingdom wants to tackle climate change; if it wants to fight poverty in Africa; if it wants to deliver greater external security, if it wants a more open, competitive environment, then the United Kingdom needs the European Union.

But, ladies and gentlemen, let us recognise another very important truth. That the EU needs the United Kingdom.

Because what is striking is that in all these policy areas, Britain is a lead player in Europe.

On climate change, for example, the UK's support was vital for putting the emissions trading scheme in place as quickly as it was. And it will be equally important in its further development.

On energy, the UK is leading the drive for more open markets, more sustainability and greater security.

On security and defence, the UK was there from the beginning, thanks to the Anglo-French St Malo Declaration. Last year you were the biggest contributor of troops to European Security and Defence Policy operations. The British play a significant role within the EU's military structures. The next head of the EU's military staff will be British.

On Africa, Prime Minister Blair has shown a clear commitment, making it a priority of the British Presidency of the EU and the G8. Moreover, Britons have taken a lead on Africa at the grassroots level, too. The Make Poverty History campaign was a driving force behind global efforts by civil society to tackle poverty.

Finally, on open economies and competitiveness, the UK was a driving force for the creation of the single market and for the Lisbon agenda, and has been a leader in pushing for open trade; to the benefit of the EU and? I would suggest, the UK.

So the UK is playing a central role. That is good for the EU; and I think good for the UK. The world has changed. Europe has changed too. And the UK now finds itself at the centre of efforts to build a successful, open and global Europe.

Why? Not out of altruism, or because of a vague notion of "influence", but because you judge that it is in your interest to do so. To pursue British objectives of an open, secure and just world, you need the European Union.

The UK's role in developing Europe is a vital role and the UK can take pride in its contribution. And yet it sometimes seems reluctant to do so. This may be because of your native modesty. But it will never work as a means of convincing the British public of the need for Europe. You will never persuade people to support an organisation which sometimes you pretend does not exist.

The UK will always have influence in Europe. Its size, its economic power and its international networks will ensure that. So the question is: does the UK want to shape a positive agenda which reflects its own agenda, or be dragged along as a reluctant partner? Does the United Kingdom want to continue to drive from the centre; or return to sulking from the periphery?

The choice is yours.

I spoke a few minutes ago about the role of the UK in the launch of the single market. It is an instructive example. It may seem strange to bring Margaret Thatcher into the Hugo Young lecture about Europe, although he wrote excellent books on both subjects. But she accepted, in the Single European Act, the need for effective institutions to drive an ambitious policy agenda. And what was true then remains true now. Europe cannot fight climate change, poverty, threats to security, economic nationalism, without effective institutions. My experience shows that without strong institutions at the centre, even the internal market will be put into question. If you want these ends, then you must have the means to deliver them.

So talk of fulfilling Europe's new core purpose will come to nothing unless the EU is able to adapt to the new rules of the game. Becoming an effective, global Europe requires improving Europe's capacity to act. That is why institutional reform is necessary.

The Constitution would have helped. But perhaps the grand finality of the word 'constitution' set it up as a hostage to fortune, both to intergovernmentalists who felt it went too far, and to federalists, who felt it did not go far enough. Let us be clear about the label which should be attached to further institutional reform. What Europe needs is a Capacity to Act.

Of course, there is a lot we can do, and have been doing, on the basis of the existing treaties. I do not subscribe to the view that Europe is stuck. I hope the agenda I have just described to you is evidence of that. And I doubt that many will be convinced of the argument that Europe isn't working, so we need more of it.

But the fact remains that the current set-up is less than optimal. In any event, the Nice Treaty legally obliges us to revise the composition of the Commission as soon as there are 27 Member States - and that day is less than three months away. And finally, the last European Summit set up a process to look at the institutional question in the coming year.

We need this reform. We need this institutional reform for three reasons:

First, we must improve the efficiency of decision-making. As the number of Member States rises, the time it takes to reach a decision increases. Agreement, and action, becomes more difficult to reach. This has to change. There is no point reaching the right policies on globalisation if they arrive 5 years too late.

Second, the distance is growing between Europe and its citizens. Again, that must change. Injecting greater accountability and transparency into Europe's institutions will help to close that gap. That means letting fresh air into the smoke-filled rooms, and developing a more political way of building Europe, rather than a diplomatic, bureaucratic or technocratic one.

I regard our better regulation agenda as central to that. I agree with those who say that the regulatory burden is too heavy. I am trying to reduce it. But don't forget that sometimes this extra burden comes not from the Commission, but from the member states; both when they adopt the regulations and when they implement them.

Third, there can be no global Europe without greater external coherence. There is no single number for the United States to call. The EU is not a federal state. But a European Foreign Minister, who is simultaneously responsible to the Member States and a Vice-President of the Commission, would go a long way to achieving that coherence. But we must go further than that. We need to join together the combined weight of the Community and inter-governmental forces on external policy. Europe must become more than the sum of its parts.

There is another reason I might add; we need reform to enable enlargement to continue. I do not believe we will be able to get popular support for enlargement, or be able to make the institutions of an enlarged Europe work, without reform. And I want enlargement to continue; that is another reason why we need reform.

But if we are to have further institutional reform, we must have a policy purpose behind it. I have put policies before institutions in this lecture for that very reason; institutions cannot exist in a vacuum – they must work for a purpose. In thinking through Europe's capacity to act, we need to examine afresh which policy fields require a further pooling of sovereignty, and also examine which require less.

A new institutional settlement for the EU should be seen within the same intellectual framework as the continued reform of existing EU policies. This Commission is already analysing what reforms are needed to the Single Market, what kind of modern social policies Europe needs and how a budget designed for the political priorities of a previous generation can be reformed to serve the needs of the future.

Let me take a moment to talk about the budget. The budget for 2007 to 2013 points in a more forward-looking direction, thanks to the deal brokered under the British Presidency. It is a deal which reduces agricultural spending by 2013, especially on direct support to production. It is a deal which increases spending in areas that reflect Europe's new agenda – like competitiveness, growth and jobs, innovation and security. And, crucially, it will shift money to where it is most needed; the new member states. They will get 50% of the regional and rural development funds, despite having only around 6% of the EU's GDP. That is an important investment in Europe's future; and one which will benefit all in Europe, just as the UK and others have benefited from the economic development of Ireland, Spain and Portugal.

Ladies and gentlemen,

I have tried to show that Europe's old raison d'être - consolidating peace – must be reinforced by a new sense of purpose. I have tried to show that Europe's new vocation is to be open, global and engaged, delivering 21st century solutions to 21st century concerns.

It is a vocation which I think the UK shares, and which gives it a central role to play. Europe is also an essential instrument for delivering UK policy objectives. The difference is, this is no longer just a UK agenda. It's a European agenda. And it requires a European response. With effective institutions. If there was ever a case to argue that the agendas of the UK and the EU were in conflict that is now, quite simply, absurd.

And let us also get off the old debates about sovereignty. There are those who accept that effective action requires something more than just cooperation, and those who think that cooperation without effective sovereignty sharing is enough. I like the answer which Harold Macmillan gave to that question in 1962. He said, "Accession...would not involve a one-sided surrender of sovereignty on our part but a pooling of sovereignty by all concerned...In renouncing some of our sovereignty we would receive in return a share of the sovereignty renounced by other members".

I am passionate about Europe; its values, its culture, its history, its truly extraordinary achievements in the last fifty years. No-one is forced to love Europe. What I ask is that the United Kingdom demands more from Europe, and keeps giving more in return. It is no longer a question of whether people are for or against Europe. Those are the debates of the last century. The question is – do you want to make the European Union work?

I know that Hugo Young's answer was "yes". In the years to come, let that voice to be heard louder, not less, in Britain's political arena.

Thank you.