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Europe's Place in the World in the 21st Century

Introduction

My basic thesis this evening is that, in light of probable increasing threats to Europe during the 21st century, we need a more coherent and effective EU as an actor on the international stage. In particular current global challenges, whether unrest in much of Africa and the wider Middle East, dealing with terrorism or nuclear proliferation, energy security or climate change, demonstrate the importance of a united European voice. Put another way none of the 25 nation states of the EU (even the most powerful) can be truly effective or sometimes even relevant acting alone. Our publics seem to grasp this point better than our politicians. Eurobarometer polls across Europe, including the UK, highlight strong support for “more Europe” in foreign and security policy. European citizens clearly expect the Union to use its substantial influence to protect and promote their interests, and to do so more effectively than at present. There is an expectation among our international partners also that Europe should assume greater global responsibilities. This is part of the reason for continuing US support for European integration as expressed by this administration as has been the consistent line of its predecessors.

Indeed I think we all recognise, intellectually, that the EU can have greater impact by acting collectively, rather than as a sum of its component parts. With a combined population of over 400 million and a quarter of the world's income, the EU now accounts for over a fifth of world trade. We provide more than half of development and humanitarian assistance worldwide. On some global issues such as Kyoto and the international criminal court (ICC), the EU has already provided leadership. In doing so it has shown what can be done when we are united and speaking with one voice. There is also great interest around the world in the EU model of integration as a contribution to peace and security. But despite these figures and examples, we are far from punching

our weight in foreign and security policy. There remains, as one distinguished former LSE professor (Christopher Hill) wrote some years ago, an “expectation-capabilities gap” in EU foreign policy.

There are three key issues I want to raise this evening to support my argument for a stronger more integrated Europe in the world of the 21st century. First, the world is very likely to become more dangerous for Europe. The security, economic and demographic trends are not encouraging.

Second, one of the main reasons for the EU’s success has been adherence to the rule of law. Europe today is essentially a community of law. This fact of supranational law at its base distinguishes the EU from all other intergovernmental associations of states. It is this commitment to a rules-based approach at international level that must characterise the Union’s role in internal and external affairs. In an increasingly unstable world Europe must promote this message.

Third, the EU has been well served by its unique system of governance, including the essential supranational component. I strongly believe that we should learn from the successful application of the Community model in trade policy and other areas of EU competence and apply the lessons to foreign and security policy in an appropriate way.

Europe in a rapidly changing world

Since the end of the Cold War, the world has changed fundamentally. Europe no longer faces the Red Army. It now faces different challenges such as strong economic competition from China and India amongst others. The process of globalisation will continue but it will inevitably lead to increasing strains as states compete for access to raw materials, energy resources and markets. At the same time, Europe is confronted with increasing security threats. Terrorism, the proliferation of weapons of mass destruction, regional conflicts, failed states and organised crime will remain as pressing as ever. And as the recent trials and tribulations show, two zones of particular instability lie close to Europe’s frontiers- the Middle East and the Caucasus.

The world of 2025 is likely to be more diverse, more inter-dependent, and regrettably even more unequal. It is widely predicted that China will have become the second global economy and India will have overtaken Japan. Europe will continue to grow modestly - in GDP and perhaps membership – but such technological advantage as it may have in areas as IT, biotechnology, and nanotechnology on present trends will be eroded. To address these issues we have to work more efficiently and effectively together.

Our greatest challenge may well come from our low fertility rates. The population may remain roughly stable, compensated by lower mortality and greater longevity. But by 2025 the effective economic old age dependency ratio (retired over 65s as a percentage of the working population aged 15-64) will have risen from 37% to 48%; and the average European will be 45 years old. Europeans will by 2025 comprise a mere 6% of the world population. These demographic trends will have major implications not merely for public finances, with increasing health care and pension costs, but also for migration policy. Low economic growth and high unemployment could further exacerbate fiscal pressures on national budgets as unemployment and social benefits are funded by a decreasing tax-paying population.

Whilst Europe will be challenged so too will the regions neighbouring us. High fertility should see Africa's population growing faster than anywhere else – up by 48% to 1.3 billion by 2025 – despite AIDS. The average African's age is projected to be 22. Desertification may increasingly concentrate this young population in urban centres, many of them without hope of employment. The implications for despair, humanitarian disaster and migratory pressures are obvious.

The Middle East will see a comparable growth in its young population – a 50% increase in the working age population - with similar uncertainties as to how they are to find employment. 70% of the population will live in cities by 2015.

Russia, by contrast, looks likely to suffer a 10% population decline by 2025. However, it will continue to be the prime energy supplier to Europe.

So the prognosis is for tensions and strong migratory pressures in the regions around Europe, at a time when Europe is becoming increasingly dependent on the rest of the world, especially for energy. Global energy demand is forecast by the IEA to rise by almost 60% by 2030 – oil consumption up almost 50%, gas up over 60%. The resources are available but the question is whether investments will be made in time to avoid constant supply pressure at the margin. Similarly, it is forecast that by 2030 Europe will be externally dependent for 90% of its oil and 65% of its gas. China and India in particular will drive global energy demand, and seek new sources in central Asia, Africa and the Middle East. In this and other ways, European security interests may be directly or indirectly challenged by tensions arising not only in the near neighbourhood but also further afield.

As the vast majority of primary energy supply comes from fossil fuels, and given that this will not change by 2030, these data pose a material challenge. It is inescapable that to deal with this challenge the EU must get energy policy and foreign relations right. However, depending on energy policy interventions by Member States and the EU, some alleviation of this pressure can come from diversification of the energy mix through existing technologies such as nuclear, encouraging R&D and applying new technologies such as in the area of biofuels, and through energy efficiency measures. The drivers for such diversification have become stronger in recent months with high energy prices and security of supply concerns. An appropriate balance needs to be struck as Europe pursues greater security and trust in relationships with energy suppliers and the security which comes from a broader mix of energy sources and more local supply from within Europe. We absolutely must have a European energy policy rather than simply national policies and this can only be effectively developed by the EU.

Europe has the potential to rise to these challenges and to share in the new opportunities created by emerging markets and globalisation more generally but can only do so by continuing to adapt and develop institutionally. Its institutions, however much they may be derided in some quarters, have been remarkably successful. We should not seek to stop this process now. In particular we need to muster the political will to ensure that we have an institutional structure that enables us to take timely and effective decisions on foreign and security policy issues together. This in many ways will define our influence on a changing world externally but it will also radically affect our capacity to continue integrating within our collective borders.

The internal/external interplay

From the very beginning the Treaty of Rome recognized that there could be no internal market without a customs union that, in turn, could not survive without a common trade policy. The creation of the euro too demands a monetary policy that has international implications. Many other internal policies - for example agriculture and fisheries, competition, environment and border control – also have external implications. Furthermore the deregulation of the airline industry in Europe has led to an increased role for the EU in negotiating an Open Skies agreement with the US. Anyone flying the Atlantic will quickly note that aviation security is another area where the internal and external dimensions are closely intertwined.

In the context of the Lisbon agenda (however illusory the aspiration) in aiming to make the EU the most competitive economy by 2010 – it is clear that internal and external policies are also interdependent, especially in a world of open markets and free capital movements. Economic and monetary union has led to the emergence of the euro as the world's second most important international reserve and trade currency, giving increased influence to the EU globally. But we have however yet to resolve the question of EU representation in international economic and monetary institutions.

Most of the internal policies of the EU have substantive international implications. For example, the completion of the internal market has led to

the adoption of EU standards in key technologies around the world. Examples include European norms and regulations applied in China's motor industry, food safety, and the GSM standard for mobile communications, cordless phones and technologies that are delivering broadband to tens of millions of customers globally. Competition policy not merely provides an important internal regulatory instrument but addresses issues such as international cartels or abuses by dominant undertakings that may affect global markets. EU competition policy aims at protecting the internal market, but in the global economy, most of the companies addressed by antitrust and merger decisions are international players. Taken together, these policies reinforce the EU's external competitiveness by fostering a level playing-field for the free flow of international trade but also requires it to increasingly speak with one voice.

There are also strong demands from third countries to cooperate with EU programmes like research policy, education and transport. The Bologna process and GALILEO are two obvious examples. The fast development of EU policy in the area of justice and home affairs is reflected in the external dimensions of these issues. Our success in achieving an EU energy policy depends crucially both on the effectiveness of internal policies including the development of energy efficient technologies, competition policy, diversification of energy sources, completion of the internal energy market, especially a better developed network of internal supply and access interconnections, as well as on our relations with major suppliers, transit countries and other major consumers.

In many of these areas policy is a shared responsibility between the EU and the Member States and this presents particular challenges in achieving coherence. The inaccurately named constitutional treaty tried to deal with these problems. In part this was by proposing a new position of EU foreign minister (combining the roles of the High Representative - Mr Solana – and the Commission) that would have given the EU – so it was hoped – more coherence, more consistency and more visibility.

These were and remain good proposals. I deeply regret the lack of progress on them during the current “pause for reflection”. It seems to me that we have too much pause, and too little reflection. This is particularly relevant in the small number of countries that have failed to complete the internal processes necessary to bring the treaty into effect (17 having already done so). One thing should be abundantly clear, and that is, that however cautiously, we must continue a process of giving responsibility to the Commission to develop policies in the common interest rather than relying purely on dialogue between capitals. In particular, we should recognise that intergovernmentalism has generally not worked in the past and is not the answer for the future. The euphemism used for this intergovernmentalism is often the word “cooperation” but cooperation between sovereign states is not enough. This is essentially the failed model that gave rise to the need for the EU in the first place. In addition, although I am conscious that we need to thread warily, we should recognise that unanimity cannot be the rule for decisions in a Union of 25 – soon 27 – Member States. We have to make some real moves towards more majority voting on a basis that enables us to avoid the paralysis increasingly evident in decision-making.

A community of law

Why have Member States (and particularly large ones like the UK or Germany) accepted that they will sometimes be outvoted in the Council in some vital economic and social matters as they did by voting through the single Act? The answer is simple. The EU is a community of law and that is why it works. All member states are equal before the law. If anyone started to flout this principle it would be the end of the Union. Governments may protest and procrastinate but in the end the system works because all members accept the primacy of Community law.

This law-based approach also characterises the EU’s approach to foreign policy. It is sometimes excessively obsessed with agreements, rules and regulations. But I think there is great merit in the EU championing a rules-based approach to the international system. From its inception, the EU has

worked for the gradual opening of global markets and a rules-based international trading system, offering the predictability needed to foster investment and greater choice. Over time, this approach has helped to develop a new dynamic that is reinforcing the external competitiveness of the Union, lowering prices and improving consumer choice. At the same time, improved access for products from developing countries has offered them more jobs, growth and investment. Had there been no EU there would be no WTO and Europe today would consist of a number of fragmented and protectionist areas totally incapable of contributing to globalisation. The UK might have maintained its commitment to free trade but not all would have done so and, in fact, the world as a whole would be very different.

In the political sphere the European Security Strategy – now three years old but still a very readable document – Solana argues the case for “effective multilateralism”. Clearly the EU still has some homework to do – I referred earlier to our lack of effective representation in the IFIs – but it is surely right to try and engage the US, China, and other major powers into a rules-based order now rather than in 20 or 30 years when circumstances may not be so favourable.

The trade paradigm

If there is one area where the EU is an effective actor it is in international trade. What are the reasons for this success story? The Union has agreed that this should be an area of Community competence. In other words we have adopted a supranational approach to decision-taking. This is about much more than voting. It is above all about an executive formulating and proposing positions for adoption in the common interest. Contrary to the way it is portrayed by some here, we have a corps of highly professional and coherent officials in Brussels that produce timely and relevant policies taking into account a genuine EU perspective on issues. This allows the Commissioner – and I speak with some personal experience here – to speak with the full authority of 25 member states in trade negotiations. Our partners may on occasion not like our policies but they do respect us as a major player.

It seems to me that there are important lessons we can learn from how we operate in the trade field that are equally applicable to foreign policy. The Union could be as effective in other policy areas if it wanted to, simply by providing for a single representation. Reflecting on his own experience, Pascal Lamy has proposed that the Commission be given a mandate to negotiate and represent the Union in all international economic fora, as a prelude to the dissolution of the pillar system.

The aim must be for the future EU foreign minister to speak under a similar mandate in the CFSP field where there is an agreed policy or common strategy. Member States would thus continue to enjoy bilateral relations with third countries but they would not discuss EU policy towards Russia, for example, in areas of agreed EU policy such as energy security or visa readmission agreements.

Solana is already accepted as a spokesman in some key areas of foreign policy, for example in the recent nuclear talks over Iran. But the situation is complicated by the fact that the 'big three' EU member states tend to operate separately in fields such as this. Other Member States are suspicious of this model, which resembles a *directoire* rather than a real common policy. But I see nothing wrong with smaller task forces being established, under a Council mandate, to deal with particular issues. It is wholly unrealistic to expect either the High Representative or the Council Secretariat to be able to fulfil all mandates. However these groups should of course be under strict reporting requirements to the whole Council and be subject to its ultimate authority when acting on behalf of the EU.

State of Play

Let us be clear. The foreign policy machinery works badly at present. European foreign policy has always been overly bureaucratic and this has mainly been the result of the creation of a separate inter-governmental 'pillar'

at Maastricht. This in turn has led to numerous squabbles over issues of competence. Another problem is the sheer number of actors involved in it - the Member States, the Council, the High Representative, the Special Representatives, the Commission, the Parliament, each with their bureaucracies, interests and ambitions. Some improvements have been made as a result of Solana's appointment yet he operates with woefully inadequate resources, in terms of staff and money. The situation is further confused by the six-monthly rotating Presidency, often setting its own (national) priorities. When the Presidency was established it was never intended that it should have an external representational role; rather its role was seen as organising and chairing meetings. A plethora of different legal bases for external action in different fields further complicates the picture, as does the fact that the EU itself has no clear legal personality which would have been remedied by the Constitution.

The need for QMV

The success of any foreign policy depends on political agreement on the goals to be achieved, the will to commit resources and the ability to take timely decisions. As I have argued above there is no doubt in my mind that the Community method is by far the most effective method of taking decisions. I know there are doubts and hesitations in several Member States, including the UK, but I am convinced that for all Member States there is a far better chance of achieving national goals in foreign policy by working through the EU than trying to achieve these goals alone.

In light of the challenges facing Europe we cannot continue to allow all decisions to be taken on the basis of the lowest common denominator. I recognise that you cannot have QMV for military action but for the vast majority of foreign policy issues there should be no insuperable problem in introducing majority voting. This could be done in stages. First, with an 'emergency brake' to provide for consultations at the European Council in the event of a major disagreement; second, moving to a super qualified majority; and then, some day, in a third stage, to the normal QMV procedures. I understand the Quai d'Orsay carried out a survey last year seeking decisions

since 2000 where France would have been outvoted in foreign policy. With the notable exception of Iraq (and here military action was involved) there were no cases. I rather suspect there would be a similar result if the same assessment was made by the Foreign Office in the United Kingdom or Germany.

Whilst I believe we must move steadily towards QMV in foreign policy, I also recognise that this itself is not a panacea for an improved foreign policy and will take time to achieve. This is why I think there has to be action on a number of other issues. These include:

- the designation of an EU foreign minister (combining the roles of High Representative and Vice President of the Commission)
- the creation of a European diplomatic service
- legal personality for the EU
- the end of the rotating Presidency role in foreign affairs

Some of these improvements require changes in existing Treaty provisions, and that may take time. How long can we wait? The world is not waiting for us. If necessary, I think we can make the first two of these improvements without a new Treaty. These proposals were all in the constitutional treaty and I do not wish to underestimate that fact.

But we need to go much further and consider what could be done even before any new treaty is ratified. One priority must be to enhance the complementarity of various policies and to reconcile different objectives (for example in trade, agriculture, development, environment or migration). For the EU, there is the additional challenge in ensuring coherence between EU and national actions. Our dysfunctional approach towards Russia is evidence that much remains to be done.

There is already a high level of consensus on the broad framework of the EU's external objectives but what is missing is a more systematic approach to setting strategic objectives and political priorities at both geographical and

thematic level so that policy objectives guide the choice of policy instruments (rather than the reverse). There should also be improved up-stream co-ordination to promote consensus on issues of EU relevance that are subject to discussions in multilateral organisations (UN, IFIs) informal bodies (G7/G8, G20) and other fora of global governance, and regional organisations.

Even when the EU has clear objectives and an agreed course of action, the impact and effectiveness of our action is often hampered by mixed messages as well as slow and complex implementing procedures. The EU therefore needs to ensure that once a policy decision has been taken by the EU, all actors integrate this into their diplomatic and public messages as well as in their own policy development. This implies reinforced coordination in Brussels as well as better use of the EU's diplomatic capacities to convey clear, single messages to partners.

Meanwhile, there is considerable scope for Member States to co-operate more effectively in third countries. Too often, especially in major third countries, they pay lip service to EU coordination and cooperation. Jointly the EU and the Member States dispose by far the largest diplomatic machinery in the world. With over 2,000 diplomatic missions and more than 20,000 diplomats, the EU has ten times more missions and three times more personnel at its disposal than the US. But is Europe as effective as the US in foreign policy? Are we using the human and material resources which we collectively invest in foreign policy in the most effective way? If foreign ministries do not ask the question, finance ministries will certainly ask why there needs to be 25 separate EU Member State missions, plus a Commission delegation, in countries x, y and z, when the EU is supposed to operate a common foreign policy. We must also ask ourselves what kind of people should we be recruiting to serve Europe's interests. European diplomacy needs more experts on climate change, inward investment, migration and terrorism.

There is also much that could be done to improve co-operation between Council and Commission, including sharing of facilities and resources. For

example, a joint planning staff and a joint spokesman would make sense. Mr Solana and the Commission could make joint appearances before the Parliament. There should be increased sharing of intelligence and a greater exchange of diplomats and officials between the Member States and the EU institutions. For the Council to create another civil service to initiate or develop policies is wrong in principle and we should be working for a different solution.

A major increase in the tiny CFSP budget is also necessary if the EU is to make any progress towards fulfilling its global ambitions. At the same time, there needs to be clarity as to responsibility for different budget lines. Too much time is still wasted on inter-institutional squabbles over financing of operations.

Defence ministers also need to become more involved in EU affairs. At a minimum there should be quarterly meetings of EU defence ministers, chaired by the High Representative, to monitor progress on ESDP, capabilities, and to decide on priorities. They also need to meet with their foreign minister colleagues, to debate strategic issues. It is also surely time that there was a European defence white paper rather than 25 separate papers.

Finally, I am convinced that it will be important to enlist the support of the European public, through the involvement of the European Parliament (EP) and national parliaments as well as the media and NGOs, for the goals of the EU in foreign policy. This should involve not only a greater role for the European Parliament, but perhaps a six-monthly debate in all national parliaments simultaneously on the EU's goals and achievements. This could be based on a short report by Solana and the Commission and would ensure that each member state's foreign minister was actively involved in explaining and defending the decisions taken in Brussels. There might also be regular forums for discussions on CFSP aims with NGOs, think tanks and academic institutions.

Conclusion

The EU has developed steadily as an international actor during the past decade. Much has been achieved but the record could have been better if we had acted quicker through strengthened institutions. The proposals I have outlined would be seen in some capitals as being at the modest end of the spectrum but if implemented they could lead to a significant improvement in the EU's external performance. Of course, foreign policy remains a sensitive area and Member States are keen to retain their historic prerogatives and traditional links. Foreign ministries are also reluctant to negotiate themselves into a reduced role while there remain unanswered questions about legitimacy and significant differences of foreign policy culture, experiences and expectations within the member states.

At the end of the day success depends on the political will of its Member States and there are inevitable limitations in the conduct of foreign policy in a Union that wishes to retain the independence and identity of its member states. But if we are to meet the challenges of the 21st century we have to change our traditional mindset about foreign policy and recognise that the adoption of the Community method would bring significant advantages. In the short-term, individual actors and institutions may see advantages in the freedom of manoeuvre that comes from exercising their responsibilities in an autonomous way. But in the medium and long term, the global influence of the EU will depend upon the ability of the Member States to speak with one voice – and to take the necessary decisions in a timely manner.

Thank you.