

*Speech by British Consul-General Stephen Bradley to the Chinese University of Hong Kong on Thursday 1 December 2005*

## THE UK IN THE EU

[Vice Chancellor], ladies and gentlemen

### **Introduction**

Thank you very much for your invitation to speak as part of this series of lectures. My subject today is the **UK in the EU**. This is of course too large a subject for the time I have so I will have to be selective. My account of the history will therefore inevitably be a **personal view**, though of course I will not spare you some description of the UK's present policies and priorities. However even this will have to be rather incomplete, so let me start by directing any students interested in the real detail to two websites run by the Foreign Office: [www.europe.gov.uk](http://www.europe.gov.uk) and [www.EU2005.gov.uk](http://www.EU2005.gov.uk) which will give you much more than I can today. However, I will try now to offer some thoughts that I hope you will find useful.

After a few introductory remarks, I propose to set out briefly some facts to show you just how important the EU is in the world today, including in this part of the world. I will give you some historical background, seen from the UK's point of view, to describe and explain how we got to where we are now. I will then examine exactly where it is I think we are now, notably after the rejection of the proposed new Constitution by the voters of France and the Netherlands. And finally I will look to the future challenges and opportunities, which are as usual two sides of the same coin.

I have chosen this topic partly because of your four speakers I am the only European, and such a series of talks on international issues would surely be incomplete without some examination of Europe.

But it also seems particularly appropriate for me to do so because the UK currently holds the Presidency of the European Union, and European affairs are at the very centre of our national concerns and priorities.

I am sure it does not apply today, but with some audiences I might have to start such a talk by reminding people that the UK is indeed **in** the EU! We retain such a strong identity of our own (which of course I think is a good thing) that from a distance there is sometimes a tendency to speak of the UK as separate from the “Europeans”. This may be natural enough, given our history, but can be rather frustrating, as when in cases of disagreement among Europeans, commentators describe the French or German opinion as the “European” view - when it is only one, and often not even the *majority* European view on a particular issue.

What the UK is **not** a member of is the *Eurozone*, since we retain our own currency, and have not given up the pound sterling for the Euro. This fact does have important consequences for our point of view. But it is only one part of the European project. Other things differentiate the UK from continental European countries too - like driving on the left or playing cricket - but these do not make us any less ‘European’.

## **Importance of the EU**

Allow me to start by setting the EU in its global context. The Union now consists of 25 nations, with a total population of 456.8 million. With a GDP per capita of some US\$ 28,000, we account for 22% of world GDP, ahead of the US at 21%. We also account for 19.2% of world trade in goods (US – 18.5%), and 38% of outward global investment flows (and 33% if inward).

As a single market, then, the EU is the most important economic entity in the world. To sell to Europe, to invest in Europe, to study in Europe, to visit Europe, is to enter the largest market in the world. Incidentally, if you compare the openness of the world's economies, by calculating the average of exports and imports as a percentage of GDP, you get some interesting results. On this scale the EU scores 14.6%, the US 8.8%, Japan 9.0%: and China an amazing 30%.

The EU is China's largest trading partner, ahead of the US and Japan, with total trade of US\$ 177 billion in 2004. The EU is also probably the largest foreign (ie., non-Hong Kong) direct investor in China, though these figures are obscured by flows through Hong Kong and routed via offshore tax havens. The EU appears to be the 3<sup>rd</sup> largest external investor in Hong Kong, after the British Virgin Islands and the mainland. I am always tempted to include BVI investment figures as British – which technically they are, of course. This would probably make the EU a larger investor in HK than the rest of the world, including the rest of China, combined! But even if I do not do that, the stock of EU investment in HK amounted in 2003 (latest figs) to 11.7% of the total (HK\$345.2 billion), ahead of the US (6.3%) and Japan (4.8%). This means there is around HK\$50,000 worth of European investment for every Hong Kong resident: man, woman and child.

If we take a sector of great importance to Hong Kong, banking, then of the top 25 banks in the world ranked by assets, 3 are American, 4 are Japanese, and 15 are European. And here in Hong Kong, of the 133 licensed banks in Hong Kong, 34 are incorporated in the EU. Of the 181 insurance companies, 30 are from the EU. And on top of these there are some 68 EU companies engaged in the securities and commodities trading business (2004). So the EU presence here is of very considerable significance.

On the global level, the scale and weight of the EU is of course growing, and gives the lie to the rather trite opinion sometimes expressed about Europe being the past while the US is the present and Asia is the future. It is true that our *internal* growth rate has been slower in recent years than the US, and much slower than China (though faster than Japan) but our *external* growth rate has more than made up for that. You might say that we have chosen to grow through friendly acquisition, like HSBC: a perfectly valid strategy for any company.

Thus in 1970 the total GDP of the EU was the equivalent of €498 billions (the USA then was around 1200 billions). In 2004 the EU's total GDP was €10,289 billions – i.e. 20 times more (the USA was around 9,381 billions) Thus the average annual growth rate of total EU nominal GDP over the 25 years 1970-2004 was over 10% per annum.

I would not press this case too far! But behind it lies a key point. Enlargement has been one of the great success stories of the EU, as I will show later. And the process continues, offering us the prospect of continued growth as a single market. This kind of external growth is not readily available to any of the other great economies, at least not on a peaceful basis. We also need, of course, to accelerate our internal rate of growth, but that will depend on the policies our national governments individually and collectively pursue, on which there is much debate right now, and on which the UK has some very clear views.

## **History of the EU, and UK in EU**

I hope these basic facts persuade you of the obvious importance of the EU as it stands today. Importance globally, but also particularly

in this part of the World, where several European countries have centuries of experience.

What I would now like to do is show you why the EU itself is the greatest political and economic success story of the last 50 years.

The first half of the last century was an almost unmitigated disaster for the nations and peoples of Europe. During the 18<sup>th</sup> and even more the 19<sup>th</sup> century European nations had risen to an extraordinary position of wealth and power in the world, first overtaking economically and then of course dominating politically all the world's older civilizations. We had also explored and occupied vast lands that, while not without human inhabitants, had either lost their higher civilizations or had never developed to the levels of the Old World. Because of this period of expansion, the Americas and Australasia essentially belong to the European cultural sphere, though they have added new, and often more dynamic strains to our collective heritage.

The UK, as you all know, was very much the leader in this two century phase of European expansion and hegemony. At least, in economic, military and political terms – which are the terms in which that imperial age are usually considered. Over that time Britain created the greatest international empire the world has ever known, and that was *after* losing America. However this whole age of dominance was founded on a creativity, invention and genius that was very broadly European. Let me try a very short list of names on you. Bacon, Gutenberg, Galileo, Machiavelli, Locke, Descartes, Copernicus, Newton, Kepler, Pasteur, Watt, Darwin, Lavoisier, Fleming, Jenner, Faraday, Harvey, Lister, Mendel, Planck, Freud, Marconi, Einstein, Bohr.

This is a decidedly European line up of genius. You might argue that Europe was if anything more integrated intellectually in the 17<sup>th</sup> – 19<sup>th</sup> centuries than it is even now. And Europe's contribution

as a whole to the advancement of human knowledge amounted - by any objective measurement - to far more than any other civilisation. To take one trivial measure, I picked up a book the other day that ranked the 100 most influential persons in history: a work obviously bound to invite heated argument on the detail of the list (for instance, Mohammed comes 1<sup>st</sup>, with Jesus Christ 3<sup>rd</sup>, Buddha 4<sup>th</sup> and Confucius 5<sup>th</sup>). But a broader point comes out of it that is simply not deniable: of the top 100, 71 are European.

Then it all went horribly wrong. The two great Wars and the depressed economic period between them were a catastrophic time, in human and economic terms. Europe ripped itself apart not once but twice and by 1945 the defeated were on the floor and the victors left standing were utterly exhausted. There were deep scars of animosity and resentment. The following two decades saw all the European overseas empires dissolve, with varying degrees of dignity, and the continent turn increasingly in on itself.

However that period also saw something else. American aid through the Marshall programme helped the western European countries off their knees and start to reconstruct their economies. Then on 9<sup>th</sup> May 1950 the French foreign minister Robert Schuman made an historic suggestion that we should start building a new Europe. His proposal was realistic. He stated that:

“Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity.”

It was also practical, and focused on one single point: pooling coal and steel production and unifying the market for these products among those states that participated. The European Coal and Steel Union was established in 1951, with six countries joining: West Germany, France, Italy, Belgium, the Netherlands and Luxembourg. Six years later on 25<sup>th</sup> March 1957 the same six

countries signed the Treaty of Rome, creating the European Economic Communities, the EEC.

However the real objective of this economic initiative was political. As Schuman said,

“The coming together of the nations of Europe requires the elimination of the age-old opposition of France and Germany.”

This is what I wish to emphasise. We are accustomed these days to reading much about the EU’s problems: its relatively poor economic performance, fracturing social fabric, initiative-throttling bureaucracy, excessive taxation, unaffordable social programmes, unfunded pensions liabilities, political infighting, democratic deficit, etcetera. And in hearing all this you might be tempted to think the whole thing a bit of a mess. But don’t forget, its greatest achievement has been, precisely, to attain its main objective, which underlies everything else: peace in our time.

My father was born on 12<sup>th</sup> December, 1914. By then his father and three uncles were all at war, officers in the British army. He grew up between the wars, also joined the army, served in various far flung corners of the Empire, and then found himself in Europe, at war. He is now 91, and I hope will be with me for many years yet. But the first half of his lifetime was dominated by war, the second half by peace. The founders of the European Union achieved peace for the rest of their own lives, and they bequeathed it to us, their children. It is the very best kind of inheritance, and there is no-one in Europe who will not acknowledge this debt.

The success story does not stop there. By the time Schuman made his declaration, the Iron Curtain had descended – in Churchill’s powerful image – across Europe and we were in the Cold War. Although a global contest between the communist and the free worlds, there was no doubt where the main battleground would be,

were it to turn into a hot war. My father spent part of his later career, and my eldest brother, also a soldier, much of his, in Germany, Norway and elsewhere in Europe, planning and preparing for the attack that might come at any time. And who were our enemies? Well, first over the borders in a Soviet invasion would have been the East Germans, the Poles, the Czechs, Slovaks, Hungarians, and so on.

You see my point. All these nations and their peoples are now not only not enemies, they are fellow members of the European Union, along with the Lithuanians, Latvians, Estonians and soon the Croatians, Romanians and Bulgarians. Thus we have not only prevented another Franco-German conflict, we have also ended the Cold War and incorporated those who might have fought the Third Great War against us, and made them our partners and allies.

The UK has always strongly supported this expansion of the EU to take in those eastern countries. It was a British historian, Norman Davies, who published a massive work in 1996 entitled “Europe – a history” that reminded us in the west that the central and eastern Europeans were just as much a part of Europe as the rest of us. British government policy has always been consistent on this issue, and remains so.

When we look into the future, can there be any doubt that the ultimate haven for the other countries of the Balkans, who have suffered so much in recent years, will be within the EU? All the member states of the EU are free and democratic, which most were not before. Membership provides support for human rights and freedoms – as well as peace - which might otherwise come under threat. There are few more worthwhile political programmes: and few have been anything like as successful.

And then, of course, there is Turkey, with whom we at last started accession talks in October this year, an important moment for the

UK Presidency. That will be a bigger test, with global implications. It is also the most controversial, and for some, it will be an enlargement too far. But in this case too, the UK's position is consistent. We are in favour, assuming Turkey can meet all the conditions for membership, that she should be admitted. Many believe that a Muslim nation simply does not belong in a Christian 'club'. But we believe that ultimately the way to avoid the fate predicted for the world by Samuel Huntington in *The Clash of Civilisations* will be to show that different cultures and creeds can live in harmony together. All cultures have their bad and good aspects, it is up to us which side we cultivate, in ourselves and in others.

To return to my theme, is this record not success? Even if you do not agree with me that it is the most immensely and concretely successful political endeavour of the last half century, it is surely at this fundamental level of political achievement that one must start any objective assessment of the European project.

**So, what are the economic and social aspects to be considered?**

**And, where was the UK in all this?**

After the war the Attlee labour government was preoccupied with the establishment of Britain's Welfare State, and had little time for European politics. The Tory governments of the 1950s looked backwards, and clung onto a greater vision of Britain's place in the world, with the Empire turning into the Commonwealth and the close post-war relationship with the United States being of paramount importance. Churchill was a great believer in the European project, but did not see the UK as part of it. So we did not seek to join in the fifties when it started.

There is little doubt, with hindsight, that this was a mistake, for the UK and perhaps also for Europe. We duly changed our mind and

applied to join twice, in 1961 under the Tory Prime Minister Harold Macmillan, and 1967 under the Labour government of Harold Wilson. On both occasions we were kept out by de Gaulle's veto; because he didn't like us, and, obviously, because the presence of the UK in the group would have counterbalanced France's political weight within it. This was an early example of the kind of competitive, power political calculation that bedevils the Union's efforts to move forward today.

However, by 1973 the scene and the actors had changed again and the UK joined, along with Ireland and Denmark, thus increasing the Six to Nine. In 1981 Greece joined, in 1986 Spain and Portugal, then in 1995 Austria, Sweden and Finland: making fifteen. Last year ten more countries joined, making the present total of 25.

The UK lost out economically by not joining at the start. The thirty years after the war were a great success for the main continental economies of Europe. Between 1948-1963 average annual GDP growth in West Germany was 7.6%, in Italy 6.0%, and France 4.6%. In the UK, however, it was only 2.5%. We began to fall behind. Then the very year that we did join saw the first 'oil shock' as OPEC countries ramped up the price of oil and the rest of the world economy suffered. The second oil shock in 1976 hit us very badly, and the UK reached a nadir in 1977 when we had to appeal to the IMF for help. It was a bad time and the Labour government led by Jim Callaghan that presided over it were duly thrown out in 1979, to be replaced by a new Tory administration led by Margaret Thatcher. She came armed with radical policies and, it has to be said, a degree of scepticism about Europe that did not decrease with experience.

So, unlike the founding countries, the UK's first years of membership did not bring, and were seen not to bring, economic benefits to our people. In fact, the 70's were so bad that people looked back with nostalgia to the swinging 60's, when London was

at least the pop and fashion capital of the world. And the revolutionary policies of the early 80's, which most of us agree changed attitudes and laid the foundation for our subsequent economic revival, were associated with principles of self reliance, individual responsibility, independence, and old-fashioned patriotism. They were not in any way credited to our membership of Europe: rather, they were seen to have been achieved in spite of our membership.

They were also set against a particular background of struggle over the European Union budget, which continues today. This is absurdly skewed towards agriculture, the least important sector of the economy. More than 40% of the entire EU budget is taken up by the Common Agricultural Policy even now – a problem to which I will return later. Partly because of this, the UK was and still is the second largest net contributor to the EU budget. In the early eighties, this was clearly wrong, given we were relatively poor in per capita terms. So Thatcher fought for, and by dint of relentless argument eventually obtained, an abatement formula whereby we at least got some of it refunded.

Thus the first ten years of our membership did not exactly give us a warm glow. I think it is worth remembering this when asking why the British seem, within the EU, to be so relentlessly *questioning*, and apparently disinclined to believe the EU is necessarily a good thing for its own sake. This less than wonderful initial period was capped off in 1982, when Argentina invaded the Falklands and we found some of our European 'partners' decidedly ambiguous about whose side they were on. In that moment of need, it was of course American support that proved reliable and decisive – both in the war but also in the minds of British people.

The Thatcher years did not see the EU cast in a very favourable light as far as the British public were concerned, not least because her own attitude became increasingly hostile to what she saw as a

Europe dominated by the sort of socialist principles and policies she had fought so hard to defeat in the UK. Yet, it was she who signed up to the principle of qualified majority voting, a significant surrender of sovereignty, which was necessary to ensure that the legislation to establish the Single Market – itself largely the work of a British Commissioner, Lord Cockfield – could be passed.

That Single Market, of course, has gone from strength to strength, and has over the last two decades transformed the pattern of the UK's external economic relations. In 1973, before we joined, 35% of our visible trade was with European countries: now, over half is. Our trade with the EU 15 increased 9-fold in real terms since the 1970's. Our invisible exports, that is, of services to the EU in 1973 were worth £5 billion: in 2004 they were worth twenty times that, at £95.9 billion.

So whatever might have been going on at the upper levels of politics, down among the businessmen the UK was steadily becoming more and more integrated with Europe.

And consumers, even more than business people, were also integrating us in to Europe. This process has accelerated. In the 12 months to September this year, UK residents paid 65.7 million visits abroad (one each!), of which 49.7 million, or 75%, were to Western Europe. And beyond the holidaymakers and those with second homes, there is now an estimated population of Britons resident in France of over 100,000, and over 120,000 in Spain.

Thatcher eventually fell because of differences with others in the Tory party over the Exchange Rate Mechanism. This was of course intended as the first step towards a unified currency, and it was after a stormy session in the House of Commons where she yelled "No, No, No!" above the noise that her right hand man Geoffrey Howe resigned, to plant his knife in her back not long after.

Subsequent history might be said to have proved her entirely right, because our membership of the ERM – joined under John Major’s premiership – ended in embarrassment in 1992, when we had to drop out, essentially because our economic cycle was still more closely attuned to that of the US than the rest of Europe. At that time it was widely believed in the UK that German support could have saved the pound from falling out of the mechanism, but that support was not forthcoming. More grist to the mill of the skeptics. The principle of a ‘friend in need’ did not seem to apply very well, once again, to our European ‘partners’.

At that time both main political parties in the UK were divided on the issue of Europe. It brought down Thatcher and Major, and sent the Tories into a wilderness from which they have yet to return. There is an excellent account of all this, from a pro-European standpoint, in Lord Patten’s latest book, *Not Quite The Diplomat*, which perhaps some of you bought when he came here to promote it a couple of weeks ago. His account fizzles with the frustration of a rational politician defeated by the visceral politics of prejudice, suspicion, jingoism and history.

The new Labour government in 1997, however, seemed to have shed itself of the burden of history and was unequivocal about the UK in the EU. The Prime Minister, Tony Blair, declared himself a pro-European and continues to do so. He wanted and still wants to put the UK “at the heart of the EU”. Only a few months ago, in a speech to the European Parliament on 23<sup>rd</sup> June, he said,

“I believe in Europe as a political project. I believe in Europe with a strong and caring social dimension. I would never accept a Europe that was simply an economic market.”

This is addressed directly at those in the UK who say we were tricked into believing we were joining something called the Common Market, when in fact we were signing up to a process of

increasingly shared sovereignty and gradual political unification. And it is also aimed at those elsewhere in Europe who think the British view is that Europe should be no more than a free trade area. If there are those in the UK who think this, they do not include the Prime Minister or this government.

Of course the people of the UK were not tricked into joining something that was not what we thought it was. We simply didn't pay attention at the time, as people generally do not when their governments provide them with information. Lord Patten complains in his book that of course Prime Minister Heath explained in 1973 that joining the EU was all about pooling sovereignty, etcetera, and how inaccurate and ill-informed the skeptics are when they misremember this.

I understand Lord Patten's irritation. But there is an excellent fictional representation of this kind of attitude in *The Hitchhiker's Guide to the Galaxy*. The Vogon Starfleet arrive over the earth and announce it is to be destroyed to make way for a hyperspace bypass. The earthlings protest, why weren't we told? Of course you were notified, the Vogon fleet commander replies: in line with galactic planning procedures, the notice has been posted for the regulation time in the central galaxy office. If you can't be bothered to go and read it, well that's your problem. Now mind out while we blast!

I introduce this silly story because this problem of communication is at the heart of the EU's difficulties now. We seem to have an administrating elite that go about their business far removed from the lives of ordinary citizens who, when asked, can turn out not to be very grateful for all that is being done in their name.

## **Current situation**

This brings me to the immediate present. After a great deal of negotiation the European Convention formed for the purpose under former French President Giscard d'Estaing submitted a new draft constitution for the EU on 18<sup>th</sup> July 2003. This Constitution (NB ref print out summary for detail):

- consolidates the main European Treaties into a single text
- creates a full time President of the European Council
- creates an EU minister for Foreign Affairs
- gives national parliaments a voice in making European laws
- reduces the size of the Commission
- introduces a new system of Qualified Majority Voting
- extends QMV to new policy areas
- increases the number of policies subject to co-decision
- simplifies procedures for 'enhanced co-operation
- incorporates the charter of Fundamental rights into EU law.

It was agreed by governments but needs to be ratified separately by all member states before coming into effect. Here is where things have not quite gone according to plan. Different countries have different constitutional procedures to effect such ratification, and they also made different political choices. In particular, some undertook to put the matter to a referendum while others did not.

As of now, the following 11 countries have approved the Treaty by a vote in their parliaments, without a referendum: Austria, Cyprus, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Malta, Slovakia, Slovenia. So far, 4 have held referendums: Spain and Luxembourg endorsed the Treaty, but France and the Netherlands rejected it. France, on 29 May this year with a vote of 55% against; and the Dutch on 1 June with a vote of 62% against.

In the light of this rejection by two of the founding members of the EU, the Czechs, Danes, Finns, Portuguese and Swedes have postponed their ratification process. The Estonians and Belgians

are going ahead anyway. The Poles have not decided. The Irish and the British have not abandoned the process, but have not set dates for their respective referendums.

Is this a crisis? On one level, not really, in the sense that life goes on as before. It is just that progress has been halted. Good! Say those who did not like the direction in which that progress was going. Pity! Say those who did. And, “now what do we do?” say those who shoulder the responsibility. We are in a period of ‘reflection’.

I am tempted to compare it to the situation that might arise in Hong Kong if Legco rejects the Chief Executive’s constitutional reform package next month. Life will go on as before. The government won’t stop functioning, even if it has suffered a defeat. But will the community have lost an opportunity? Will there be public agonizing? And will there have to be some rethinking? Surely. Of course, the issue at stake here is a good deal more straightforward than the matters hanging on the European Constitution. Where universal suffrage is concerned, everyone broadly agrees which direction represents progress, it’s just a matter of how fast you go in that direction. Clearly, more progress is better than less progress, but surely some progress is better than none.

Whereas in the case of the European Constitution, there are clearly a significant number of Europeans – as we now know for certain, a majority of French and Dutch, and there is speculation that others, had they been given the chance to vote might also have said ‘No’ – who do not even agree that the direction is right. So on this level yes, Europe certainly does have a crisis.

At least, that is how it seems on the face of it. But as you will all have appreciated from reading the international press, those “No” votes had as much to do with domestic politics in the two countries as with the details of the Constitution. If you ask why? Then I refer

you to the problem of communication between ruling elites and their populations, so precisely mocked in the Vagon Starfleet story. After all, here is the Constitution of the USA. And this is the draft EU constitution. And remember, this is a *simplification*! How many EU citizens do you think have actually read it? How many of even those who personally voted in referendums did so feeling they really understood what they were voting for/against? Most European citizens' ideas about the EU are based more on sound bite and newspaper cliché than careful study of the facts.

This applies very much to the UK. The website I referred you to at the beginning of my talk has an entertaining list of examples of the kind of stories that abound in the UK press about Brussels and the EU, but which are complete myth. British readers have on different occasions been told that Brussels has banned curved cucumbers and all yogurt, that handling euro notes makes you impotent, that every pig had to be given a toy in its pen or else the farmer would be liable to prosecution; that ambulances had to be painted yellow; that mountain climbers would have to use scaffolding; that all male EU officials were given 6 free Viagra pills a month; or that worn out electric sex toys would have to be handed in before their owners could purchase a new one.

The facts, of course, don't make such good stories, so it's an uphill battle. But what the whole exercise over the new constitution has made clear is the need, if not to go back to the drawing board, then at the very least to reflect on where we are and what we should be doing.

## **Future outlook**

This leads me straight into what lies ahead. As we see it in the UK, the bottom line is probably best represented by the 20 million or so unemployed we have in the EU, over half of whom have been out

of work for over a year. This is our biggest immediate problem: though over the horizon there are several equally serious challenges.

Unemployment in some areas now reaches socially dangerous levels, and youth unemployment in particular is a real concern. Nor is it possible for governments to duck responsibility: public policy is crucially important; the policy choices we make have a decisive impact on economic performance. If we get these decisions wrong, then down that path lies trouble, of the sort we have seen across France in recent weeks, but which we have known in the UK and which will spare none. Europe has been there before, between the world wars, and we know very well where it led then.

Three weeks ago I spent the weekend at my house in Normandy and as usual talked to Daniel, the local electrician-cum-plumber. He always has views on the issues of the day, but on this occasion was more depressed than I have ever seen him. Things have not been easy in recent years. He has an adult daughter, aged 26, who is still living at home because she cannot find a job despite being a qualified accountant. His other daughter is married, but her husband is out of work. And now he sees the suburbs of Paris in chaos caused by Moroccan and Algerian immigrants who come to France as he sees it not to work, even less to integrate, but cynically to claim welfare and contribute nothing. “Trop de social”, was how he summarised the national problem. Too few people creating wealth, too many dependent on them: a society living beyond its means.

Globalisation sets the agenda for Europe, whether we like it or not. How do we compete in a global market where the barriers are falling so rapidly? There are those who want to retreat, put up barriers, stop the world so they can get off. They like things as they are – or rather, were – and don’t like having to adapt, let alone

compete. This is human nature, but if it is applied to public policy the consequences will be severe.

The UK does not want to be part of a Europe that condemns itself to failure. And since we are irrevocably part of Europe, that gives us only one option, to try and move Europe as a whole in the right direction.

### **What is that right direction?**

This is hardly for me to say, since it is very much under debate at the moment. There are significant divergences of view, between those who know more and count for more than I do, so what I might think is neither here nor there. I will therefore outline one version, which I think is a very coherent one. It was put in a recent pamphlet by the UK's minister for Europe, Douglas Alexander, entitled "Europe in a Global Age". Given his position I think you can take it as being pretty close to the UK government's view.

He stresses four main themes.

First, that the EU, which has for years been inward-looking, absorbed with its internal problems of integration and enlargement, must turn outwards. It should actively use its immense potential influence "to advance peace, to advance prosperity, and to advance democracy". It is doing this in the Balkans, and to some extent – but it could do more – around the Mediterranean through the "Euromed" process. However it should not be restricted to neighbouring regions, but engage globally.

Second, that we need to address the problems of low growth, low productivity and high unemployment by reforming our social models, benchmarking against each other and learning from each other's good points. The economic figures suggest there is

something in Europe's social structures that inhibit work and economic gain, which must be changed. This presents different agendas to different countries, but on the Community level he proposes five steps:

- more mutual recognition of skills qualifications
- improve the regulatory environment to make life easier for businesses
- a more competitive and globally oriented financial services market
- reform the state aid policy to complete the Single Market
- refocus EU spending on core Lisbon objectives, i.e., building a competitive knowledge economy. (In plain English this means, broadly, not wasting our money on building butter mountains, etc., but spending it on education and research.)

Third, continue to boost appropriate assistance to the developing world (EU members states provide 55% of all such aid, making them by far the largest donors in the world); but also giving the developing economies the chance to develop themselves, by opening market access and getting rid of export subsidies, notably in agriculture, which is so important to developing economies. It follows from this that Europe internally must reform the CAP root and branch.

Last, address the question of identity, which can and should be multi-layered, and free ourselves of some of the hang-ups that confuse us. One survey showed that 19% of those who voted No in the French referendum did so because they felt Europe threatened their national identity; 26% of the Dutch No voters said the same. Yet why do they feel these are contradictory? Can one not be Dutch *and* European? Can one not be Catalan *and* Spanish *and* European? Or Welsh (when it's rugby), British (when it's the Olympics) and European (when it's Beethoven)?

This last suggests a parallel with one of the issues Hong Kongers face, and of course the answer is obvious. You are Hong Kongers (when it's ping-pong) but Chinese (when it's astronauts). There is no contradiction.

## **Conclusion**

And so in this light, what should Europe be? Clearly, more than a Free Trade Area, we've long passed that point. But equally clearly, not a United States of Europe, we are nowhere near that being acceptable to any of us yet. So, somewhere in between. Where, exactly, is still open to debate. But I can assert one thing: the UK will be in there, and we will fight strongly for the right kind of Europe: democratic, just, forward looking, flexible, fair, competitive, open, civilised: a place where the great minds of the future, not just of the past, will be productive, and feel at home, and live happily alongside the rest of us lesser mortals.