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**The European Lecture
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The EU: does it have a future?

My broad subject is whether the European Union has a future. For the majority in this country, that question is difficult to answer with conviction and enthusiasm. Many respond in dismissive or flippant terms. Others will hesitate or apologise. The answer is not identical in all parts of the UK - but there is a continuity of reflex, analysis and perception in British thinking about Europe which straddles party and regional divides.

This evening I want to suggest why we in Britain have found European issues so preternaturally difficult to deal with, say something about the merits and shortcomings of the EU institutions, and try to illuminate what a successful European future should look like.

More specifically – why the peculiar British ambivalence to Europe? Is it a failure of political leadership, laced with prejudice and unhappy circumstance? Or are there objective factors underlying that ambivalence, justifiable and significant. And will the next ten years feel like the last: grumpy acquiescence interspersed by bitter controversy? Or is there a calmer, more positive tomorrow?

Second, is the EU fit for purpose? Are the complaints about compromise and muddle justified? Of if the EU has a job to do, can we rely on it to get that job done?

Third, and most important, what of the European Union's place in the world? Is the EU's main job now done? It has reunited the Continent after the Second World War, and, latterly, provided a safe haven for the post-Communist democracies of Central and Eastern Europe. With those tasks largely complete, is it supposed to tick over and keep out of trouble? Or is it an organisation with purpose?

Britain's Ambivalence to Europe

Britain has often felt itself beleaguered in Europe. That predicament - the image of Britain fighting manfully against the odds to secure its interests - is often exaggerated in the media, and, if I may say so, sometimes exploited by politicians for their own ends. But it also has its roots in an uncomfortable reality.

I do not, just to avoid misunderstanding, draw from that conclusion that we are wrong to be members of the EU, or that we are right to prefer confrontation to compromise. Indeed, some of our greatest problems in Europe stem from the fact that we hesitated fatefully in the 1950s and allowed the EU to be shaped in an image for which we still pay the price today. But in any discussion about Britain's European future it is as well to be clear about the problems. On balance, and this is a view which has the merits of consistency with the traditions of this Society, it is better to reflect and understand, as the basis for action and decision, rather than be driven by the passions.

In trying to understand the different starting-points of the Members of the European Union, and their disagreements with us, we do not give enough weight to the fact that the UK finds itself on the minority side of the key fault lines within the EU.

The first and most important of these fault lines is the divide between those countries whose political institutions have enjoyed a long period of continuous success, and command, as a result, the instinctive confidence of their national electorate, and those which are new, and have been preceded by institutions which, in recent memory, were flawed, non-democratic (under Nazism, Communism, or military dictatorships).

A quick run-through will show that there are but a handful of countries whose national political institutions have survived and flourished for as long as our own. It is no surprise that the rest, the six founding members, the ex-dictatorships of Spain, Portugal and Greece, the ex-Communist

countries of Eastern Europe have found it easier to imagine ceding political power to Brussels – in one or two cases, arguably, the EU institutions themselves have enjoyed greater confidence and support than the national ones.

That is my best explanation as to why we find ourselves in fundamental and often lonely disagreement on these questions, fighting to the bitter end in Treaty negotiations, often with great success incidentally, to resist shifts of power. And for similar reasons, the EU institutions, the Commission and the European Parliament in particular, have found it hard to engage the consent and enthusiasm of the British electorate and political class.

My second fault line relates to the common law tradition. We have in the UK, along with Ireland, Malta and Cyprus, lawyers and a legal system very different from the Napoleonic Code and, as a result, the other European national legal traditions. We are more precise in our approach to legal texts, give less weight to the intentions of the legislators than to what they actually wrote down, and are mistrustful of generalised aspirations as the basis for Treaties, international agreements or regulation and other legislation.

The building blocks of the EU's legal order were laid in the 1950s. We were outside the room. And Whitehall lawyers have been wrestling with their Napoleonically-inclined Continental colleagues ever since. This matters greatly. Day-to-day negotiation and decision-taking in the EU and the documents that come out of that process are part of legal order, with a supranational Court to enforce that legal order. We are less at home than most of our Continental colleagues; sceptical, anxious, and determined to pin down meaning and avoid waffle in a way that often leaves us the last to give our agreement.

It isn't difficult to add to the list. We are not part of the Continental landmass. Our borders, with one exception, are sea borders, not land borders. It is not surprising that we think differently about free movement and border controls to our partners.

Our agricultural traditions, and the structure of our farming industry, are different. The widely-derided, although much reformed, Common Agricultural Policy was forged as part of a deal between agricultural France and industrial Germany. Had we been present in the '50s and '60s when it was designed, it would have looked very different.

The nature of our relations with the English-speaking world, especially the United States, gives us a different perspective on foreign policy. The structure of our economy, with its emphasis on financial services and the way we organise relations between employer and employee, can often leave us having to argue our case from a minority position.

Day-to-day experience in Brussels over a period of almost twenty years bears all this out. British negotiators, whether officials or Ministers, find themselves with hard-line negotiating positions more often than any other country. But the important question is not whether our starting-points are different to the others. It is whether we have been relatively successful in arguing our case and, where our minority interests are decisively important, in negotiating the protections we need.

Briefly, because I want to look forward, not back, my answer to both those questions is Yes. We have won the decisive arguments of principle. The EU has move from a membership of 12 when I arrived in Brussels in 1989 to 27: Britain was the principal advocate of enlargement. This European Commission is economically liberal, espousing policies that come more naturally to London than to Paris and Berlin.

And, as I will argue in a moment, the idea that Europe would develop institutions comparable to that of a nation state – the nightmare of the super state – is not in prospect. At the same time we have found arrangements which allow us to stand aside where we are determined to do so – on the single currency, and on border controls.

From a minority position, that's a pretty good place to end up.

More generally, the evidence tells us that the EU, while heterogeneous still, has shifted in the past five years in a pro-Atlanticist and pro-reform direction – and if the new Lisbon Treaty enters into force, will move decisively from a focus on institutional matters to the implementation of a practical agenda. This is an increasingly comfortable environment for the UK. Time and tide are on our side.

Compromise and Muddle

My second question was whether the EU was fit for purpose.

I often hear the argument that the EU is a good idea in principle, but a bad one in practice. It is, so the argument runs, unable to take clear, long-term decisions, or implement them efficiently. It is excessively complex, chronically inefficient, and prone to fudge, muddle and compromise. If it only worked well it would be fine, but it doesn't.

There is something in this. Not as much as the press would claim, because with its relentless preoccupation with bad news, the picture it gives is partial and distorted. And some of the criticisms of the EU are criticisms directed at public administrations more widely, whether at national or regional level. But I would concede that the EU has not always produced clear and unambiguous decisions, can take too long to act and react when it faces a problem or a new challenge, and that its procedures are more complex and circuitous than the best examples of modern management theory would prescribe.

The reasons bear a little reflection. They are closely connected to an issue I have already touched on, namely how to protect minority interests in an organisation whose underlying principle is equality of treatment for all its citizens across its whole geographic area.

The European Union has been designed by its Member States, in a series of Treaties, most recently the Treaty of Lisbon, to operate via an intricate series of checks and balances. Those checks and balances operate between the Institutions, and within the Institutions. Their underlying purpose is to ensure that the actions of the European Union reflect the wide and varying range of views and interests which are at work in the now 27 Member States.

Thus proposals for legislation emerge from the Commission, where Commissioners nominated by each of those Member States all have a say in the adoption of the proposal. That proposal must then be considered and agreed both by the Council of Ministers, in which each of the Government of the Member States are represented, generally on the basis of weighted votes, and by the European Parliament, where parliamentarians representing the full range of political parties from each Member State have a say.

It is impossible in this system for the majority to ride roughshod over the minority. Small Member States have a voice, and can form alliances with others to ensure that voice cannot be wholly ignored. (They resist vigorously the suggestions that come from large Member States such as Britain to curtail the power of the Commission, which they see as the best guarantee against domination by the six Member States which make up over two-thirds of the EU's population).

The European Parliament, a transparent body, whose legislative activity takes place wholly in public, provides a forum in which the pressure groups, NGOs, businesses and individuals can take their case if the Commission or Member State Governments neglect it.

There is no all-powerful office-holder, and no power bloc able to take and impose a decision simply because it has more votes. Each institution acts a brake on the other; and where one institution exceeds its powers another has the right to take it to Court, a matter on which the Chairman of this meeting has some stories to tell.

That is all right and proper. It is the best protection against the development of the EU into a super state, and a crucial way of ensuring the different peoples and nations it contains all have and retain a stake in the enterprise. It is particularly important for the United Kingdom, for the reasons I have tried to explain.

But it inevitably means that the decision-making process of the EU is like operating a three-dimensional coalition government. Each institution does, indeed, act like a brake, with all that can mean for speed. It is the opposite of the crisp, first-past-the-post system we have in the United Kingdom, which allows a party to form a Government and start to implement radical policies within days. It demands compromise and incremental progress by the way of ambiguity. You don't hear in Brussels the smack of firm government, but rather the low-pitched, discordant hum of hard-fought, drawn-out negotiation, interspersed by high drama and media hysterics, as a deadline sharpens minds and tempers.

This process is unsatisfactory. But it is there for a reason. It could be radically different. But then we would have something akin to a super state. That would certainly be more efficient than it is now – in the narrow terms of the decision-making process. But it would lack anything approaching popular consent. It might be inherently unstable, and, for that reason, less effective than the status quo. And it would certainly be deeply unpalatable to all those anxious about democratic legitimacy, the faceless nature of the EU institutions, and the declining importance of the nation state.

In any case, the debate is theoretical. The traumas of the Constitutional Treaty will discourage a further round of institutional reform. And because, in one way or another, everyone's interests are protected by the current system, there is no prospect of significant change.

The task instead is to make it work. That is eminently achievable. The first rule of modern management is to focus on outcome not process. While it is right to recognise that the processes which drive the European Union have their inefficiencies, process is only a means to an end. An organisation which has, over the past twenty years, created the world's largest single market and a single currency which is traded globally, enlarged from 12 to 27 members, acquired world-wide prestige and influence, and now leads the world in environmental policy-making can't be all bad. It has been able to do so through goodwill, statesmanship, political vision and leadership. If that same vision and leadership is brought to its future, it can be equal to its future purpose.

Whether that vision and leadership will be present in sufficient measure is not my subject for this evening. But the question of the EU's future purpose is.

Europe's Purpose

And in my view that is the core question. We cannot and should not define our approach to Europe on the basis of past achievement, but on the basis of future possibility.

My starting-point is to suggest that the world our children are growing up in has to solve three overarching problems:

- An inevitable crisis of sustainability – we live in a world where political legitimacy and social stability depend on rising prosperity, and global population will rise to over 9 billion by 2050. Its most vivid and pressing manifestation is the prognosis for climate change which suggests we have less than a decade to take decisive global action to stabilise emissions of carbon. But it is by no means the only one. We face looming or actual shortages in:
 - energy (witness the oil price - or the political leverage Russia is able to exert because of its dominant role in the supply of gas to Europe);
 - water (a future flashpoint in the Middle East and already a problem in China where a fifth of cities suffer from water shortages); and
 - food (food riots in Africa and Asia; inflation at Tesco's; Thailand talking of rice growers' cartel).
- The integration into the international community of the emerging economies of China and India (the former will overtake the US as the world's largest economy in 20 years, the latter before 2050). This will require us to adjust the dynamic of power and influence that goes with it so that global governance remains stable, and so that our political institutions can manage and contain the inevitable conflicts and tensions that will continue to arise and, beyond that, resolve that crisis of sustainability which is likely to be the defining issue of this century.
- A potential crisis of values. Chinese mystification, and fury, at the Western reaction to Tibet reflects a deeper divide. We are seeing in China and in Russia the emergence of new forms of capitalism which do not sit comfortably with our own, firmly rooted in Enlightenment and humanist values, in democracy and in the ethos of the free market. Without some understanding on values, there will be no shared solution to the crisis of sustainability; no successful reform of the institutions of global governance; and no answer to the scandal of global poverty, especially in Africa, or reconciliation with the disaffection and suspicion so widespread in the Islamic world.

This is now a conventional analysis. A fortnight ago Gordon Brown said in this year's Kennedy Memorial Lecture at Harvard that "no-one in 1962 could have foreseen the sheer scale of the new

global challenges that our growing interdependence brings: their scale, their diversity and the speed with which they have emerged:

- the globalisation of the economy;
- the threat of climate change;
- the long struggle against international terrorism;
- the need to protect millions from violence and conflict and to face up to the international consequences of poverty and inequality.”

He went on to say, and this is the nub of this issue, that these challenges “all point in one direction – to the urgent necessity for global cooperation. For none of them – from economy to environment – can be solved without us finding new ways of working more closely together.”

How should we think about these “new ways of working together”?

The first condition for any such enterprise is what would have been called in the days of the Cold War “peaceful co-existence”. Countries in conflict do not work together.

Countries – or more precisely geographical entities – co-exist in conditions of peace and stability in two sets of circumstances. In the imperial model, one power, dominant over the others, maintains peace by virtue of superior power, and applies a set of values which elicit the broad support or acquiescence, at least, of the governed: the Roman Empire; the British Empire; or the American Peace – the Pax Americana – of the late 20th century.

That model is palpably not adequate for a modern interdependent world. We can no longer rely on benevolent US dominance to maintain global stability. Other countries are too powerful, or too alienated by the United States, for a Pax Americana to continue.

The second model, practiced and refined by Richelieu and Pitt, among others, is balance of power politics – an 18th century philosopher of history called it “an arrangement of affairs so that no state shall be in a position to have absolute mastery over the others”. That model is the necessary corollary of the concept which now serves as the axiomatic justification for foreign policy-making, namely the idea of the national interest. Balance of power was, and is, a countervailing idea, designed to ensure that the pursuit of national interest does not lead to chronic conflict, but can find a point of equilibrium.

Part of my point is that, just as the notion of national interest is as valid as it has ever been in the minds and rhetoric of modern politicians, so the dynamic of balance of power has to play its essential part in allowing that notion to be the basis for “new ways of working together”. But I would argue too that we have to be clear-sighted about how we understand the concept of ‘power’ in the modern world.

“Balance of power” was invented at a time when power was overwhelmingly a function of military capability, (and economic success was tantamount to power because it could provide superior military capability). Power in the modern world is a more complex mixture of military and economic strength. Iraq and Afghanistan have shown the limits of superior military power; Russian gas reserves and the impact of the Sovereign Wealth Funds of Asia and Middle East show how to exercise power in ways largely separate from military might; and growth rates rather than military spending have given China and India their new-found influence in world affairs. So we have to adjust the traditional analysis of “power” as we think about how best to achieve the equilibrium to allow successful international co-operation.

We also have to adjust our thinking about what constitutes successful international co-operation. It will have to go beyond traditional models of balance-of-power politics. Before the problems of sustainability were as sharply delineated as they are today, in his book *Diplomacy*, published in 1994, Henry Kissinger said that the issue was “whether the post-Cold War world can find some principle to restrain the assertion of power and self-interest”. He went on to explain that “equilibrium works best if it is buttressed by an agreement on common values. The balance of power inhibits the capacity to overthrow the international order; agreement on shared values inhibits the desire to overthrow the international order.”

But as we work out how to organise ourselves in the new century in the face of the three challenges I described above – sustainability, the shift in power and influence to the emerging

economies of Asia (and Latin America), and the challenge of shared values, we will have to go further than “restraining the assertion of power and self-interest”.

We will need equilibrium, of course, based on shared principles and values, as Kissinger would argue. Shared principles will offer the route to a reformed system of global governance which will be legitimate and effective because it recognises the deep shifts in global power and influence that are coming with the changes in the global economy. But this will be exceptionally hard. The necessary reform of the UN Security Council is bogged down because the apportionment of power in multilateral institutions is a zero-sum game. And zero-sum negotiations are the hardest of all – they require the parties to redefine national interest in a way which allows concession and self-effacement to replace the language of advantage and self-assertion.

But those shared principles will need to be the basis not just for peaceful co-existence and the establishment of new global institutions, but also for an unprecedented level of active co-operation.

The new international order, among states at different stages of economic development, and with different traditions and political values, will call for more than mutual respect, based on a broad equivalence of power and influence. That broad equivalence, that new equilibrium, must be the basis for a set of shared principles to govern and contain the interplay of national interests in an interdependent world.

A stable global balance of power, defined in a way which reflects the new economic realities, and those shared principles will not of themselves be enough. They will have to be the platform for collective action – to husband scarce resources, take the difficult decisions about who will shoulder the burdens of reducing carbon emissions, stop fear of food shortages degenerating into protectionism, encourage joint long-term action on the problems of Africa or regional conflict. All difficult enough in themselves – all the harder when the temptation for modern politicians and diplomats, reared and trained in the world of the pursuit of the national interest, and operating under the unforgiving gaze of to-day’s ubiquitous media, will so often be the pursuit of short-term advantage.

Those will have to be our new ways of working together.

Where in this changing world order does the EU fit in?

First, we need to see the EU in the context of the rise of China, India, Russia and Brazil, with the second league economies of Turkey, Mexico and South Africa not far behind. The inevitable consequence is the decline in relative influence of the medium-sized European power. The US economy made up rather over a quarter of the global economy in 2006; the EU, with a larger population, broadly the same. Britain accounted for about 5% of that global economy, while China was about the same. But the Chinese economy is growing at 8–9% a year, and the British economy will do well to come in much above 2% over the next few years.

You do not need a degree in mathematics to grasp what that means for relative weight in the world, for the United Kingdom and for other economies of comparable size and development – Germany, France, Italy. We will soon live in an era of regional economic superpowers. The EU is such a power. Its individual Member States are not.

It should play a vital part in re-making the right kind of balance of power, and in finding a new point of equilibrium in a multipolar world. In practice, it is already an important bulwark. European unity in the face of external pressure is a powerful tool. *Per contra*, when other powerful participants in the new global order are able to create divisions within Europe, their room for manoeuvre, their capacity to act against the interests of individual countries, at a moment and in a fashion of their choosing, is greatly increased. We need to build on that to ensure that the EU, and the relative power and influence it brings, has a full place in tomorrow’s system of global governance.

Second, as we seek to hammer out the shared principles for that system of governance, the EU brings weight, prestige and impact. In the vital but often arcane world of regulation, it is as close as we come to a global regulator. It is the pre-eminent anti-trust body in the world. Its legislation on standards for products and services are increasingly the international norm. It remains the example for countries wishing to entrench democracy, such as Ukraine, or entrench free market structures and institutions, such as Turkey.

It is increasingly accepted as a major contributor to peace-keeping and conflict prevention; and its public positions and declarations carry weight, and offer political legitimacy, wherever democratic values and human rights are at issue. The shared principles which underpin global governance in the 21st century will be more robust, and more congenial to our traditions, our sense of right and wrong, and our public and social morality, if the EU is fully engaged in the process which establishes them.

Finally, and crucially – for here I hope we glimpse the shape of future active global cooperation - the European Union offers leadership to the world not only on issues of principle, but also in the thornier area of application and implementation.

It is a trailblazer in designing new models of supranational cooperation designed to address the challenges of interdependence. It is now widely accepted that setting a global price for carbon is the best way to achieve the reductions in carbon emissions which the world so badly needs. The EU has gone further and faster than anywhere else in the world in establishing a scheme to set a price for carbon; the role of the European Commission in enforcing that scheme and, in particular, having the last word over the amount of carbon which Member States are allowed to emit, has the EU confronting precisely the hardest technical and political questions which the international community will need to address if it is to manage this most crucial of all international issues.

And by setting targets for reductions in CO₂ emissions, and starting to take the range of decisions necessary to meet them, it has established a position of global leadership on climate change. It has, incidentally, been able to do so precisely because of the institutional changes which so enrage the Euro-sceptics: a powerful Commission, qualified majority voting – but also because its size and relative cohesiveness gives it a weight and presence in the world to which the United Kingdom, acting alone, can no longer aspire.

Put more simply, and to conclude, I cannot see a model for ‘new ways of working together’ which does not move from successful balance of power politics, through new global shared principles (and new global institutions to reflect them) to an active set of cooperative global policies; and I cannot see that model being put into practice without a central role for the European Union.

The role that it can and should play in that process gives it a clear and vital purpose, as one of the principal vehicles through which its members should work. That is not to say that it is the only vehicle – the United Kingdom still has its own role to play, as a member of the UN Security Council, as a direct contributor to peace and security through its armed forces, and as a key aid-donor active in the fight against poverty. But the EU’s role is an essential one, and our debate about its future should start with that in mind.

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