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Perspectives on European Integration - A British View

by David Miliband

David Miliband has been Member of Parliament for South Shields since June 2001. He was previously Head of the Prime Minister's Policy Unit (1997-2001) and Head of Policy in the Office of the Leader of the Opposition (1994-1997). From 1989 to 1994 he was Research Fellow at the Institute of Public Policy Research, and from 1992 to 1994 Secretary of the Commission on Social Justice. David Miliband edited "Reinventing the Left" in 1994, and co-edited "Paying for Inequality" (also 1994). He was a founder of the Centre for European Reform.

This working paper is based on a public lecture David Miliband held at the Max Planck Institute for the Study of Societies on February 19, 2002.

I bring to the debate about Britain and Europe the perspective of rootless Europeanism. My father was born in Belgium, his parents in Warsaw; my mother and her parents were born in Poland. The European story has for centuries been one of cultural exchange, people movement and the cross-fertilisation of ideas, as well as a litany of death, destruction and military struggle. My generation has found stability in a world of enormous change. It is, however, a particular irony that one of my predecessors as MP for South Shields should, as British Home Secretary in the late 1940s, have turned down an immigration application from my grandfather to come to Britain, to re-join his son, my father, in Britain where they had spent the War.

Today, the unification of Europe means that we cooperate militarily as we compete economically. The end of the Cold War, the maturation of the European ideal and the growing recognition of interdependence provide a unique opportunity for my generation to help develop a peaceful and prosperous Europe for the future.

I spent the four years up until last June in government working mainly in the domestic policy field, but for the six months of the Belgian Presidency of the EU in the second half of last year I was lucky enough to serve with Jacques Delors, Giuliano Amato, Jean-Luc Dehaene and Bronislaw Geremek on an ad hoc advisory group to Prime Minister Verhoftstadt on the future of Europe, planning the agenda for the Convention to be convened next week, and ultimately the IGC in 2004. That helped me see the collapse of any hard and fast distinction between domestic and European policy. European policy is domestic policy. My argument about the future direction of Europe can be simply stated:

- The European Union has in the next ten years the chance to build on success,
- Britain and the European Union have much to offer each other: I believe British ideas can enrich the EU,
- and finally Germany can play a major role in consumating this unlikely marriage.

Europe's Opportunity

It is easy to become depressed if one spends too much time debating the EU. Surprisingly, this is not only the case for readers of the British press, who read about viruses carried by Euro coins, European plans to ban the British pub game of darts on health and safety grounds, and even European directives to harmonise the size of coffins. None of these stories are true. But the continental media are also afflicted by ennui, cynicism and angst - and they are just reporting the *weltschmerz* of politicians.

Last year Joschka Fischer said people saw the EU as a "faceless, soulless Eurocracy". PM Verhofstadt said "I share much of the criticism on the present community approach: non-transparency, too much bureaucracy, and lack of democratic legitimacy." Lionel Jospin asked whether Europe ran the risk of falling apart if it enlarges to the borders of the Continent.
The EU can be frustrating, opaque, and bureaucratic; its compromises can be maddening, its structures bewildering, its hauteur infuriating. But that is the way of an experiment in governance. After hundreds of years of trying, national governments are also riven with these problems, so it should be no surprise that Europe is as well.

Yet my perspective is that far from the EU being "en panne", or broken down, it has actually had rather a successful decade. Look at the record. The successful launch of Euro notes and coins is obviously the shining example. But the EU is also forging a defence identity; moving, if in rather a crab-like fashion, towards common standards in the field of justice and home affairs; and we are well into the enlargement negotiations that will truly unify Europe in a manner inconceivable twenty years ago.

Europe certainly has its problems. Unemployment, social exclusion, racism - sure these are challenges. But it is not healthy to believe that every problem in Europe is the responsibility of the European Union. That is the charge of the Euro-sceptics, yet it is also sometimes the mistake of the greatest European enthusiasts.

The EU will succeed or fail in the years ahead not by whether it solves every European problem. The real test is rather how it helps nations and regions rise to these challenges. Let me emphasise that formulation: the EU exists to help nations and regions rise to the challenges of globalisation.

The test of EU action is its capacity to *add value*; where the EU can help tackle problems that would otherwise overcome national governments, and where it can make a constructive contribution, then it should act. Where it cannot add value, it should keep out of the way. This is a stronger version of the subsidiarity thesis: Europe is a political response to globalisation, not another layer of government trying to solve local problems.

I believe there are great opportunities for the European Union to contribute to a healthy Europe and a more stable world. But I do not believe that we are at the equivalent of Philadelphia in 1787; we are not charged with designing a country called Europe, or a state called the EU. Instead our job is to respond to the growing interdependence that is a feature of the world around us, and develop international institutions - part intergovernmental, part supranational - that match this need.

My starting point is that the debate about the future of the EU must address the concerns

of European citizens; it must engage with the changing external environment, both economic and political; and it must be dedicated to solve the problems of the future rather than those of today, otherwise we will end up driving the European car by looking in the rear-view mirror. In other words, the starting point is *substance not institutions*. In this respect, I am very much at one with Prime Minister Jospin, who argued last year that institutional reform can only be successful when geared to substantive outcomes.

It is significant that successful IGCs, for example in 1985 and 1991, were driven by substantive projects, namely the establishment of the single market and the single currency respectively. Meanwhile those that have started with technical institutional reforms have become mired in detail, for example Amsterdam in 1997 and Nice in 2000, and achieved more limited results. Institutional reform is in my book the means to deliver the substantive end. It is not, or at least not primarily, an end in itself.

I believe that the functionalist approach to European integration, based on developing institutional responses to the need for economic, social or environmental integration, serves a useful purpose. We should start with the substantive goals that unite us, and then develop institutional reforms to achieve them. I believe three substantive challenges are pre-eminent:

- First, as our economies become more competitive and interdependent the EU must resolve the macroeconomic challenges that stand in the way of steady growth, and help address the microeconomic challenges that are more national and local in nature. This calls for us to nurture the variety of models of the social market economy that exist in Europe, each playing to their strengths.
- Second, an enlarged Europe must address cross-border issues including crime and population movement. I think Giuliano Amato has a good point when he says the EU needs to be institutionally rebalanced, from an economic focus where centralisation has arguably gone too far, to a focus on justice and home affairs, where it is only just being developed.
- Third, we must promote European values in a world of competing interests, from trade and the environment where we have a well-developed function to foreign affairs and defence where the European contribution is more limited and more recent.

In the resolution of each of these three challenges, the EU can help Britain, but also Britain help the EU. The EU is good for Britain for many of the reasons it is good for Germany:

- The deepening of economic integration, spurred by the EU, has helped make war within Europe impossible, and more prosaically helped drive a remarkable process of wealth creation that is now the source of jobs for an estimated 3 million UK workers,
- EU social programmes have helped raise the sights of British policy-makers, and improved social protection within the UK,
- EU environmental programmes have driven up environmental standards, from cleaning up beaches to eliminating CFCs,
- and recently EU military cooperation has helped avert civil war on Europe's border, in Macedonia.

In the future the EU can offer Britain much:

- A transparent single market, with, we hope, a growth-oriented macroeconomic regime that brings stability and sustained growth to the Euro-zone,

- stable borders to mitigate the problems of global migration flows,
- a judicial space in which safety and security are promoted, and cross-border crime tackled,
- a foreign policy and defence identity that complements national action.

Polls suggest only grudging acceptance of Britain's membership of the EU, but one should remember that in France only 50% think EU membership is a good thing, and in Germany 55%. In the British case, the problem is partly that Europe is seen as being run by other people, for their benefit. We have to show that Britain can help run the EU, for our benefit as well as everyone else's.

Institutions, Economics, Foreign Policy

So what can Britain bring to the next phase of European construction?

First, politics and institution-building. I believe Britain can bring a realistic and hard-headed alternative to the false choice between inter-governmentalism and supra-nationalism. This is a difficult thing to say in Germany, but it is a false choice because the EU is already more than a "Europe des patries", but it *is* not ready to - and nor should it - try to behave like a country. Europe's strength comes from synthesising the national and regional strengths that exist around Europe, not from replacing them.

I believe Britain can join with others in arguing for an EU that is built on the back of national identity and democratic legitimacy, not at the expense of them. As Monnet said, the EU is a unique political form - based on power-sharing between representatives of nations, peoples and the common European interest. I believe we should keep it that way.

There is a natural tendency to judge the democratic credentials of EU institutions against the tried and tested methods of national democracy. Hence talk of the democratic deficit. But what people want above all from the EU is *delivery*; while legitimacy is essential democracy is a bonus; the real source of discontent in Europe today concerns the effectiveness of EU actions. That is why I emphasise the *delivery deficit*.

I recognize concerns about the democratic deficit, and will return to it later, but we delude ourselves if we think that we will make the EU more popular by making it more democratic; opinion polls over the last forty years show no such relationship. What Europe needs above all else is clear, strategic leadership coupled with tactical, short term flexibility. This should be the priority for the next two years of debate, and I believe the Convention could do much worse than spend its early "listening" phase focusing on the weaknesses in the EU's delivery systems.
In practical terms, this points to the development of much stronger strategic leadership for the EU from the European Council, and from the Councils of Ministers. The revolving presidency may have been appropriate for a Europe of six, but it does not work in a Europe of 15.

Jean Monnet said that the buck stopped with the European Council because it is the ultimate source of authority in the EU, and I agree with him. The European Council needs a leadership team, perhaps drawn from three or four countries at any one time, to provide sustained leadership over, say, a two and a half year period. This group should be elected by their peers. They should be supported by a more focussed machinery for carrying forward the agenda set by national leaders.

I would also like to see a 'policy board' created for the EU, either through a fortnightly meeting of Ministers for Europe, or through the subject councils - Agriculture, Environment etc. - which could each elect a chairman for a similar two and a half year period. Either way, in between the now three-monthly European Council cycle, there would be a mechanism to progress-chase European business.

I also believe that when legislating the European Council, and Councils of Ministers should operate in public - which would do more to attach European citizens to the decisions made in their name than all manner of institutional reform.

There are strong arguments for the Commission to be streamlined. 27 Commissioners will not have enough to do. Since reducing the number of Commissioners seems beyond the reach of realpolitik, we should have six or eight senior Commissioners supported by junior colleagues - the equivalent of State Secretaries.

You will notice that I have not proposed the direct, or indirect, election of the European Commission President. This seems to me the wrong answer to the wrong question. We do want to strengthen European identity; we do want to connect European citizens to European decisions; we do want to see a greater sense of solidarity; but we do not need institutionalized conflict between national leaders and the European Commission, while a European demos does not exist to support such an elected post. Some argue we should create the post in order to drive the creation of just such a demos. But that seems to me to get the institutional horse before the functional cart. The European Parliament already has gained a good deal of power which it has not used, and a stronger role for national leaders is the clearest way to tackle popular disconnection from the EU. It may not be neat and tidy, but it reflects the multi-layered democracy we are trying to create; as such it has a chance of working.

Let me turn to economics. In his very interesting speech last year Land President Clement said: "It is precisely the tension between competition and progressive economic integration…which creates an environment where ideas, innovations and social progress can thrive."

I think this is a really important insight - and let me emphasise the combination of *competing* and *collaborating*. Some people see the two as antithetical. I don't. It is the way of the world in modern business, and we need to learn from it.

As David Soskice and Peter Hall have recently demonstrated in their fascinating volume "Varieties of Capitalism", we do have different models of the social market economy within Europe; each has distinctive strengths; and not only would the wholesale importation of one model be impossible, it is also likely to be inadvisable. Our challenge today is to modernise the variety of models of the social market economy that exist in Europe, based on their own strengths, traditions, and histories, not to try and harmonise them into a single model. Ironically, there is an unholy alliance between maximalists and minimalists for European integration: both argue that fair competition requires homogeneity, for neo-liberals imposed by market forces alone, for those who favour deepest possible integration by regulation to prevent competition. Neither is sensible.

As I argued before a German audience in Berlin three years ago, diversity of approach allows us to spread risks, to test out different ways of working, and to benchmark best practice. The problem is not that this variety exists, nor that a degree of competition is

inherent in this difference. I have seen no compelling evidence that social dumping is the cause of serious unemployment variations around Europe. The ability of nations and regions to bring together companies, regulations, finance, skills and technology clusters in different ways reflects the comparative advantages that arise from different production strategies. The social market economies in Europe are united by common values of social justice, and all have a minimum wage for example, but are distinctive for the different ways they have put them into practice, and I believe that is a strength not a weakness.

This approach has quite serious implications for a variety of areas of public policy. It suggests above all that the debate about competences of the EU, far from being a technical matter, is highly political, with substantive implications for European policy makers. In other words, do not leave the debate about competences to the lawyers; a neat solution will not necessarily be an effective one. Above all, we should in the economic and social field be looking to the EU to set objectives, but with sufficient flexibility at national and local level to respond to European diversity. For example:

- Social policy at European level may stipulate certain desirable objectives, but the variety of practice when it comes to funding pensions or paying for health care or organising unemployment benefit means that these issues should remain matters of national and regional diversity.
- While European company statute and measures like the takeovers directive can help complete the single market and stimulate economic growth, we should celebrate the different comparative advantages of our respective economic and industrial histories, whether the strength of bank-industry relationships in Germany, the vibrancy of UK capital markets and the role of the City of London, or the benefits that seem to have accrued to France from their distinctive model of economic governance.
- The harmonisation of tax rates, far from being essential to protect the tax base, would actually remove an essential piece of flexibility within the Euro-zone; we should tackle unfair competition but say no to a fiscal straitjacket.
- Subsidiarity should become a matter of economic and social interest not simply political theory; vitality, flexibility, innovation, all are vital to effective economic and social policy.

Fritz Scharpf, your co-director, wrote a brilliant book in the 1980s - "Crisis and Choice in European Social Democracy". He argued, I think, that the collapse of the Keynesian Welfare state marked the end of social democracy in one country. His very tentative conclusion was that social democrats' only hope was to look to the European level for salvation.

There is a good debate to be had about what would constitute a distinctively social democratic approach to European integration, but with the benefit of hindsight we can, I think, see that Fritz was too gloomy. The global scale of capital movements does impose disciplines and constraints on social democratic governments, but national and local governments have not been neutered. My argument is that the scope for national and regional diversity not only exists, but rather that it is essential that it is used. In a Europe where 60-plus per cent of trade is within the Euro-zone, comparative advantage allows for a positive sum game between countries and regions. There are good arguments for social floors that reflect our values, and for a pragmatic approach to tackle unfair competition, but the counterpart of the stability that comes from the Euro - and will I hope in due course come to the UK too - is that flexibility and dynamism must be retained on the supply side.

Thirdly, let me talk briefly about European security and defence which is not my field of expertise but which is increasingly important in the dangerous world in which we live.

I believe that President Bush's State of the Union speech was highly significant. It drew on earlier interventions by him since September 11, but it marked - and was intended to mark - a significant shift in US foreign policy. The Bush doctrine has at its core a determination to destroy the capacity for terrorism against US citizens and interests. I believe it would be foolish to underestimate either the determination of the President to pursue this agenda, or the serious threat that is posed by states and individuals with the capacity to deploy weapons of mass destruction, or support terrorism.

However, I also believe that a commitment to destruction must be complemented by an equal determination to engage in a process of *construction*. At a minimum this must involve construction of a meaningful dialogue with those elements within the Islamic world that want peaceful coexistence. But it should mean more: the construction of a multilateral organisation that can promote a world order based on clear values of democracy and the rule of law; the construction of economic relationships that are essential to give people a stake in the liberal order we espouse; the commitment to a policy of "no rights without responsibilities" applied to all nations who want to be part of the international community, whether promoting security, protecting the environment or tackling global poverty.

We should remember that it is actually Usama Bin Laden who wants to see a "clash of civilisations", a call to the *umma* - the Muslim diaspora - to rise up against the West. We must not play into his hands.

In both the processes of destruction and construction the EU has a potentially important role to play. European countries, working where necessary through the EU, should work closely with the US to help disrupt and if possible destroy networks dedicated to the use of terror for political ends. This means intelligence-sharing, judicial cooperation, and where appropriate joint military activity. The EU should also be using its economic and political muscle to help construct the networks that can build engagement - whether based on trade, mediation or aid.

In the week after September 11th, a leading scholar told me that politics in the short term would be focussed on the need to contain terrorist networks. When I asked him what he meant by short term, he replied - "twenty years". He wasn't joking: both destruction and construction are long term jobs.

The institutional implication concerns the division of responsibilities between the Chairman of the Council of Foreign Ministers, the so-called Mr CFSP Javier Solana, and the European Commissioner for Foreign Affairs. My hunch is that there is one too many jobs here. A Chairman of the Foreign Ministers' Council elected for two and a half years would help. There is also a strong case for merging the other two posts. A single line of authority on foreign policy makes sense; and housing it within the Commission would be possible as long as the post-holder reported back to Foreign Ministers.

Britain and Germany

Let me conclude by saying a word about Britain and Germany. There is much that differentiates our two countries, and I don't just mean our history. Your state is federal,

ours is unitary. You are at the centre of Europe, we are at the periphery. Yours is a consensual political model, ours is built on conflict. Your country is more religious, but we have an established church. The list goes on.

But the potential for commonality of interest to overcome divisions of history and tradition is great; and crucially, a united front from Britain and Germany can set an important intellectual and political agenda for Europe. Fortuitously, a pamphlet published last week from the Centre for European Reform examined this commonality of interest, and called for an Anglo-German "alliance of necessity" to lead European reform.

Let me set out three points where we certainly do have a common interest in working together:

- The UK and Germany have a shared interest in strengthening the legal and political commitment to *subsidiarity*. This could involve stronger Treaty language, and/or a role for national and regional politicians to help police a clear constitutional settlement. The demand for decentralization is heard in all our countries, not just in the EU, but the principle is right, and subsidiarity must be shown to mean something.
- The UK and Germany have approached the construction of the new Europe from different angles, but we both have a strong commitment to *enlargement* of the EU. We both believe that enlargement can bring prosperity and the greater chance of stability to Europe's "near abroad". We are going to have to fight hard to develop a fair and secure expansion. This will mean tough decisions on the budget, and some of its egregious excesses like the CAP, but it is vital that enlargement is a spur to reform.
- The UK and Germany have a shared awareness of the importance of the Transatlantic relationship to the EU, for different but powerful historical reasons. We both need to work hard to make multilateralism work. Europe will not prosper as a rival to the US, but it has the potential to be a distinctive partner in reaching out to Asia and the developing world.

These are major tasks for the years ahead. Britain and Germany can help each other without excluding others. There is a big agenda. I look forward to discussing it with you.

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