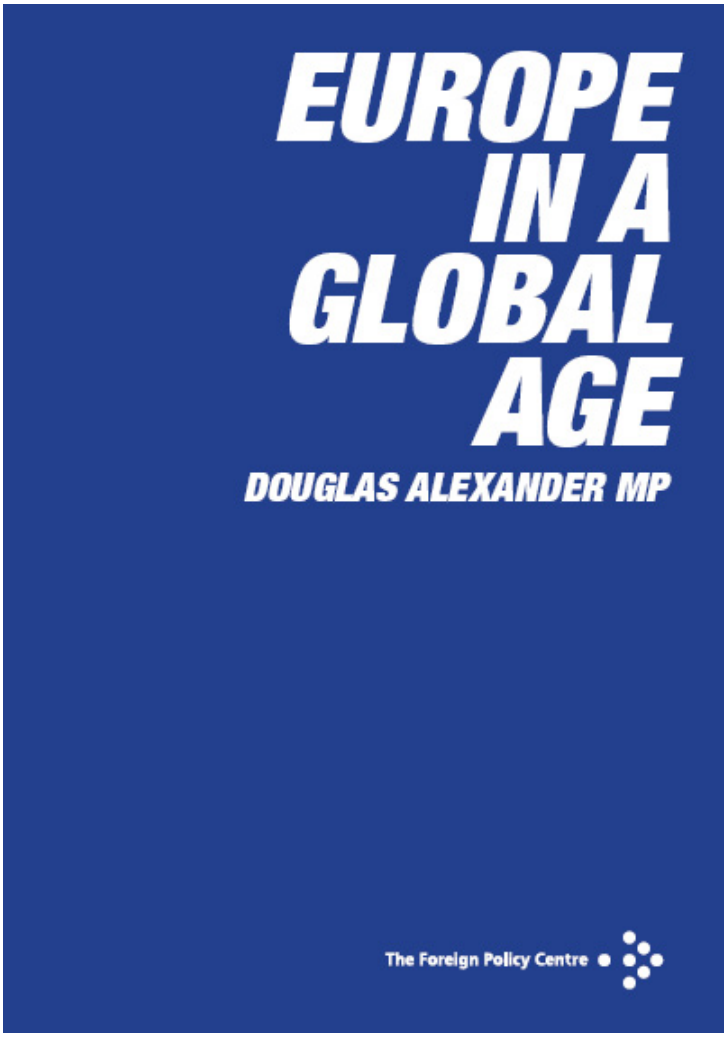
EUROPE IN A GLOBAL AGE
DOUGLAS ALEXANDER MP
The Foreign Policy Centre

Europe in a Global Age

Douglas Alexander MP

Preface by
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Disclaimer

Preface

The biggest ever enlargement of the European Union in 2004, to be followed by further accessions in 2007 and the years beyond; the French and Dutch 'no' votes to the Constitutional Treaty – and the misapprehensions that were, at least partly, responsible for those results; the persistent low growth in several economies; the evolving energy–dependent relationship with Russia; the huge demographic shifts that are bringing the ageing of every European society; the intensifying pressures of globalisation and its accompanying movements of capital, technology, trade and people: all these are only the most salient fragments in the kaleidoscope of change facing the European Union.

Reactions to these and associated realities vary. As always, some respond with deliberate immobility, insisting that new initiatives would signal panic or even betrayal of the original mission of 'Europe.' Some campaign for withdrawal into national comfort zones or other illusory means of stopping the global clock.

Those who recognise the permanence of change and – more important, the possibility and necessity of shaping it for enlightened and productive purposes – do not succumb to paralysis or to retreat. Instead, they argue and work for means of turning the challenges into beneficial progress.

That is the essence of this pamphlet by Douglas Alexander. It is also central to the case being put by like-minded progressives who believe that the achievements of the Union have been invaluable, but that sustained relevance and vitality demands evolution of policies and attitudes to meet radically changing conditions in ways that will benefit the peoples of Europe and the wider World.

The basis of that evolution must be full understanding of the irreversible facts that globalisation and interdependence are now incremental constants; that the benign and the malevolent transnational facts of 21st century life must consequently be matched by transnational means of dealing with them; and that reality

requires collective multinational action in a regime of Law agreed by democratically elected and accountable governments. That is the functionalist case for the EU.

Second, that functional approach requires engagement in the EU that is pragmatic but energetic, not unconditional but not half-hearted either. The simple reason for that is that detachment reduces impact and physical or mental absentees don't win arguments. To properly influence, it is essential to be properly in.

Third, and following directly from that, EU involvement must not be treated as a subsection of 'foreign' policy. The truth that Britain's future is entwined with that of the rest of Europe and that there are few areas of domestic significance without EU implications for the UK – and vice versa – has to fully be recognised. It also has to be acted upon with fresh vigour and cogency across government and more widely – and the appointment of Douglas Alexander as the first Cabinet-rank Minister for Europe is a significant step in that direction.

Fourth, progressives must make it clear that we are the primary campaigners for economic and political modernisation of the EU. That is essential because there must be further and more rapid and radical change in the CAP to foster greater trade fairness and freedom and to bring greater rationality to the EU budget; because the advance of prosperity and security requires that the essential competitiveness, growth and employment elements of the Lisbon Agenda are properly seized and implemented; and because the Single Market has to be operationally strengthened with its regulation improved and its social dimension sustained.

None of that will happen if 'reform' in the European Union is allowed to become the instrument of neo-conservatism of the Right or to be demonised by conservatives in the Left. Both threaten sustainable standards of jobs, opportunity and care – the first by demolition, the second by stagnation.

By contrast:

- Progressives have to make the reformers' case for an EU where there is wider adoption of the best proven combination of economic efficiency and social justice, of economic and technological advance and labour market modernisation. The main features of the Nordic economies have to become the working models for the whole continent.

- Progressives have to make the case for dealing with the developing crisis of demographic change through uncomfortable but essential policies like gradual increases in personal and corporate pension contributions, wider voluntary extensions (whole time or part time) of working life, much greater opportunities for womens' employment through - for instance - affordable, comprehensive childcare; immigration policies that recognise economic imperatives and ethical obligations; and increased investment and changed employment and skill practices that gain the sustained advance in productivity that is the difference between dependable prosperity and much wider poverty.

- Progressives must make the case that the EU has to increasingly turn outwards to take the full opportunities offered, and mitigate the dangers and injustices posed, by globalisation. Introverted concentration on the internal market is tempting for businesses, governments, and labour movements – but it is myopic. Prosperity, trade justice, development has to be advanced and achieved in the external markets and not in a regional enclave.

Finally, progressives must also provide candid and consistent public explanation of the purposes, extent, limits, workings, financing, management and problems and potential of the EU. The Union must be demystified. The remorseless distortions about it must be combated. Pro-European progressives must therefore give unprecedented emphasis to increasing public knowledge of the facts

– not to spin or propagandise but to generate comprehension and familiarity, and the impetus for improvement.

Realists who recognise the value, the opportunity, the benefits, the blemishes, the shortcomings and the challenges of the EU have to organise anew around the facts of life facing our country and the rest of Europe.

The need to provide candid analysis of the EU, to inform about the EU, to rebut misinformation and disinformation about the EU, and to advocate and guide modernisation and progress in the EU will never recede.

Because of that, it is essential to re-invigorate efforts with energy that comes from a strong sense of purpose, persistence to ensure that the practical case for Britain's engagement is put forcefully and consistently, and self confidence in arguing for reform as well as arguing against phobia.

They are fitting tasks for those who share the progressive perspective which Douglas Alexander brilliantly articulates. And since pursuit of that cause cannot and must not be left to leaders alone, all who see the modern purpose and the great potential of 'Europe in a Global Age' should make the case with similar reasoning and determination. We have, after all, nothing to lose but introversion, fragmentation, underperformance, injustice and insecurity – and there is a future to gain.

Neil Kinnock
October 2005

CONTENTS

Introduction..... 1

Chapter 1: The Case for Global Europe 6

Chapter 2: European Social Justice for the 21st Century..... 17

Chapter 3: A Transatlantic Agenda for Trade and Development 26

Chapter 4: Understanding European Identity..... 35

Conclusion 45

Introduction

What is to be done?

Recent turbulent months have caused both some friends and some opponents of the European Union to claim that Europe is afflicted by crisis.

Not a crisis in which Europe ceases to function. Its institutions continue to operate. It can still take decisions, can still act in the world, and can still further the interests of its Member States. The Union is not about to break apart.

It is, rather, an issue of direction, of purpose, of meaning. What is Europe about? Where is it going? What is the Union here to do? If we did not have it, would we invent it?

The rejection of the Constitutional Treaty by the French and Dutch people is, of course, the proximate cause of this debate. Anxieties were then further deepened by the failure of Europe's leaders, at the June European Council, to agree a deal on the Union's future financial arrangements. Even the successful opening of accession talks with Turkey has not been sufficient to allay the accumulated anxieties.

In the face of such pessimism, this pamphlet offers a different and more hopeful view. Indeed in these times it is worth recalling, that, as President Kennedy once said, 'When written in Chinese, the word 'crisis' is composed of two characters - one represents danger, and the other represents opportunity'.

Now is the time to grasp the opportunity presented by recent events. In the months and years ahead we must recognise that the traditional pro-European case is no longer a sufficient argument for the Union. In its place we need to make the case for an outward looking Europe in a global age.

This pamphlet aims to contribute to the debate now under way about the Future of Europe, by setting out the key social and economic challenges which Europe must address if it is to continue to be a vehicle for economic progress and social justice for all the citizens of Europe. In doing so, it makes clear that we can only achieve these objectives if Europe and its citizens embrace rather than avoid necessary change.

In truth, the underlying malaise has been building within European society over the course of the last two decades. Twenty years ago over two-thirds of Europeans supported their country's membership of the Union; now the figure is about half. As economic integration has deepened, internal tensions about how to define and develop Europe's social and economic arrangements have grown. The Euro has not delivered the sustainable boost to economic growth that many predicted. And – notwithstanding the opening of accession negotiations with Turkey – the ongoing debate over enlargement of the Union testifies to an uncertain sense of purpose, a weaker sense of historical mission and perspective. In short, questions about the future direction of Europe have been with us for some time.

This is because Europe now faces challenges which are fundamentally different from those it faced when the EEC was set up in the 1950s and when it was establishing itself in the 60s and 70s. The Prime Minister Tony Blair made this abundantly clear in his speech to the European Parliament that launched the British Presidency. These challenges go to the very heart of what the European Union is – and can be – in the 21st century.

In this context, we can no longer rely on the past successes of the Union to sustain contemporary support for its work. For many of our citizens these successes are unknown and have little resonance to the world they see around them today. Too often the grand sweep of Europe's achievements and possibilities is lost in the detail of the permitted curvature of cucumbers. So too, many of us who believe that the Union can and should be the vehicle by which our nation states respond to the challenges of the modern world have failed to speak up for this role. We have in the past been too complacent that

the real achievements of the Union will shine through the fog of misunderstanding about its purpose.

In truth, the traditional 'pro-European' case advanced here in the United Kingdom has been largely an economic one. In the 1970s it was that EEC membership would produce higher growth. In the 1980s and 1990s it was that economic integration and the Single Market would be good for British exports, jobs, and growth. We must acknowledge that these arguments, while relevant for their time, are no longer adequate for the age in which we now live. Indeed if a pro-reform, pro-European consensus is going to be established here it will need to be built on surer foundations than simply a rehearsal of the EU's past achievements. It must confidently and clearly explain the relevance of the EU to the future challenges of greatest concern to Europe's citizens.

It is this central belief that is driving the EU Informal Summit hosted by the Prime Minister on 27 October at Hampton Court. Yet this cannot, and should not, be solely a matter of concern for intergovernmental summits. Across every nation of Europe we need to encourage discussion about how best to work together to address the common challenges we face. This pamphlet sets out the main areas of change which need to be addressed, drawing on ideas developed during a recent series of speeches. In making the case for a new vision of Europe it identifies four key areas of economic and social change. These are: how Europe can become more outward-looking in response to globalisation; how its social and economic structures need to adjust; how to push forward trade liberalisation and agricultural reform in pursuit of a fairer world; and how Europe's identity is developing in the 21st century.

Global Europe

Globalisation is transforming all our lives. We now live in a world in which clothing made in one continent can be in shops in another within 24 hours, and where not just supply chains and markets but companies are now truly global. That process of global economic and social interaction does not in itself change the objectives for which the European Union was created – namely peace, prosperity,

and democracy – but it does dramatically alter the means by which we pursue them. When the European institutions were first conceived, the EU could focus largely inwards, and devote most of its attention to debate about internal rules and functioning. We all benefited from its doing so, but if we are to continue to seek to achieve our objectives a new approach is now required for the future. Intra-EU trade cannot be our sole concern. So too today's security challenges, of terrorism, organised crime, the trafficking of people and of drugs, are intrinsically transnational in nature. If we are to meet the challenges of the modern world, the EU must turn outwards, and become a globally-oriented Europe.

Europe's economic and social goals

Globalisation is not only having a massive impact on Europe's economic performance, but is also changing our social landscape. Yet in responding to these changes, reforms are being implemented slowly, if at all. In a continent in which nearly one in ten people are out of work, it is our duty to ask how the European Union can help them. Advancing such a perspective is difficult in Europe partly because too often the focus has been on means rather than ends. To deliver social justice and a fair and decent standard of living, the means – the existing variegated pattern of welfare states and social structures across Europe – are almost certainly going to have to change. This does not mean and should not necessitate a race to the bottom. But it does mean Europe's economies must adapt to the conditions of today as well as preparing their citizens for the working world of the future. The economic systems that thrive will be those which take change as a given, and which focus on ensuring that their citizens are equipped to respond.

Trade and development

If the challenges to Europe's future come from global forces, so too do the opportunities for Europe to be a force for good in our world. We should not shy away from using the capacity of the multilateral arrangements governing the international trade system to achieve European aims of peace, prosperity, and democracy. It is simply wrong that in the past Europe has not done so. Fairer trade rules

have the potential to help lift millions out of poverty. It offers the prospect of both jobs here in Europe and greater prosperity in developing countries. Yet if the EU is to be truly a beacon for peace and prosperity across the world then we have to attack protectionism, not least in agriculture. We need now – in the vital weeks leading up to the December WTO meetings – to redouble our efforts to open up markets, remove trade-distorting subsidies, and tackle agricultural protectionism on both sides of the Atlantic.

European identity

Finally, globalisation affects more than just traded goods and services. It also affects our sense of who we are. Questions of identity underlie many of the contemporary issues affecting the legitimacy of the EU. The European Union provides a new framework in which to uphold nation states and national identities, while at the same time symbolising and encompassing common European ideas and values. It also makes it easier for regional political identities to develop in a way which does not threaten nation states or identities. In other words, European, national, and regional identities are not a zero-sum game. So in the months and years ahead the EU must confidently assert its own identity as neither a nation state nor a superstate but a distinctive institution that adds value to the lives of its citizens.

Next steps

This pamphlet does not claim to set out all the answers. It does, however, make plain the case for change. If the EU is to succeed in the modern world it must do more than celebrate past glories. It must advance a new vision of its role in the lives of the people it seeks to serve. It is time we asked how we can become the European Union our citizens need – a Union that can serve the goals of peace, prosperity and democracy not just in the next few years but for the generation to come.

Chapter 1: The Case for Global Europe

The discussion over recent months about Europe's future follows many more years of deliberation, not least during the European Convention and the Inter-Governmental Conference on the Constitutional Treaty, and, further back, to the earliest years of what is now the European Union. This chapter puts the case for Europe to face its future with confidence, born of the recognition that the European Union was built to advance peace, prosperity and democracy. These are goals as relevant today as at any time over the last fifty years. Yet if we are to advance these ambitions in the 21st Century we must recognise how the world which we face today is very different from the world in which the founders of the Union first acted. By learning from the best instincts of our forebears, we can address the challenges we face; we can become a global Europe.

Europe's journey

In 1950, the rationale for greater European cooperation was clear. Two world wars had ravaged the continent. Alliances needed to replace bitter rivalries. Societies and economies had to be rebuilt. For Jean Monnet this new development in European cooperation was not about replacing nation states. It was about rescuing countries from war, economic dislocation and dictatorship. In this process, Monnet employed one of his gifts to great effect: his foresight. He knew that in order to achieve these aims he needed first to look inwards and start with the continent's most basic industrial building blocks. Coal and steel would become the starting point for a project that would tie the interests of European countries so closely to one another, and facilitate such mutual understanding, as to render war impossible.

The 1950 Schuman Declaration is remembered today for having launched the European Coal and Steel Community. But it left another important imprint on Europe - specifically on the way Europe would develop. It provided a blueprint for the future, stating as it did, with some prescience, 'Europe will not be made all at once or

according to a general plan. It will be built through concrete achievements.'

Europe's record of 'concrete achievements' to date vindicates Schuman's and Monnet's judgement. The fact that war between European nations is now inconceivable is surely their proudest success. But it does not end there. Through successive enlargements, Europe is gradually establishing a swathe of democratic nation states, stretching from the Aegean Sea to the Atlantic, the Black Sea to the Baltic. The latest of those enlargements put a definitive end to the division of Europe. The EU has helped the Balkans emerge from the wreckage of bloody ethnic conflict, through engagement in peacebuilding (through EUFOR, the EU's biggest military mission to date), and in conflict prevention and reconstruction. In the economic sphere, the EU has created a Single Market of 450 million consumers, the largest economy in the world, contributing to growth, employment and prosperity across the continent, adding some £3,800 to the average European household income[1].

So it is natural that the Schuman Declaration continues today to provide us with a vital compass for navigating Europe's current challenges. At the European Parliament in June this year, Tony Blair argued that the rejection of the Constitutional Treaty by the French and Dutch people had created the circumstances for a profound debate about Europe's future. He was clear that that debate should not focus on the EU's institutions. Instead, Europe's political leaders have to lead a debate which addresses Europeans' doubts about the EU in the 21st century. The debate must focus on getting the EU to deliver 'concrete achievements' on the issues about which the public cares. It must take advantage of the opportunity to take a longer, strategic look at the new circumstances and the new challenges facing Europe.

[1] The Internal Market, 10 Years Without Frontiers - European Commission (2002)

Political Europe

So, what should be Europe's role today? Some would argue that it should simply be a powerful trading bloc, bringing together the world's largest single market. Yet without an effective Commission, for example, the EU could not enforce the rules of the Single Market. Without a political and supranational Treaty structure, it would be impotent in helping Member States cooperate to deal with terrorism and organised crime. In the foreign policy sphere, the progress in the Balkans is powerful evidence in support of this logic: neither the UK nor Italy, neither Estonia nor Luxembourg, nor indeed any member state acting alone could have had such a positive impact there.

Europe does, and should have, a political dimension. But equally obviously that political dimension is not, and should not be, the kernel of a European superstate. Some do, of course, interpret the Treaty of Rome's goal of 'ever closer Union' as anticipating an inevitable march towards that superstate. But that is not where the future lies. Our interaction with European partners must of course be close in many areas, from trade to counter-terrorism. But Europe's future cannot lie in creating 'more Europe' in areas where nation states can best deliver on their own. The best description and prescription for today's European Union is a close Union of nation states, working together in those many areas where cooperation can add value.

Against this backdrop, the core of Europe's political logic can best be captured in three principal goals: to advance peace, to advance prosperity and to advance democracy. These goals are as true to us as they were to the post-war generation. Yet the time for an introspective focus – which served us well against a backdrop of intra-European rivalries – is now gone.

New Challenges

The challenges facing Europe have changed. They no longer lie largely within our borders. Terrorism, organised crime, people and drug-trafficking do not respect boundaries and are often driven by non-state actors. Climate change is a global phenomenon. Intense economic competition is global, not regional. New solutions are needed. What might they be?

Peace

Peace is the essential backdrop to both democracy and prosperity. Securing that peace today is a very different business to the challenge facing Europe in its early years. War between European nations is now inconceivable. But the world remains threatening, if in different ways to during the cold war. Europeans have a common interest in tackling terrorism and regional and global instability. This cannot be done by nation states working in isolation but requires effective collaborative efforts.

One area where this is particularly important is terrorism. Britain saw at first hand the benefits of intimate, practical cooperation with European partners following the attacks in July this year in London. But terrorism also highlights the limitations of building ever thicker and higher walls to protect our citizens. It is only by reaching outwards, by co-operating and sharing information that we can deliver the security our citizens rightly demand of us. In this area, European cooperation with our southern neighbours is at least as important as our own internal counter-terrorist cooperation. They too have suffered the horror of terrorist attacks, and the shock of a small minority of citizens rejecting the principles of peace and tolerance. By building on the Barcelona process, and by providing assistance, including helping build law enforcement capacity, we can better guarantee both their and our security.

This highlights the wider fact that the EU has an immense role to play in its neighbourhood. Completion of Israeli withdrawal from Gaza in September was a historic step, offering a real opportunity for progress. The EU's role, both in the political process as a key

member of the Quartet, working alongside the UN, the US and Russia, and in providing practical assistance in the field of security, has been central in the work towards peace and stability in Palestine and Israel. Work with both sides to help encourage implementation of the Roadmap commitments will and must continue.

Then there is the real weight of Europe, led by France, Germany and the UK, with the High Representative and supported by EU partners, in leading and shaping the international diplomatic effort to find a solution to the developing situation in Iran.

But a regional role is not enough. There is no corner of the globe which is not significant to our security. Europe needs to promote peace, prosperity and democracy across all continents. We need to develop this further, and ensure we have the capacity to work beyond as well as in our neighbourhood.

Europe is beginning to undertake this work. An important example of the necessary new approaches is the double first of the EU's first-ever mission in Asia, the Aceh Monitoring Mission, which is also its first ESDP monitoring mission, providing monitors for the peace process in that part of Indonesia. Similarly, Europe is strengthening its relations with China and India across the breadth of economic and political issues. The Prime Minister began this process in the EU Summits in September. In Africa, the Africa Peace Facility (APF) is another radical new approach which fits the prescription. Set up at the request of Africans, the APF is a €250m fund to support peacekeeping and peace support operations led by the African Union (AU) and sub-regional organisations. It has been operational since May 2004, most notably through its significant support to the African Union Mission in Sudan, Darfur. The APF is doing a vital job in supporting African efforts to promote peace and security as well as strengthening the EU/AU relationship. Overall, European engagement with Africa must be here to stay. What's more, we have to continue to look for opportunities where the EU can make a real difference on the ground – and to ensure that it is appropriately funded to do so. New situations require different solutions – and the EU must build on the precedents set in Aceh and the APF to find appropriate, uniquely tailored answers.

Of course, Europe's role outside its borders does not undermine other international action. NATO remains the primary guarantor of Britain's defence. But the EU can and does play an important complementary role to NATO. The UK and France, through the St Malo declaration, drove forward the establishment of the European Security and Defence Policy (ESDP) to ensure the EU has the tools to undertake crisis management operations, where NATO as a whole is not engaged. Today, the EU is engaged in seven civilian and military peacekeeping missions.

Moreover, our NATO allies recognise that an effective, capable Europe brings benefits for both Europe and our partners. As Secretary Rice said earlier this year, the US wants 'to see the European project succeed because a strong Europe will be good for the forces of democracy... And with NATO, the European Union forms the two pillars of a Europe whole, free and at peace'.

Prosperity

The globalised world is one which presents new challenges, but also massive opportunities, for European prosperity. As Tom Friedman has argued in his latest book, 'The World is Flat', technology is making business globally mobile so that not just jobs, but whole industries, can move and adapt at great pace. In short, trade and technology, working in tandem, are levelling the global playing field. This is most clearly seen in the rise of the large Asian economies. Their development is rapidly changing the balance of the global economy.

With world trade in goods doubling every decade, it is no longer just European, but global, capital flows that now dominate. In particular, China's trade is doubling every three years, while India is developing particular strengths in the export of services. But China and India are not competing with Europe just at the bottom of the value chain. With four million graduates a year from Chinese and Indian universities, these economies are increasingly competing with us on high-tech, high value-added goods.

These changes – hard to conceive in Monnet's day – pose dramatic new challenges for Europe. We must certainly not come to think that Asia's rise poses a threat, or that we can or should slow this rise. The danger comes rather from within ourselves. If our response is overly introspective and regulatory, we will damage ourselves. We must instead use our collective European strength in the WTO to make the case for fair and open rules, to ensure that European companies can realise the tremendous opportunity to compete and win in the newly emerging markets, and to allow our companies and consumers to benefit from cheaper imports and goods. Along with this, we should aim to reduce the regulatory barriers to trade and investment for example between Canada, the US and the EU.

For that must be the way ahead. In the longer term, our prosperity depends on the health of the global economy and the opportunity for developing countries to prosper for themselves in the global market.

Democracy

The fall of the Berlin Wall in 1989 is rightly celebrated as a symbol of both European freedom and unity. Less well-known is the remarkable transformation that has since swept across Central and Eastern Europe. Just as the prospect of EU membership helped cement democracy in Southern Europe, as Spain, Portugal and Greece emerged from years of dictatorship, our new partners have risen to the challenge.

This process must continue. Enlargement is one of the EU's most powerful policy tools. Its benefits are obvious. There is, however, concern voiced by some about continued enlargement and it should not be downplayed. Any political strategy for improving Europe's legitimacy must take this concern into account. But it is imperative that European leaders make the case for enlargement and speak out in support of the strategic realities.

The most topical – and polemical – case is Turkey's accession. The opening of accession negotiations was the right choice for Europe. Of course it is only right that the negotiation process should be rigorous and the EU scrupulous in ensuring that all requirements are

met. But the logic behind Turkey's prospective membership is clear. A key NATO ally playing a central role in the fight against terrorism and in securing peace in the Middle East. A thriving economy, with growth rates of 10 per cent and half her trade already with the EU, Turkey will contribute to European prosperity. Moreover, progress towards membership can act as a catalyst for peace and stability in the Eastern Mediterranean region, helping to reinvigorate the UN sponsored search for a settlement in Cyprus and resolve disputes over the Aegean.

There is also the broader political imperative for Turkey's membership. Europe's multicultural societies are no strangers to ethnic, religious and cultural diversity. But Turkey's integration would give Europe a new strength on the world stage, through its greater cultural and religious diversity. An enlarged Europe including Turkey would, by its very existence, debunk Huntingdon's thesis of an inevitable clash of civilisations, and would demonstrate that there is no contradiction between Islam and European principles of democracy, human rights and fundamental freedoms. It would speak more loudly than any other action on the European agenda for 2005 of Europe's resolve to engage and reach out in the 21st Century. The historic step taken on 3 October toward integration of Turkey – a stable, secular, democratic state with a majority Muslim population – will lead to a Europe better equipped to deliver against each of its principal goals of peace, prosperity and democracy.

Similarly, the prospect of EU membership has helped stabilise the political situation in the Western Balkans. Progress must be on the basis of meeting the established criteria, in particular full cooperation with the International Criminal Tribunal for the former Yugoslavia. The developments leading to the welcome opening of negotiations with Croatia on 3 October illustrate the value of this approach. The Balkan countries are resolving outstanding border disputes at the negotiating table. Further East and South, the EU is also exerting this persuasive power, providing a clear example of the benefits of democracy, and supporting and providing incentives for those who choose democratic reform. The Orange and Rose revolutions have once again seen citizens reject oppression and demand the opportunity to follow the European path. By its very existence, the

enlarging EU has facilitated change. But we must also go further, developing the depth of engagement and credibility of commitment needed to ensure we can actively support reform, whether in Ukraine, or Egypt, or further afield. We are already seeing progress towards democracy among our EuroMed partners – from free elections in Lebanon to acceptance of the multi-party system in Egypt. The potential of the Barcelona process to support good governance, economic reform and education in the region will be recognised at the tenth-anniversary EuroMed summit later this year.

The EU already makes human rights and respect for democratic principles a central plank of its relationships with other countries, enshrined in its formal agreements. So it is natural that elsewhere in Africa, the EU is playing a role in cementing and promoting good governance. As more countries in Africa choose democracy for their systems of governance, so the EU should do more to support improvements in governance. This demands a comprehensive approach. Repeated reports, most recently the Commission for Africa, have emphasised the need for a holistic approach to that continent's problems. Peace, governance, trade and aid are not a menu from which to select our action. We must take mutually reinforcing action in support of all of these. Similarly, In Latin America, the EU aims to ensure that social justice goes hand in hand with economic reform. In Asia, it has a regular human rights dialogue with China, and has sanctions in place on a Burmese regime for its suppression of democracy and human rights. The challenge is to make a real difference on these issues of fundamental importance to Europe, achieving improvements where there are abuses, and providing more effective support where countries are committed to democracy and better governance.

Working with others

We must work to take forward a coherent agenda on peace, prosperity and democracy. As a Union of democracies, we can make significant progress on these core principles, not just at a regional level but globally – if we look and reach outward, maximise consensus and coordinate effectively. We need to recognise that

where others share these goals, we must develop deeper dialogue and cooperation. Where we do this, we are often successful.

For example, the EU's role at the 2005 UN World Summit demonstrated the value of multilateral action. The Summit endorsed for the first time the concept of the 'responsibility to protect' – a clear recognition that UN member states and the international community cannot stand by as genocide, war crimes or crimes against humanity are committed against vulnerable populations. It also agreed to establish a Peacebuilding Commission which, if successfully implemented, will reduce the huge human and financial costs of further violence.

These successes were still in the balance a day or two before the Summit. But the EU's positive and constructive engagement throughout the negotiations, particularly in the end-game, was a major factor in securing agreement on these essential reforms. The EU led the debate too on development, arguing for recognition of the urgency of action on the Millennium Development Goals, and leading by example with its commitment to increase aid. And, of course, the UK and other EU member states launched too the International Finance Facility for Immunisation.

A global EU also means an EU ready to engage constructively with the world's only superpower. It means recognising our shared values and aims while taking issue with our partner when our views differ. After deep and difficult divisions over Iraq, EU-US relations are today steadily improving. This is natural. We share the same ends in terms of promoting peace, prosperity and democracy, whether working together on the Middle East Peace Process as members of the Quartet, or cooperating to press for respect for human rights and civil society in Belarus. We sometimes disagree about how to get there. Indeed, there will be times when we will be working separately towards a shared goal. But we will not find an answer to today's global challenges if the EU and the US are not heading in the same direction. In short, given the range of today's new challenges, we cannot afford not to maximise all our alliances.

Conclusion

As Europeans we often downplay our achievements. We should not do so. The EU, a beacon of democracy and the world's largest single market, has real power to influence political and economic progress on the world stage and in countries far beyond our border. It can underpin today the vision of peace, prosperity and democracy that Europe historically has sought to guarantee for itself, but must now spread to others. We must turn our focus outwards to realise that vision in this century as we did in the last. In doing so, we must be clearer about our goals and the need to work together to advance them in a truly global, coherent way. It will mean making sure that we have the capacity to act as well as to advocate – not just in our own backyard but exerting a truly global influence. And it will mean maximising the power of our alliances where we share fundamental goals. In essence, we must commit ourselves to practical, outward-looking approaches to meet Europe's new challenges. That is our shared opportunity and our shared responsibility in the coming years.

Chapter 2: European Social Justice for the 21st Century

Globalisation presents Europe with a range of different, but unavoidable, challenges. One of the most profound is the challenge to our economic and social structures. For many, the European Union represents not just an economic institution but also a body capable, if directed properly, of advancing a more socially just society. Yet, just as the economic conditions we face in the 21st Century are very different from those of the post-war era, so too the social injustices we face in our societies are born of the changing world in which we live. This chapter sets out how the European Union can and must be a force for social good across our nations. Working together within the Union, we can tackle the poverty and inequality which we still too often find in our societies. As we shape a European Union to face the future, it is our duty not just to seek economic advancement but also social justice for all the people of Europe.

The global economic challenge

The economic challenges we face are of unprecedented scale and significance. The world is changing at breathtaking speed. At last, and for the first time ever in the history of humanity, the states home to most people on the planet participate in the global market economy. Chapter 1 showed what this meant for the prospects of China and India. Those countries are now growing dramatically faster than the EU (about 10 per cent per year compared to EU potential growth of around 2 per cent). They will soon outstrip Europe, both its Member States and the EU as a whole, in terms of the total size of their economies.

Of course, countries with lower GNPs should be growing faster than the EU, and it is good that many finally are. But that does not explain why the EU is growing so much more slowly than the US, the world's most advanced and productive economy, where potential growth is about 3.5 per cent, and which has therefore succeeded in

the last decade in opening up once more the gap between it and Europe. One simple statistic shows why. In 1995, EU workers were producing 3 per cent less per hour than their US colleagues. In 2005 the gap is 12 per cent. It's a sobering and challenging insight that, if the EU were an American state, it would be 46th out of 50, at about the same level of wealth as Alabama. Something is going fundamentally wrong in at least part of Europe in rising to the new competitive challenges of globalisation.

The social effects are easy to find: twenty million Europeans out of work, and almost one in five young people without a job. The fact that almost a third of the normally highly dynamic immigrant population is inactive in the fifteen original states of the EU[2] (compared with a fifth in the US, Canada and Australia) suggests that this does not reflect some morally superior European 'preference for leisure' but something in European social structures which inhibits work and economic gain. The demographic effects are visible too. Europe is ageing significantly more than almost any other area of the world. By 2050, if current trends continue, the US population will be nearly 500 million; the EU's will be barely half that. And there are political effects too. The growth in populist and extremist parties of right and left across Europe is surely connected to European governments' failure to deliver economic progress. Europe is slipping behind in other areas too: of the top 20 universities in the world in 2004, only two were European (both in the UK)[3]. There are of course wide variations in this picture across Europe. The new Member States have for the most part sustained much higher growth rates than the rest of Europe over the last few years; and the Nordic countries have, after often dramatic restructuring, secured an admirable record of economic growth and social well-being. They have consistently topped World Economic Forum global competitiveness rankings. Yet when Europe is looked at as a whole it remains a far less healthy picture.

Can Europe meet these challenges? To judge from aspirations, the answer would be yes. Back in 2000, EU Heads of Government

[2] *Migrants in Europe and their Economic position,* Munz and Fassmann (2004), commissioned by DG Employment and Social Affairs, European Commission
[3] The Shanghai Jiao Tong Survey (2004)

signed up to the Lisbon reform agenda which aimed to make the European Union the 'most dynamic and competitive knowledge-based economy in the world by 2010'. Yet in the five years since then, achievement has fallen far short of ambition. That is why, at the Spring 2005 European Council, European leaders re-committed themselves to the process and emphasised the need for accelerated action. This presents challenges for every Member State. As the French Europe Minister Catherine Colonna recently noted, every EU Member State has to reform, alongside there must be action at the EU level.

Why is it so difficult to reform in Europe?

So, if all agree on the nature of the problem, and if all agree that significant reform is needed to respond to it, why is Europe finding it so difficult? Partly of course it is that difficult economic times are never a good moment to encourage people to accept radical change – though of course those difficult economic times themselves stem from continued failure to reform. And partly it is of course a result of the way that globalisation works: the pain is often specific and concrete: workers who have lost their jobs as their employer relocates to a cheaper wage zone, while the benefits to the economy as a whole are more diffuse and less immediately newsworthy. But both of these points are true for any country, anywhere. It doesn't explain why some countries – principally it seems outside Europe – have nevertheless seen the challenges and acted. There is something deeper at work.

That something is connected to Europeans' economic and social values, and the nature of the societies we constructed in Europe during the twentieth century and particularly since the war. We Europeans are justifiably proud of the European models (for there are more than one) of society and the social welfare systems that go with them. They embody the moral imperative of social justice. And that moral imperative ran through the Treaty establishing what would become the European Union. Look no further than Article 2 of both the Treaty of European Union and the Treaty establishing the European Community, which states that Europe's objective is '…to promote economic and social progress and a high level of

employment, … through the strengthening of economic and social cohesion…'.

We are right to defend those economic and social values and the societies and institutions which embody them. They represent many of the deepest and most admirable instincts we share as Europeans. Indeed they are part of that very European identity discussed in chapter 4. It is simply not true, as some claim, that only harsher and more unforgiving societies can compete in the cold winds of globalisation. Yet the harsh truth for Europeans is that, to preserve the end of social justice, we must all re-examine the means which deliver it. Today, one of the big obstacles to economic reform is that far too many of us Europeans have grown too attached to means and stopped looking at the ends. And, because those means actually differ from Member State to Member State, we have been lost in an often futile debate about the rightness or 'European-ness' of particular methodologies instead of concentrating, as we should, on the fact that we all share common ends. That must – and is indeed beginning to – change. But we must also understand that the means – social and labour market policies – will and should continue to differ in the future. Despite common values and reform objectives, Member states need to make their own choices. Social and labour market policies remain their responsibility.

How big are the differences between European economic and social systems?

Even a cursory examination of the social and economic systems of the EU's Member States shows that they are quite different. In Western Europe the development of those systems was sustained in the first instance by the economic prosperity of the post-war period, and then driven on by citizens' expectations even as economic climates grew harsher. In Central and Eastern Europe the challenge has of course been the quite different one of recreating a market economy, while developing welfare systems that at the same time support that economy and deal fairly and humanely with the massive human and societal problems left by Communism. Moreover, even within these broad groupings, the approaches adopted by different Member States have been distinctly different too. The particular

balance between the roles of the State and the market, the part played by trade unions and business, the links to political parties or the Churches, differed between and sometimes even within States. That was inevitable given our very different histories during the last century and our different patterns of industrial and labour relations.

Nevertheless, altogether, it is not wrong to see in these divergent socio-economic structures a common, and peculiarly European, response to inequality in industrial societies. They amount to a European social tradition, with a distinctive notion of the relationship between the individual and the state, their entitlements and responsibilities. They were inspired by a common set of European values of solidarity and equity, values reflected in the traditions of European Christian democracy as well as of social democracy. And the practical virtue of these values remains clear. The UN's Human Development index – which measures life expectancy, literacy, enrolment, GDP per capita – ranks all 25 of the EU's Member States in the top 50 in the world; 12 appear in the top 20.

This variety of social models and welfare systems still prevails in today's EU, despite moves towards a common responsibility and action in areas which underpin the structures of the Single Market such as health and safety, labour regulation and anti-discrimination, necessary to support free movement of labour. There has been a good deal of highly productive academic and political analysis of the typologies, and of their political economy consequences.

Work on the typologies stems fundamentally from the work of Esping-Andersen. He originally divided European welfare systems into three types: a liberal regime (UK and Ireland); a conservative regime (continental and Mediterranean countries); and a social democratic regime (the Nordics). Subsequent work has refined this, as it has become increasingly clear that the differences between Continental and Mediterranean regimes are as great as the similarities, so many economists and sociologists now think in terms of a four-type model, with the Mediterranean regime including many of the new Member States too, and the Continental regime including (notably) France, Germany, plus (arguably) the Czech Republic, Hungary, and Slovenia.

The economist Andre Sapir recently looked again at this typology in the paper produced under the auspices of the think-tank 'Bruegel' for the informal meeting of EU Finance Ministers in Manchester in September[4]. In particular, he examined the strengths and weaknesses of the different models, assessing their equity in reducing the risk of poverty, and their efficiency, in delivering high levels of employment. He concluded that, given the strains that globalisation and population ageing were putting on public finances, only efficient models were also sustainable for the long-term. He went on to say that 'both Nordic and Anglo-Saxon models are sustainable, while continental and Mediterranean models are not and must be reformed in the direction of greater efficiency by reducing disincentives to work and to grow.' But he also noted that Nordic and Continental models tended to produce greater equity and equality among citizens than other models. The conclusions to be drawn from this analysis are that equity and efficiency are in principle indeed compatible, that the Nordic Member States indeed manage to satisfy them both in equal measure (though the extent to which their model is transferable to others is debatable), and that the existence of different competing models is an advantage for Europe precisely because it enables cross-country comparisons. But above all, inefficient models, which mean some of the biggest EU economies, need to reform urgently.

What does this mean for policy?

All this suggests that too many commentators and politicians have been engaging in an essentially false argument in Europe about social justice. It shouldn't be about whose approach to social justice is better or whose values are more European. Those values are largely shared and our different approaches spring from the diversity of our circumstances more than any fundamental ideological divide. The real question is to determine what each country needs to do to meet the global challenges, and then what collective European action is needed to help them deliver those changes. There is

[4] 'Globalisation and the Reform of European Social Models' André Sapir, September 2005, available at http://www.bruegel.org/Repositories/Documents/publications/working_papers/SapirPaper080905.pdf

certainly no iron rule that suggests that collective European action is inevitably more effective than national action in delivering social justice. The debate must be must be more about outcomes, not processes; ends, not means.

Let me take one concrete example of where means with ends are often confused. 'Solidarity' is a word that one, rightly, hears a lot of in European economic and social discussion. Yet often the implicit meaning attached to that word is a very narrow one. Often it seems to imply a pattern of collective agreements and a specific set of Governmental relations with social partners that are actually highly distinctive even within Europe. But solidarity goes wider than that. It involves recognising that it's also about the right of the unemployed to enter the workplace and the excluded to participate in society. And it is also about allowing new Member States to enjoy the full benefits of the free movement of capital, goods and labour which lie at the heart of the Union. The UK has been a leader in this latter area. Since May 2004 almost 176,000 workers from the new Member States have registered to work in the UK. They have helped fill skills shortages and reduce inflationary pressures. Nevertheless, given the wage differentials between the UK and Central Europe, and the high levels of unemployment in some of those fellow Member States, what is remarkable is how relatively few have come. That shows that labour mobility within Europe remains stubbornly low. We need to improve it. That is an area where action at the European level can bring added value to national or regional efforts, and where we can generate real, not rhetorical, solidarity.

The first things Member States can do collectively are share experience and compete in a race to the top. Take the concrete example of the UK. The Government's challenge has been to continue labour market reform so as to boost the employment rate, while doing its utmost to deliver fairness and a decent social safety net, all based on a sound macro-economic foundation. It's a model that aims to provide security for people when they need it and strong incentives to work and save. It has pursued policies that tackle joblessness among disadvantaged groups (particularly ethnic minorities); reduce income gaps between men and women; work towards eradication of child poverty; make progress in narrowing

gaps in educational attainment; health outcomes and improving public services (based on principles of social inclusion, sustainable development, and equal opportunities). There has been important progress.

The menu reflects particular British conditions as well as global forces. The challenges for other Member States are different, though we all have some in common, notably ageing populations and intensified international competition. But the British Government has drawn – and continues to draw – inspiration from other European systems, whether it be Nordic childcare provision and education systems, French productivity rates, or Dutch and Danish regulatory reform.

So, better benchmarking between Member States is part of the answer. And part of the EU's role is in facilitating that dialogue. Those societies most open to change and reform, to questioning established ways of doing things, are likely to be those that are best able to face up to the challenges of tomorrow. Seen from this perspective, the diversity of European models is part of the Union's strength. It ensures that no one Member State can become complacent or shield itself from international competition. There will always be other Member States either doing better or seeking to challenge the current best performers. It ensures that we remain flexible in the face of globalisation, and in turn is a key to what should be Europe's competitive advantage.

But benchmarking or sharing best practice alone will not suffice. That has been reflected in the Lisbon Agenda and remains true. There are a number of areas where Community action is a necessary supplement to national action, and an essential means to defend and promote the Union's fundamental freedoms. Here are five suggestions for promoting the mobility of goods, labour, capital and services where collective action could bring distinct added value to national efforts:

- More mutual recognition of skills and qualifications;

- A sustained and measurable improvement in Europe's regulatory environment that eases the burdens on business and promotes competitiveness;

- A more competitive and globally oriented European market in financial services, that recognises the importance of the transatlantic marketplace;

- Completion of the single market through reform of state aids policy, an independent and pro-active competition policy and the liberalisation of trade in services;

- A refocusing of EU spending on the core Lisbon objectives.

Conclusion: A modern way to social justice

All Europe's Member States face similar economic and social challenges. Their response has to recognise that economic reform and social justice constitute a single agenda. It's not a choice between the two – the one supports the other. National governments and the Union as a whole need to ensure that people are equipped for the future and supported through the tremendous changes now taking place in our societies. It's not about weakening our fundamental commitment to social justice. But it is also not about dogmatically defending the status quo. Instead, it's about re-energising the moral imperative that led us to create the welfare systems in the first place, and about fitting our policies to the new challenges we face. And, just as importantly, it's about questioning at what levels and through what means those policies are best pursued.

This is a new and challenging agenda for the new century and for an enlarged Union. It ensures that we secure the global economic competitiveness that can best ensure the sustainability of what is distinctive about Europe. And it remains true to the moral core of European ideals of social justice.

Chapter 3: A Transatlantic Agenda for Trade and Development

Chapter 1 set out how a global Europe must be an outward-looking Europe. That applies in trade, perhaps more than in any other area. This chapter sets out how the European Union we create for the next generation could be one which honours its obligations not only to its own citizens but also seeks to advance peace, prosperity and democracy across the world. One test of this is in the way Europe conducts itself in its economic engagement with the developing nations. Europe's approach to trade in the 21st century must reflect the new context in which that trade is conducted. It must reflect the need to secure a fair global system in order to help countries face head-on the challenges of globalisation. And it must realise Europe's potential to drive a development agenda which can lift millions out of poverty.

Global trade

The WTO Ministerial in Hong Kong on 13-18 December will mark the final staging post of a crucial year for international development. In recognition of this, and the fact that this year the United Kingdom holds both the Chairmanship of the G8 and the Presidency of the European Union, a quite extraordinary movement has developed in the UK and beyond. The Make Poverty History Coalition and the broader Global Call to Action against Poverty have brought together a remarkable coalition of churches, faith groups, trade unions, NGOs, celebrities and members of the public around a popular demand for more aid, debt reduction and fair trade. This campaign reflects the extent to which the argument about how we respond to global poverty has – rightfully – moved from the compassion of charity to the claims of justice. All governments – including the British Government – have been challenged by their efforts.

Thanks in no small measure to the efforts of these campaigners, recent months have witnessed real advances on the development agenda. Members of the European Union now provide 55 per cent of all official development aid, making the EU by far the largest donor

in the world. The agreement reached in June 2005 by EU Development and Finance Ministers was a historic one effectively doubling development assistance from the $40 billion it was in 2004 to the $80 billion it will be by 2010. Eleven European Governments are now committed to something we could only dream of until this year – the UN target of 0.7 per cent of their national income spent on aid by 2015. This announcement was instrumental to the pledge made at Gleneagles in July by the G8 leaders to increase aid by $25 billion a year to Africa, doubling aid to that continent by 2010. That Summit also responded to the calls for further action to write off the unsustainable debts that for so long have prohibited the capacity of developing countries. In Britain, we have championed debt relief, and have helped reduce debt by around $70 billion under the heavily indebted poor country initiative. At Gleneagles, we went further and secured an agreement to cancel the multilateral debts of the heavily indebted poorest countries, reducing debt by a further $50 billion. Gleneagles also agreed ambitious new targets to fight killer diseases, including universal access to AIDS treatment by 2010, measures to eradicate polio for ever, and action on malaria which will save 600,000 children's lives a year. Thereafter, Britain was the driving force behind the new International Finance Facility for Immunisation worth $4 billion that will over the next 10 years save the lives of 5 million children in some of the world's poorest countries.

In short, on both aid and debt relief, real progress has been made in recent months. The challenge, in the vital two months to Hong Kong, is to match this progress in the field of trade. It is hard to overstate the significance of what is at stake, not least given the transformative power of trade in today's world.

The rise of Asia

Chapter 1 recalled Tom Friedman's analysis of the partnership of trade and technology in today's world. They are the twin motors driving what future historians will describe as the biggest restructuring of the global economy since the industrial revolution. This transformative power has probably entered public consciousness most directly in discussions of China. That should

hardly surprise us. Increasingly, as consumers we are confronting the fact that China today is manufacturing, for example, 30 per cent of the world's TVs, 50 per cent of the world's cameras, and 70 per cent of the world's photocopiers. As a result, while in 1990 there were roughly 375 million people living in extreme poverty in China, by 2001 this had shrunk to 212 million. If the current trend holds, by just 2015 it will fall to 16 million.

This is symbolic of a wider process of economic growth in East Asia over recent decades. It has lifted more than 400 million people out of poverty. This statistic alone should be sufficient to challenge those who deny that trade and export-led growth can be a vital element of wider poverty reduction strategies and can provide a powerful impetus to the achievement of human development targets. That is particularly true since exports have for a number of years been growing faster than global GDP, with the effect that trade now accounts for a greater share of global income than in the past. Consequently, changes in trading patterns do – and will in the future – have a significant and increasing impact on patterns of income distribution and levels of poverty reduction.

A successful trade Round has the potential to continue this process. Trade liberalisation could lift 140 million people off subsistence of less than $2 a day – 60 million people in sub-Saharan Africa alone. We need to ensure an ambitious outcome at Hong Kong if we are to begin to deliver these benefits.

Towards a fairer system

Yet realising this poverty-reducing potential requires fundamental changes to the present rules that govern the system of international trade. It is not only that more than a billion of our fellow human beings today exist on around a dollar a day enduring obscene poverty amidst a world of plenty. That alone would demand that we act. It is that the present rules actually inhibit those so afflicted to liberate themselves from poverty and disease. As Tony Blair put it, 'it is our moral responsibility to help those in poverty by allowing them the means to grow and prosper'.

That was the recognition that underpinned the Declaration made in 2001 in Doha that began the present Trade Round. It stated: 'international trade can play a major role in the promotion of economic development and the alleviation of poverty, the majority of WTO members are developing countries. We seek to place their needs and interests at the heart of the Work Programme'. But, almost four years on, that promise has still to be honoured. That is why when he chaired his first meeting of the Round's Steering Group, the WTO's new Director-General Pascal Lamy declared: 'the challenge is to maximise the development value of every sector and the round as a whole. We all know that the DDA will only succeed if this Development Dimension is at the centre of the negotiations'.

So the responsibility on the European Commission, the United States Government and the representatives of each of the 148 member countries of the WTO who will gather in Hong Kong will be heavy. If we are to avoid the debacle of Seattle and the disappointment of Cancun a way forward must be found that reflects and advances this development dimension.

Unlocking the deadlocks

That path ahead leads directly to the issue of agriculture. It is true that the negotiations under way cover a far wider canvas – from manufactured goods, fish and forest products – the so-called Non-Agricultural Market Access issues, to Services and Trade Related Intellectual Property. And it is equally true that agriculture is today a relatively small part of the world economy. Yet a deal on agriculture is increasingly coming to be seen as the key to successfully progressing the round. This is not only because negotiations on agriculture have made little progress for months. It is also because developing countries capture only a third of world agricultural trade (and the whole continent of Africa just 4 per cent) even though 80 per cent of the world's population lives in the developing world. So, given that 70 per cent of Africans and nearly 90 per cent of poor Africans work primarily in agriculture, its centrality is evident for a Round launched to extend trade, income generation and employment opportunities in developing countries.

So what steps can be taken to unlock the present deadlock? Director-General Lamy has made clear that responsibility to take this lead lies with both the United States and the European Union. It is welcome that both the EU and US have made moves very recently to begin engaging in real negotiations on the difficult area of agriculture. Time is short, not least if we are to succeed, as Pascal Lamy has proposed, in agreeing a draft text for Hong Kong by mid-November. That will require continued and intensive political engagement over the next few weeks.

One step we must take is primarily, though certainly not exclusively, for the European Union. The original Doha Ministerial Declaration demands 'substantial improvements in market access' for agriculture. Hong Kong provides the opportunity to achieve this. Market access means lowering tariffs and eliminating tariff peaks – though we also need to simplify customs procedures and ensure that the rules we establish to protect the quality of our food don't end up shutting out the products of the developing world. Today, developing country exporters face an average global tariff of 16 per cent for agriculture and food, compared with just 2.5 per cent for other manufactures. So barriers to market access are not only devastating for food producers in the developing world, but hit our own consumers by keeping prices artificially high.

Of course, many European governments will be under pressure to allow developed countries to protect certain products from the common rules and tariff cuts. But we have to heed the warning from the World Bank that, if just 2 per cent of agriculture products were given sensitive status, limiting the depths of the tariff cuts required, then 75 per cent of the potential gains of reform would be lost.

Another step must be significant reductions in trade-distorting domestic support. This represents a particular challenge for the US, because it would mean substantial change to current American farm support. Of course ultimately the EU as well as the US will have to accept new disciplines on domestic support. However, the EU has already taken significant steps towards reducing its trade-distorting domestic support, by 'decoupling' large amounts of support in its 2003 CAP reform (decoupling means breaking the link between the

subsidy paid and the amount the farmer produces). It is because of the 2003 CAP reform that the need to reduce trade-distorting domestic support is probably more challenging at present for the US than for the EU.

Finally, we must set a date for the parallel elimination of all forms of export subsidies. In the EU, export subsidies mean EU exporters being refunded the difference between the high internal price for their product and the lower price they receive on the world market. For consumers they keep prices artificially high. But they too are devastating for developing world producers because cheap, subsidized exports drive down production elsewhere. But this is not just about the EU. Other countries indulge in other trade-distorting practices. It is therefore good news that the G8 Communiqué at Gleneagles committed the G8 leaders to 'eliminating all forms of export subsidies and establishing disciplines on all export measures' by 'a credible end date'. It also supported cuts in other agricultural subsidies that distort trade. At the Summit President Bush spoke of 2010 in relation to that credible end date. The British Government shares that goal of the end of all forms of agricultural export subsidies by 2010. The United States and Europe – who helped to get the Round back on track with our pledge to end Agricultural Export Subsidies through the July 2004 Framework Agreement – must now work with all WTO members to agree a clear, credible, and ambitious timetable to eliminate all agricultural export subsidies at Hong Kong.

Although the strong consensus of empirical research is that ending such export support by developed countries would benefit developing countries in the long term, it is right to acknowledge that some developing countries could stand to lose in the short term as they face higher bills for imported food or lose the preferences they have enjoyed. So such reforms must be accompanied by additional efforts, including through development assistance, to build the capacity to trade effectively in global markets. We must not only open the door to these countries. We must ensure that they have the strength to cross the threshold. This is why the discussions in September in Washington at the IMF/World Bank meetings about such assistance were so important. We must also recognise the

poorest countries must be allowed time to develop and should not be forced to open their markets prematurely. In this regard, it was vital that the G8 acknowledged in July that the 'least developed countries face specific problems in integrating into the international trading system' and that the Doha Development Agenda must retain the flexibility for them 'to decide, plan and sequence their overall economic reforms.'

Agricultural Reform

Yet European action at Hong Kong on market access and export subsidies would be but two further steps on the longer road of reform of European agriculture. It is right that we recognise the progress already made. Previous reforms to the Common Agricultural Policy have reduced market price support mechanisms and begun to decouple subsidy payments from a requirement to produce. The UK will be making full use of the provisions for decoupling, such that the new Single Farm Payment will replace a range of previous support schemes.

A further urgent, and imminent, step is reform of the European sugar regime. Back in June the Commission proposed a 39 per cent price cut over two years, beginning in 2006/07 to ensure sustainable market balance. The British Government strongly supports a liberalised regime. Nevertheless further reform on the whole CAP will be needed. The British Government is making clear the case to review its operation, as part of a wide-ranging and fundamental review of the EU's expenditure, during the next Financial Perspective period (2007-2013). The case for such a review rests not solely on the trade-distorting effect of the CAP. Nor does it rest solely on the cost – although the CAP costs EU consumers and taxpayers some €100bn each year (€50bn direct taxpayer cost through the EU Budget, and a similar cost again to the consumer through higher food prices), or around €1000 a year for the average family of four. It rests on the need to have a European budget that concentrates on the areas where it can really add value. As Tony Blair told members of the European Parliament on 23 June, 'A modern Budget for Europe is not one that ten years from now is still spending 40 per cent of its money on the CAP'.

Of course change needs to be carefully managed. Farmers need time to adjust their businesses to ensure that agriculture will remain an integral part of the European economy in the years ahead. But it must be an industry that is fundamentally sustainable, producing safe, affordable food for the market. So it is right that the EU should consider, in a careful and thoughtful manner, how public spending directed towards that industry might best deliver the necessary benefits to EU citizens. Research among the citizens of Europe shows that most of them think funding for rural communities should be focused on delivering those outcomes that the market cannot always deliver on its own such as, for example, environmental or landscape benefits.

There is much work to be done in the coming years, but the scale of this task should not blind us to the fact that the coming weeks will be decisive.

Conclusion

Real progress has been made this year – increasing aid flows and writing off unsustainable debts. Such actions are necessary not simply because it is the right thing to do, but because in a world as interdependent as today's, we can no longer evade that responsibility. There is no longer a place that is ‘too poor’ or ‘too remote’ to matter to our security, our prosperity and our common humanity.

Despite the expansion of world trade through globalisation too many are being left behind. Inequalities between rich and poor are widening both between and within countries. Inequities in trade are exacerbating rather than mitigating these wider inequalities. The DDA is not and should not be just about agriculture. But, unless we can move forward on agriculture, the DDA risks stalling – and failing to deliver on development. So in the weeks ahead we must act on agriculture – and act decisively – to open up our markets, cut domestic support, end all forms of export subsidies, and do more over the longer term to tackle the unacceptable waste and excess of agricultural protectionism on both sides of the Atlantic.

We can no longer evade the evidence. We can no longer enjoy the benefits of living in a globalised world and ignore the lives by whose labour we benefit. We can no longer pretend that commerce can be globalised but justice need not.

Chapter 4: Understanding European Identity

This pamphlet has so far addressed the economic and social challenges facing the European Union of the future. This final chapter outlines a different kind of challenge facing the Union; a cultural one. Globalisation does not just mean that goods and services travel around the world, but that people and ideas do too. Europe is a continent in which a multitude of cultures come together, each bringing their own unique contribution to our societies. As we celebrate the diversity this brings to our societies we must also uphold the place of international institutions and ideals as part of our modern cultural life. The European Union must respond to the global culture of its people with a confident assertion of its own role and identity as the vehicle by which the values of peace, prosperity and democracy are realised.

The historical background

Our European identity is deeply rooted in our shared history. Unbundling the historical roots of European identity is complicated by the fact that the idea of Europe, as understood today, has evolved as a process of exchange between different civilisations. Concepts of European civilisation, European values have constantly developed from the days of the Greeks and Romans to those of the Holy Roman Empire and the Crusades. These are not just of historical interest. The similarities and differences are striking. For Greeks and Romans, North Africa and the Middle East were part of their cultural world. They would have been astonished by the deep division that now lies across the Mediterranean Sea, and which it must be a major historical task of the new Europe to help erode. In contrast, Charlemagne's Empire is sometimes evoked by both sceptics and proponents of a core Europe as a valid model for future political developments, and even occasionally as one which conditions the attitudes of the modern states that descend directly from it.

Most educated Europeans have always been part of a common European cultural world. The Latin language was central in this until quite recently. Let us not forget that works as central to the European world view as Thomas More's *Utopia*, Copernicus's *De Revolutionibus Orbium Cœlestium*, and Newton's *Principia Mathematica* were all written in Latin and owed the rapid dissemination of their ideas to that fact. All this formed part of the cultural, intellectual, and political flowering of Europe through the Reformation, where the seeds for a more humanist and secular Europe were planted which would flourish during the Enlightenment. European thinkers were exploring the concepts of nationhood, universality, rights and individuality. It was no exaggeration to say that Europe was the intellectual centre of the world.

As we now know, it all began to go wrong in the late nineteenth century. The nation-building of that era combined, in some places, with ideologies of blood and soil, of cultural inclusion and exclusion, and of historical destiny which in the end resulted in the catastrophe of the World Wars and Revolutions of the first half of the twentieth century. The concept of European unification developed as a reaction to that breakdown of civilisation and the persecution of minorities that went with it. Sixty years ago the idea of a Europe which could serve as model and guide to other areas of the world would have seemed simply unimaginable.

Why is this relevant?

This is not just an academic historical exposition. It is to make the point that there is a thread of cultural and philosophical continuity throughout Europe's history, but relatively little political continuity. In fact it is tribal, linguistic, and then nation-state based patterns of identification which have been fundamental to Europe's developments. And indeed, much of Europe's long historical development has been about the gradual crystallisation of national identity. So, by the 19th century the nation state had become the defining attribute of that expression of national identity. And, at the same time, all those emerging and actual nation states had certain common features, of a political, cultural, philosophical, and

increasingly economic and social nature, which were specifically, and to an outsider definingly, European.

That pattern has begun to shift again, of course, since 1958, with the creation of the EEC and especially so since 2004 with most states on the European continent now being Members of the Union. To reflect this, in recent years, much academic and other work has gone into analysing whether there is such a thing as European identity. One could therefore ask the question: is something fundamental now changing, and are we seeing the beginnings of a process leading to the creation of a European political identity, and hence, one day, a European state?

There are strong reasons to answer no. There is remarkably little evidence that European loyalties are replacing national loyalties. In many cases they are coming to co-exist with them. Nation states remain the primary focus of most citizens' loyalties, not surprisingly when it is national decisions that determine educational opportunities in childhood, working conditions during the working life, access to healthcare during sickness, and the generosity of pensions during retirement. It is as part of national contingents that European armed forces are deployed around the world, and injuries or deaths to those armed forces cause primarily national reactions. Political debates remain largely nationally focused, even among the elites in each Member State. Indeed, if anything, in our increasingly globalised world, people are increasingly focused on national identities and cultural specificities. As Wouter Bos, the Dutch Labour party leader, said earlier this year, 'in the absence of a clear European identity, people want to hold on to their national identity as something that provides at least some grip in a world where so many other structures and values are constantly shifting'.[5] In short, nation states, and national identities, continue to remain the basic building blocks of the European system.

[5] Wouter Bos speech to the PES Council 24 June 2005

The meaning of European identity

So what is all the debate about a European identity about, if national identities remain strong?

It is about two things. First, it is about the growth pains of a new system. Under it, the European Treaties provide a new framework within which national identities can be upheld, while at the same time symbolising and encompassing those common European ideas and ways of doing things that have developed during our history. Second, the existence of a European political superstructure is making it easier for Europeans to have multiple identities.

The Treaties as the upholders of national and European identities

The clear strand of European-ness running through European history set out above is still visible today. Most people would probably define that European-ness as quite strongly associated with their nation states, the patchwork of national diversity that almost defines Europe. That is a very important part of Europe and it is likely to remain so for a long time to come.

But there are more subtle aspects to European-ness too. Most Europeans would probably define it as meaning a particular vision of a decent society at home, and an attempt to project that, through multilateralism and alliances, in the wider world. That vision of a decent society means taking care of the poor, the sick, the disadvantaged, and using the strength and collective power of government to insure citizens collectively against a range of life's risks. These are reflected in the traditions of Christian democracy and social democracy. We may differ as Europeans on the means, but we all agree on the ends. And our attitudes are very different from those of Americans in this area. In the wider world, Europeans seem to believe more strongly than others in the virtues of a rules-based system of global governance and in the idea of social justice. More recently too, many of us define Europe as a place which, by its very existence, improves the range of possibilities available to Europeans. To take just one example, it's a place where British

pensioners can achieve warmth in their retirement by moving to Spain, a boon which no British-based market could buy for them, but which the EU can make possible. Or, put differently, it's a place where any European can feel in some way at home.

Those are precisely the values to be found enshrined in the European Treaties. The fundamentals of the nation states in Europe are reflected in Article 6(3) of the Treaty on European Union, which states that 'the Union shall respect the national identities of its Member States'. In Article 1, the task of the Union is defined as 'to organise…relations between the Member States and between their peoples.' Of course, this primacy of the nation state emerged even more clearly from the proposed Constitutional Treaty. Yet the more subtle aspects of European identity are reflected too. Again, Article 6 says: 'The Union is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law, principles which are common to the Member States'. These are the values of democracy in practice, of the accountable division of power, the checks and balances between the Executive, Parliament and the Courts, the respect for law and due process, the defence of fundamental rights and freedoms, fair and efficient public services; universal education, equal opportunity and social mobility.

In short, the European Union represents a system in which both the fundamental and more cultural and ideological aspects of European identity are reflected. It is a framework in which national identity is fundamental, yet where European identity is important. The two ideas co-exist easily, and not at the expense of each other. And anyone who doubts this should look carefully at the way that, for most of the former Communist countries, identification with Europe was an essential component of re-asserting their own national identity.

European identity as one of many

The discussion so far has focused very much on the interface between the national and the European level. Yet it is of course true that quite a few European states are of quite recent origin, and that

not all have a political tradition of a strong nation state. In those countries especially – but not only there – regional identities have often remained strong, in co-existence with the political loyalty to the nation state. So the second change that the European Union is introducing is connected with the increasing development of regional political identity and development, and at the individual level with the increasing possibility of multiple identities generally.

What does this mean in practice? In the UK it would be entirely feasible to meet a British-born person whose grandparents were Welsh Jews and London Asians, with political loyalties to the United Kingdom, but with a much wider spectrum of cultural loyalties. Throughout Europe, you can find similar examples, partly because of the immigration we have seen into Europe since the war. And these multiple identities are, in at least some cases, behind the flowering of regionalism and localism visible in recent years.

And those are not coincidental phenomena. Europe has always received immigrants. Catalonia has always had a separate identity. What has changed now is that the additional level of authority represented by the European Union has made it easier to develop similar layers below, without it generating the same fears about the break-up of nation states or the loss of national cohesion. Could Belgium have developed the level of internal devolution and decentralisation it has, and still have remained a single state, without the existence of the European Union, providing a framework in which it can develop? Indeed one could make the point even more strongly. Because the very building-block of the EU is the nation state, and the members of all of its institutions are defined in terms of their nation state origin, the EU reflects the continuing role and importance of national governments. Every nation state has to have one Minister in the Council of Ministers, one Commissioner, one judge at the ECJ, one central bank governor at the ECB, and so on. The system cannot operate without being based on nation states – yet, paradoxically, that is what makes devolution below nation states easier.

Similarly, the progress we have seen in Northern Ireland would have been impossible if we had remained within the zero-sum game of

politics until the Good Friday Agreement. It was only when we found a way to accommodate the different identities in Northern Ireland, culturally and politically, that a way forward became feasible. Probably every mainstream Irish politician would say that the European Union was an important element in making that possible. John Hume made it very clear in his Nobel Laureate speech. He said that those who founded the EU 'broke down the barriers of distrust of centuries and the new Europe has evolved and is still evolving, based on agreement and respect for difference. That is precisely what we are now committed to doing in Northern Ireland… The identities of both sections of our people will be respected and there will be no victory for either side'.

There are many other examples. But the point is that, if one's mental model of Europe is of 25 billiard balls jostling up against each other, then obviously all those balls have to be perfectly homogeneous and perfectly round, or the pattern will be spoiled, and the balls won't sit neatly together. But if the image of Europe is as a mosaic, it is perfectly possible to accommodate all sorts of pieces of different sizes, within what looks a rather complicated wider framework, without ruining the picture. More than that, the picture is actually stronger, less brittle, for it. That's why the development of such regional identities is not just inevitable but perfectly desirable.

What we see developing in Europe is a system capable of ensuring that political power and accountability adhere to the entities and cultures with which our citizens identify. The fundamentals of citizens' lives remain governed by their nation states. That is reflected in their own loyalty to it and identification with it. Yet the challenges of globalisation mean we need to tackle some issues at a European level. That is why we created the European Union, with its own mechanisms of accountability, and developed a way of helping people to identify with it through its representation of European goals. And this, in turn, helped make possible a flourishing of regional and multiple identities, allowing power and accountability to be devolved to a level with which many citizens identify too.

Europe's symbols

Where do the symbols of the European Union, the flag, anthem, and so on, fit into all this? Eurobarometer research showed that 19 per cent of those who voted no in the French Referendum did so because the EU threatened their national identity. In the Netherlands, the figure was 26 per cent. In the light of such evidence it is questionable whether the trappings of a state, the flag and motto, help deal with the anxieties of citizens or instead simply reinforce them.

For at the heart of this problem is the fact that we don't have a vocabulary that explains simply what Europe is and what Europe does. Our familiar political vocabulary centres on States and not-States. It has little room for the distinctive construction which Europe now is, a Union of nation states. In such circumstances, Europeans should be careful to simplifying this reality by over-casual use of symbols which imply that Europe is something which it is not.

The threats

This distinctive European political approach is of course vulnerable to damage, and is currently under threat. Karl Popper's most famous work, a response to the intellectual and physical horrors of totalitarianism, was 'The Open Society and its Enemies'. He tried to draw attention to the dangers represented by those who hated intellectual freedom. The challenge that faces us, fifty years on, is a slightly different one.

The kind of European society described above faces no significant intellectual challenge capable of commanding more than fringe loyalty. But it definitely faces a physical challenge. Recent events have brought home to the British that someone who had been brought up as a British citizen, been educated in a British school, spoke in a broad Yorkshire accent, had watched British television, and read British media, had loyalties that were not to Britain but to something that motivated him to commit a act of terrorism against his own countrymen and the place of his birth. Those, like him, who

wish our society harm hate its cosmopolitanism, its openness, its – as they see it – blurred sense of identity. They have shown, on 7 July and elsewhere, that they are willing to take violent action to try to destroy it. They live in this continent but actively work to undermine our values. We cannot stand by and let this happen.

There are vital limits to the extent to which any society can accept those who do not buy the most basic tenets by which it works. We are coming up against those limits now. We must deal with the threats at the regional, national, and European level, in order to make the response the most effective possible. That is why we as Europeans must work together in all these ways against those who preach intolerance, against criminals who exploit legal loopholes to pursue cross-border crime, and against those who simply want to cause harm to what they hate. Indeed we are already doing so. One recent example makes the point clearly. The return to the UK from Italy of one of those wanted for questioning in connection with the London bombings took place quickly, without extradition procedures, thanks to the use of the European Arrest Warrant. More generally, the measures that this Government is taking against intolerance, and the EU's determination to move to tighten up legislation which can make a real difference in the fight against terrorism, are testimony to our collective commitment to making a difference.

Our opponents will not succeed. The mosaic of Europe is too strong to be damaged by such attacks. But we must remain vigilant, determined, and ready to work together to defend our common values. Indeed the closer cooperation to which these threats force us will itself help reinforce and strengthen those values and our attachment to them.

But to prevail requires more than action within Europe. It is also about a stronger collective effort to project our values in the wider world. To defend ourselves against terrorist attacks in Europe, we must act internationally against those who sponsor terrorism. To counter extremism in Europe, we must act against those who preach hatred and reject the idea of multiple identities. We Europeans share a common commitment to spreading democracy, good governance, and the benefits of sustainable development and

wealth creation. In today's borderless world to act on this agenda is both a moral imperative and a matter of clear headed self-interest.

The Europe we have now is the heir of twenty-five centuries of intellectual, cultural, and political history. At no time has Europe been so good a place in which to live. At no time have the life chances of individual Europeans been better. Nor have the identities of individuals ever been more complex and diverse - or, potentially, stronger. At no time have European nation states, or the regions which make them up, been more prosperous, more powerful, or more respected. Ours is a rich inheritance, and so today we face a future rich in possibilities. We must now work together to realise those possibilities.

Conclusion

Europe faces an important and testing period over the months to come. It has taken a timely and historic step by opening accession negotiations with Turkey. But the outcome of the Hampton Court Summit, the December European Council, and the Hong Kong WTO Ministerial will all be important tests of Europe's ability to respond to change and pursue its objectives in a way relevant to the challenges of the 21st century.

In all those events, the case for an outward-looking Global Europe will be clear. Whether politically, economically, in foreign or trade policy, or just in the way we think about ourselves and our loyalties, Europe must respond – and often is beginning to do so – to the powerful agent of change and solvent of tradition constituted by globalisation. Only by doing so can Europe build the support it needs to succeed within a new generation of European citizens.

It is the task of pro-Europeans to make these points publicly and to win the argument. Too often they have been silent, either assuming that Europe will be justified by results, or fearing that any constructive criticism of the EU will be interpreted as Euroscepticism and give succour to those who seek to dismantle the whole project. That can and must now change. The debate is underway. Pro-Europeans must move on from the past, encourage the EU to face up to today's challenges, and win the argument for a prosperous, effective, and globally-oriented Europe.

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