



CONVERSACIONES DE MADRID

DISCUSSION PAPER BY
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Neither the United Kingdom nor Spain was among the founding members of the European Community. It is now almost two decades since we joined. And less than half that since Spain has belonged, yet Spain has already contributed a great deal to the European enterprise. As one of the proud countries - Britain is certainly one of the others - who invented the concept of the European nation state, Spain has shown, after many years of self-imposed isolation, how patriotism and European commitment need in no sense be opposites. Spain's rapid emergence as a dynamic, committed player in European politics is and has been impressive and instructive, not least to the citizens of my own country.

Britain and Spain have indeed much in common. We are unitary states of long standing, former imperial powers, once politically dominant. Our peoples are rightly proud of their history, and anxious to lead. As such, I believe we have much to contribute to shaping and sharing with our other ten partners our common European destiny - a destiny that places the pursuit of joint interests at the heart of our relations with one another, and with the rest of the world. The future is ours, as Europeans, for the taking.

A stronger Europe is not hostile to the hard-headed pursuit of any of our national interests; it can be, and must be made to be, perfectly consistent with it. That means seeing sovereignty as a form of influence that can be multiplied and maximised by active engagements with others - and not as something to be guarded jealously by keeping one's distance.

Looking at the world as it is today, it is scarcely possible to see the European Community as anything other than the central lever, an essential vehicle, through which we can together deploy the influence we wish to exercise in the world. To underestimate either the Community's potential influence, or the extent to which it is already taken for granted beyond Europe's shores, would be severely mistaken. It is increasingly to the Community as a whole, rather than to national capitals, that politicians in Washington, Tokyo and the former Soviet Union look, and want to look, when they do business with us.

THE SECURITY PROBLEM IN THE NEW EUROPE

Yet just as we are growing accustomed to this powerful factor, one other with which we have all been familiar for many years has disappeared. The 19th century Greek poet, Constantine Cavafy, described how the Roman Senators reacted to the news that the Barbarian threat had gone away:

"So what is going to happen to us without the Barbarians? They were, those people, a kind of solution."

His insight compactly summarised the dilemma for what might be called the NATO half of our minds, now that the single threat of massive nuclear/conventional attack from the East no longer exists. No longer do we live in a bipolar world. No task is more difficult than to escape from the Manichean perceptions that have dominated foreign policy thinking for almost half a century.

This calls for another change in our habits of thought. In many ways we are experiencing a return to the problems that faced earlier generations. For in the broad sweep of European history, the dominance of a single, relatively predictable, threat is hugely abnormal. We are returning now to the normality of previous centuries, with a variety of risks of many kinds from many quarters. So an important fresh challenge for the late 90's is just this: how are we to avoid returning to the mistakes of pre-1940 diplomacy?

For the abnormality of the years from 1945 to 1991 resides not merely in the predictability of the single threat, but in the fact that we Western Europeans did not meet it primarily by our own efforts, but by the power and resources of our super-power protector, the United States. Western Europe in fact had no rational choice but to accept (indeed welcome) this American tutelage. And successive American administrations have exercised extraordinary self-restraint in not exploiting their military preponderance to Europe's political disadvantage. But the most relevant insight for today remains that the peculiar conjunction of circumstances (American economic predominance, super-power rivalry, nuclear deterrent theory and the ideological division of Europe), which effectively froze the post-war status quo of Europe between 1945 and 1991, has now disappeared entirely. The "normality" to which Europe is now returning is one in which, as Maastricht so clearly recognised, Western Europe can and will wish to reassume greater responsibility for its own security.

Yet the "normality" that is returning has its own striking abnormality. For although we all now find ourselves in that one "Europe from the Atlantic to the Urals", of which Charles de Gaulle first spoke, even he could never have visualised its present shape: a Europe in which a pattern of increasingly close co-operation in one half of the Continent is being matched by a continuing process of disintegration at its other end.

Here, in our half of the Continent, we are the example, the dynamo - the "safe haven" almost - to which the new nations of Central and East Europe look with touching enthusiasm and ambition. Our European Community is seen to have had real success in taming nationalism without suppressing patriotism, in sharing sovereignty without destroying the nation, in setting the market to work for a stable, democratic society. Our traditional rivalries have been largely subsumed in that task, and in the development of NATO. In the East such rivalries have been suppressed by the Communist imposition of collectivism. We have been, indeed still are, building that "ever closer union between the peoples of Europe" of which the founding fathers dreamed. (We should never forget that much of the price for such stability was paid by the people of Budapest in 1956, of Berlin in 1961, of Prague in 1968, and by all who were denied a variety of opinion and political choice).

For Central and Eastern Europe, however, in the memorable phrase of Gwyn Prins, "the twin horses of democracy and nationalism have pulled forward the chariots of revolution and reform". And throughout the former Soviet Union in particular, those twin horses are still running wild: it is much too early to say where they will end up.

In the result, the entire "Evil Empire", the massively centralised rouble zone, has been disintegrating before our eyes. In Central Europe it is being replaced by national economies which are developing significant lives of their own - with links to the West of varying strength. But in the Republics of the former Soviet Union, the enforced links of the most ruthless command economy in history have been giving way to near chaos.

And still there is only limited realisation in any of the Republics that the creation of a free, democratic market-driven society, in place of a command economy which has failed, itself requires the establishment of strong, coherent, sensitive, new institutions - to build a bridge between government and people, to control public spending, to levy and collect taxes, to have a stable currency. It is not surprising that the new Republics remain in a state of bewilderment and disarray.

For the last nine months I have found myself astonishingly close to the heart of this process, as a member of the Economic Advisory Council of the Supreme Rada (Parliament) of the Ukraine. And from the vantage-point of Kiev, it becomes increasingly plain that the so-called Commonwealth of Independent States so far from being an agency for the effective survival of key structures of the Soviet Union still looks more like a mechanism for its controlled disintegration.

The collapse of the Soviet empire has thus possibly opened the way to more than the re-emergence of independent nation states. For it can be seen just how easily the very forces of liberation can turn into causes of hostility, violence, crisis and conflict - "the brutal and destructive side of modern nationalism", as Isaiah Berlin has described it. The last year of Yugoslavia's history makes it very plain that, unless we are ready to think clearly and act boldly, Europe could enter a new era of unpredictability and instability. And all this in a Continent the Asian end of which is dangerously strewn with nuclear as well as conventional weapons, along with people who know how to use them.

So, while we in the West has been making progress from Messina to Madrid, from Madrid to Maastricht, our fellow-European in the East often seem to have been moving in mounting disorder, in the opposite direction, from Moscow to Minsk - and beyond. Mikhail Gorbachev's Common European Home certainly turns out to have many more mansions than its architect ever foresaw.

NATIONALISM AND PATRIOTISM

I have mentioned already the success of the European Community, as I put it, in taming nationalism without suppressing patriotism - perhaps above all in establishing the essential framework for vital Franco-German reconciliation.

This serves to highlight an important aspect of the European debate: the crucial distinction that can be made between "patriotism" and "nationalism", a distinction that the workings of the European Community underline but which can easily be overlooked elsewhere.

Nationalism has been historically a recurrent threat to the peace and well-being of all Europeans. But patriotism, whether of a united Germany or of any other nation in a united Europe, does not, as I believe, pose a threat to anyone. The distinction between patriotism and nationalism is not an academic one. The dressing up of the one as the other has been at the root of much that has gone wrong in Europe this century. Perhaps the most abiding significance of the European Community will be finally to have separated the two: today in Europe, one can be a patriot without being a nationalist, and a nationalist in today's Europe is by no means necessarily a patriot.

Patriotism I take to be the genuine love of and pride in one's own country, its history, its culture, its traditions. It is a perfectly legitimate, indeed admirable, component of the human personality, capable of inspiring generosity and self-sacrifice. The European Community, emerging as it does from a variety of national patriotisms, is firmly rooted in the consciousness of and pride in national identity: it could scarcely have endured so successfully otherwise. The Community's decentralised structure allows the fullest possible play to national characteristics and peculiarities. I have not observed that, since the passing of the Single European Act, my French friends have become less French or my German friends less German.

Nationalism on the other hand can all too often be a perversion of this love and pride in one's own country into disdain even hatred for others, into the desire to dominate or displace. Unlike patriotism, which can easily respect and understand the patriotism of another, nationalism can all too easily become a creed of competition and exclusivity.

In acting as so firm a constraint not upon patriotism but upon nationalism within Europe, the Community is depriving nobody of anything worth having.

SHARING SOVEREIGNTY

The sharing of sovereignty which is at the heart of the European Community is a powerful reminder that the nation-state is not the final resting-place of European constitutional development. Indeed, the day-to-day working of the European Community, with its systematic leaning towards consensus and shared decision-making, is an important barrier against the nationalism of the largest or of the smallest Member State.

Nowhere in practice, of course, are the realities quite as Utopian as this. Almost everywhere where such partnerships do exist - even within the boundaries of a single state - they need to be handled with the utmost sensitivity, appropriate to objects of great fragility: from Belfast to Bilbao, from Bolzano to Barcelona, the message is the same. Take care to cherish and, where necessary adapt, the unions that do exist; and remember that that should mean cherishing every partner in the union as well.

This is why I am myself convinced that if the Community did not exist, we might indeed have more reason to be fearful of a resurgence of nationalism in Europe, just as anywhere else.

I fancy that the world outside the Community sometimes sees this a deal more clearly than we are able to do for ourselves. For one of the most flattering discoveries to be made in course of a visit to the re-asserting capital cities of the East, from Prague to Kiev, from Tallinn to Tiflisi, is that one main purpose of their independence (of "the re-invention of politics in their lives", as it has been said) has been the freedom to seek admission to the Western system of interdependence. Ukrainians, for example, would be reluctant to give up the soon-to-be-born Grivna for re-entry to a re-created rouble zone. But they would, I am sure, be eager to hitch their new currency to the ECU, just as Finland, Austria, Sweden and the rest are doing.

All this underlines the validity of the description of the Community by my former Dutch colleague, Hans van den Broek, as "the focus of attention, the pole of attraction, the engine of economic development in our Continent". And it is a powerful reason why we should take care to cherish (not to rubbish) our Community - the most important of the many successful institutions which we have been building together in Europe over the last forty years. I totally share van den Broek's view that, "Community structures are in many ways a tool for giving substance to sovereignty, rather than being an impediment to it".

Certainly our relationship is seen like this by the growing group of nations now awaiting the chance of Community membership. Swedish and Austrian industry (and other EFTA countries) have already accepted the obligations of compliance with existing Community trade policy, competition policy, and so on. But understandably they want as well the opportunity to shape those policies from within. Even stronger still perhaps is their desire to be engaged in the construction of Economic and Monetary Union, with the prospect of some share in responsibility for a new, continent-wide, single currency. Over and beyond EFTA, virtually every other country in Central and Eastern Europe wants to join. Nobody any longer doubts that rising demand for membership will, over time and understandably, prove irresistible.

Inevitably, the question is then raised - should the Community grow wider or deeper? In my judgement, it has no choice but to do both. It is impossible to argue for the exclusion of any of the aspirant democracies once they have been credibly established. And nobody should deceive himself (or herself) that this broadening of the Community will make less necessary the process of intensifying and deepening the relationship as well. I offer just one simple test: will a growth in the number of member states make it more or less possible to insist on unanimity before decision? The answer must surely be

less. A Community that grows wider must grow deeper as well. This is a process with which we would do well to come to terms in the next few years, rather than hope that it can be avoided and face another unforeseen crunch moment in four or five years time.

This prospect does indeed open up other institutional possibilities, which could be positively good for the Community - reduction in the number of Commissioners, streamlining of the Commission's services, with the hiving off of some functions into agencies, and a move to fewer, not more, official languages. Learning the lessons of the 1986 and 1991 Inter-Governmental Conferences we should all be seeking such ways of improving the efficiency, legitimacy and simplicity of the Community's structures so that they can be passed on with some confidence to those who will govern, and those who will vote, in the next century.

NEW FORMS OF ASSOCIATION

The rejection of the false antithesis between "wider" and "deeper" will indeed require a fresh and imaginative approach to the next stage of Community institution mongering. Some of the solutions will need to be tailor-made - borrowing perhaps from the rotating, two-tier, inner-and-outer structure of the UN or the IMF/IBRD. Different forms of membership, as well as different patterns of decision-making, are bound to evolve. We should avoid trying too slavishly to model ourselves on the unitary or federal precedents (precisely and historically understood) of existing nation-states or Commonwealths.

I see no difficulty in accommodating the first raft of three or four ex-EFTA members in something like the present structure. NATO after all has managed to cope with sixteen members. But the need for institutional change becomes overwhelming as the list extends to include most, if not all, of the former COMECON members.

It is in response to these prospective changes that we need to be thinking about new, closer forms of association, for the East European countries in particular, which fall short of full membership. We should be evolving some form of quasi-membership that

binds these countries closer to us politically, whilst recognising the long distance they are today from being able economically to cope with full membership. If I am right in arguing that the Eastern European countries would jump at the chance to be a part of any existing Western political institutions, they may find this less economically demanding half-way house very attractive. It would offer them the chance to assert their collective identity and independence from the former Soviet Union, and to benefit from our experience in evolving and conducting multilateral diplomacy in a free society. It would offer us the opportunity to tie them more closely into Western values and objectives, to help stabilise and regularise political developments in what Americans would call our "back-yard". Given the potential for mischief, and not only in the Balkans, that could in itself be a major prize.

By means of this new "outer-band" quasi-membership, these countries can be helped to develop the economic foundations of successful market liberalism which are an indispensable practical requirement for full membership. Part of that help will lie in the availability of financial help for infrastructure development, especially in the transport field. But just as important a part can and should lie in building the monetary underpinnings of viable economic policies. None of these countries have strong and stable currencies, and all of them will need

that if they are to secure non-inflationary growth. We can at least offer them a European framework of discipline to latch on to, as a talisman to guide them through and help them to justify to their electorates some of the painful adjustment decisions to come. Establishing parity rates with the existing ECU or the DM, and attempting to hold to them, might provide a surer, less volatile reference-point than the dollar. Using the ECU as the currency of international trade now that the rouble is no longer viable would give Eastern Europe a head start in preparing for the longer-term goal of EC membership.

As part of this new "outer-band" quasi-membership, we should therefore be ready to extend associate status within the existing EMS to these countries. That would help generalise good practice, and act as a school for learning the arts of sound economic management. When EMU comes on stream, the EMS itself could include those existing member-states who were not yet able to join Stage Three, and some of the Eastern European and Mediterranean currencies capable of making the more modest commitment to this new-style exchange-rate system. EMU could thus facilitate the widening of the Community, whilst being concrete proof of its determination to deepen at one and the same time.

Meantime, properly directed economic help for the countries of the former Warsaw Pact will remain vital to our security. Since the start of 1991, the international community has pledged the equivalent of over \$50 billion to help the states of Central and European Europe, and the former Soviet Union - about the same amount at 1992 prices as the Marshall Plan pumped into Europe over four years. The need now, and for the foreseeable future, will be to focus on establishing and implementing the plans that make full use of such resources.

Despite repeated efforts at international co-ordination, much of the aid is still being pledged on an ad hoc basis, often to recipients who do not yet have the skills or the structures to make the best use of the aid in ways acceptable to donors. My experience in Kiev has convinced me that this is a field in which the West needs to be much more pro-active than we can have been so far - and ready to second, finance and above all co-ordinate teams of experts, who can energise, instruct and enhance the administrative structure of recipient governments. In making such an effort, we need to recognise that we are laying the foundation for lasting stability in the whole of this Continent.

CONCLUSION: EMU AND BEYOND

And thus I come to my final proposition that Economic and Monetary union is certainly the most important project currently on the Community agenda, most important for the rest of the world as well as for the Community: an event that can be of genuinely historical significance. For the emergence of a much more stable European alternative to the volatile and over-borrowed dollar can be a real, and constructive, challenge to that dollar and in a different way a challenge to the yen as well.

We could indeed be at the beginning rather than the end of a wider journey. For a gradually widening ECU zone, extending perhaps to former Soviet Republics and maybe to ACP countries beyond, could lead us into a broader process of international currency management in the years ahead, upon the basis of the growing success of the European monetary system and the developing strength of the ECU. In this respect, our European partnership may be opening the gateway to at least one corner of Utopia.

It is almost half a century since post-war Statesmen were ready to think in such ambitious terms. The Bretton Woods system, of quite firmly regulated currencies which retained a relationship with each other, enabled the United States dollar to play the world's anchor role for

a quarter of a century, until that was destroyed by the collapse of the dollar itself. Yet less than ten years after Bretton Woods had collapsed we heard the call again, in a lecture at Columbia University in June 1977, for "the re-establishment of a rule of law" for the governance of international financial policy. That call came from the former Governor of the U.S. Federal Reserve, Arthur Burns. And he was right.

This may seem an over-ambitious agenda. Yet as long ago as 1984 the European Parliament's Committee on Economic and Monetary Affairs was expressing the hope that "unification of the ... Community in monetary and financial terms ... will have a stabilising and beneficial effect on the world economy". So the objective of extending currency stability in our own Continent on to a wider world stage, is a challenge that they would have welcomed. In Europe today we do indeed face an agenda of opportunities. Let us be sure to rise to the challenge of those opportunities.