Keynote Address to Riga Conference

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Beyond EU Enlargement: Responding to Challenges

The theme of this conference is 'Beyond EU Enlargement: Responding to Challenges'. I have taken this to mean the challenges to and response by the European Union, though I am aware that I am speaking in a new, relatively small member state and I will adjust my remarks to address some of the problems that states such as Latvia may face.

I want to divide the Challenges into three groups: the global, the European and the intra-European Union.

Global Challenges

There are three major headings under global challenges: environment; the market and security. What do each of these hold for a small state such as Latvia after EU enlargement?

First, and perhaps most important, is the *environment*. All the signs are that we are undergoing an unprecedented (at least for thousands of years) climate change and the best scientific evidence seems to be that an important part of that change has been induced by human activity, especially by emissions from our modern and modernising economies. It is the result of externalities from the growth economies. On the whole the consequences of climate change are going to be adverse. We can respond to this in a number of ways. The first is denial, and that is what many in the US administration

have resorted to until now. The second is to change our personal way of living and many people are doing that: it is also noticeable that in the US many towns and cities are adopting the Kyoto Protocol, which at least has aims for control of emission of greenhouse gases. This option is surely open to individuals and towns within a small state such as Latvia. As a state, what Latvia does on climate change will count for little. However, it has a voice within the European Union and it is perhaps there that it could support policies least likely to leave a scarred earth to our children. In particular, the EU, as a trading and producing giant, can perhaps have some influence on the key states of the US, India and China. But first, it must try to fulfil its own targets under Kyoto, which it is not doing.

Related to the issue of the environment is that of *world trade*. The nature of trade has changed over the last decade and has brought closer a global market. The use by the EU of China as a major producer and India as a provider of services has helped to peg price inflation, but it has also seen the export of jobs and capital to these and other Asian states. This means that states such as Latvia no longer have to think about the European market but of the wider world market. It is no longer the question of where is your niche in the EU but in the world market. The conditions of world trade have changed and are changing and the Doha Round of WTO negotiations may bring a further shift in the conditions of trade. If these agree new rules for agriculture, we could see the eventual ending of the CAP and the advantages to consumers of a world market in agriculture. Whether that helps European farmers, Third World farmers or the environment will depend on the nature of the deal, and the EU has been trying to juggle between these competing interests in its input to the talks. On manufactured goods, whatever the results of Dohar, we are going to see the rapid growth of the two giants of India and China. Again good news for the European consumer – provided they have some money to spend.

A third global challenge is that of *security*. The nature of security has changed over the past two decades: we no longer have the fear of two vast military blocs clashing in a nuclear Armageddon. Instead we have a series of challenges and insecurities. Security has been to some extent privatised – it is no longer the concern primarily of states but also of groups and individuals. On the world scene, we still have major

military conflicts, that in Iraq being the most prominent. However, this is an internal struggle, involving outside as well as domestic insurgents and forces from a number of states, now working with, rather than in the absence of, a UN Resolution. Latvia contributes to those forces – 120 personnel to the Peace Support operation according to the 2005/6 Military Balance. Soon that conflict may be over as far as international involvement is concerned, but there are others on the horizon – North Korea and Iran being the most obvious candidates. Whilst I hope that it is unlikely that either of these will be subject to the same treatment as Iraq, they will remain general threats to world peace, not least because of their nuclear weapon developments. Added to this is the continual running conflict between Israel and the Palestinians, which could in itself could be the trigger to a more general conflict in the Middle East.

More typical of modern conflict is the low-level fighting, often between ethnic and religious groups, but which also involves outside forces. Afghanistan is the clearest example and there is every sign that the level of conflict there will continue to grow – Latvia's contribution may be a modest one with ten people as part of ISAF but it is nevertheless symbolic of the widespread concern about the future of that country. It may well be Latvia will find an equivalent number of troops going to Afghanistan after any withdrawal from Iraq. Other areas of unrest demanding international involvement are Darfur in Sudan, parts of Indonesia, the Great Lakes region in Africa.

One aspect of contemporary conflict is its asymmetric nature. Not only is this reflected in the way that insurgencies have held up post-conflict reconstruction in Iraq and Afghanistan, it can also be seen in international terrorism, where a cell of a few determined people can get round the armed and police forces of advanced states. Nevertheless, large-scale armed forces can be useful, as the Military Balance points out, in crisis such as the Asian tsunami of December 2004, in Africa and the Balkans. A further consideration is the rise of China as a military power and its close cooperation with Russia in the Shanghai Cooperation Organization. This means that any conflict in East Asia, whether international or originally internal, could spiral into a wider conflict. We should not rule out old-fashioned military warfare. For the time-being India and Pakistan have held back from having yet another war, but a more militant government in Pakistan and /or a more nationalist one in New Delhi could fan

the flames of war. In any of these cases, the hopes of small states must be that the conflict does not widen; states such as the US and Russia have a common interest in peace and that the UN provides a basis for negotiations.

European Challenges

If the global outlook is fairly bleak, then maybe that in Europe is somewhat brighter. Nevertheless, Europe faces serious challenges over and above the global ones already mentioned. I have tried to identify under this heading, the extra challenges that face Europe from outside, dealing with the internal ones in the next section, but it is difficult to divide the two – they are closely related.

The outlook for Europe is better than much of the rest of the world and than perhaps ever before, not least thanks to the works of the European Union and of NATO, both underpinned by a number of regional organizations. As a result, relations between states in Western Europe have developed quite differently than in the rest of the world, and over the past 15 years this form of relationship has been expanded to most of East and Central Europe, leading to the dual expansion of NATO and the EU in 2004. Latvia, together with Poland and Estonia and Lithuania, are now settled into both these organizations and have been receiving many of the advantages – as well as realising some of the costs – of membership. But within Europe and even within these organizations, there are challenges.

First, *NATO*: it is a collective defence organization that no longer has a declared foe against which to defend its members. However, it performs useful tasks both in Europe – as Latvia knows with air cover provided from NATO states after it joined the organization – and further afield, such as leading IFOR in Afghanistan and supporting the Africa Union forces in Darfur. It has built up the NATO Response Force which was used in the earthquake emergency in Pakistan, but we do not yet have an example of the force being used in a hostile environment. In Operation Active Endeavour, NATO ships patrol the Mediterranean to protect against and deter terrorism.

However worthy these tasks, they do not currently amount to a full day's work, and it is perhaps not surprising that, increasingly, European countries are looking to the European Security and Defence policy (ESDP) in security matters.

Perhaps one of the most positive developments within the European Union over the past five years has been the growth of the ESDP within the Common Foreign and Security Policy (CFSP). We have seen the development of the institutions of the ESDP, but also an expansion in its planning and its move into action. ESDP now has a number of activities to its name, though all of these have been in comparatively benign environments exercising the Petersberg tasks rather than any war-fighting capability. Nevertheless, this side of the EU has expanded and has been nurtured by the United Kingdom and France, even during the time when they had difference over Iraq. This suggests that the ESDP has the necessary political support to continue to grow, and may take on the capability to deal with difficult political situations in the Balkans and the Caucasus, and military situations at a distance, especially in Africa.

Nevertheless, the EU faces a number of challenges from outside, over and above those that I have mentioned under the global heading. Those particular problems have a regional dimension for Europe, not least in the Mediterranean region, and to some extent in the Balkans. The disparity of wealth and resources sucks in immigrants, criminals, weapons and social problems. EU and national programmes attempt to deal with some of the basic causes and also try to ameliorate the symptoms.

There is, however, another challenge that impinges more generally on the Europe of the EU, that of Russia. On the one hand, Russia has become more relevant to the EU because of its resources, not least in energy resources. This is typified in the Russo-German agreement about a Baltic pipeline between the two states. On the other hand, there are the problems coming out of Russia. These involve the nature of the Russian polity, the policies of the Putin government and the economic and social developments within Russia. Basically, the big issue for the EU is whether to treat Russia as a partner with problems (and potential) or just as a problem. So far, the EU has opted for the former, but with the renewal of the Partnership and Cooperation Agreement, we may see this view challenged both from within the EU, but also by a

more proactive Moscow. It is in this area that Latvia, together with Estonia, Lithuania and perhaps Poland, can make an important contribution to the EU's policies towards Russia and the Eastern Neighbourhood. Their task is two-fold: one is to help the EU and its other members understand what is going on in Russia, but the other is to try to help Russia, especially its civil society, understand the EU.

A third source of external challenges to the EU may come from the United States. So far, the US and the EU, despite their differences, have had enough in common for their relationship to survive rifts and basically to work together on the major issues in world politics – trade, terrorism, Weapons of Mass Destruction. However, this coalition of necessity has been tested during the Bush years and not only by the Iraq War. A string of differences – the Kyoto protocol, the WTO negotiations, the International Criminal Court are among them – have mounted up and have reflected some of the basic differences between Bush's America and the EU. The US of President Bush has started from unilateralism, has moved cautiously into a selective multilateralism – the coalition of the willing – and has been particularly allergic to international institutions. Yet the EU is based on the very notion of the efficacy of international institutions. Furthermore, the external policies of the US reflect a wider section of the political culture and of society within the US that could well dominate Congress whatever the result of the next presidential election. It should also be remembered that the coming societal-political change in the US is not one going back to the Atlanticist consensus but will be based on the rising Spanish-speaking and Asian-American population. Furthermore as China rises as a market and a source of finance for the US, American interests will be seen in terms of facing the Pacific. I am not saying that the EU will find itself in conflict with the US, but it may increasingly have to struggle for US attention, let alone support. In terms of both military and economic power, the US will want to keep both 'Europe' and Japan on its side against a rising China, especially one that may have a close relationship with Russia. It will be in the EU's interest that world politics and economics are not seen in such conflictual bloc terms. For a small member country such as Latvia, especially with its Atlanticist outlook, the tectonic shift of the US from facing East to facing West will have serious consequences, but should point to the eventual closer integration within the EU.

Intra-Europe

Some of the problems within Europe, specifically the EU, mirror those that I have mentioned as external ones: large-scale movements of persons, money and illegal goods from outside, the dangers from non-European terrorist organizations, especially those that recruit within Europe; and the change in the terms of trade, leaving Europe less able to compete in the world market.

I would divide the other "domestic" challenges into the familiar three-fold headings of polities, policies and politics.

Looking at the *polity* of the EU, there is still no full agreement on the very nature of what sort of political entity it is. The debacle over the Treaty on the Constitution – and I do not see it returning in anything like its present form -- has helped to clear the ground. The EU is certainly not a federation or anything close to it, if we take the US or Germany as the federal model. But neither is it just an international organization such as the OECD or ASEAN. It does seem to be a *polis* (a political entity, though not a city-state!) without a *demos* (peoples of a political unit), let alone an *ethnos* (those belonging to a racial or cultural unit) – we do not yet have a widespread feeling of being European in political and perceptual terms. It is this very uncertainty that proffers a challenge for the EU and the debate continues. Furthermore it is one to which Latvia and its citizens can contribute just as much as those of us from the UK or Germany. It is a debate that has moved away from the traditional divide between Community Europe and *Europe des patries*. Perhaps we are moving more to a confederal Europe, but this means that the question of what should be done at which level is still open, as seen in the rejection of the Treaty on the Constitution, especially by the French.

In the *policy* area, we see major differences in six key areas. The first is not really a policy area but more a consequence of other policy areas, and it is the field of the budget. The recent agreement by the European Parliament on the next budgetary period is a good sign. The second, related, issue is that of the CAP, and I have said

something of this already. The third is the Economic and Monetary Union: will it survive until 2015? There is the possibility that it might gain one or two more members, but it could also lose Italy and/or Greece. The fourth is the development of Lisbon Agenda policies. The Lisbon Agenda aimed at making Europe more competitive, but at the same time not sacrificing the social gains made by the EU. The question is now whether this is possible, especially as some states want to protect national industries, and with the accession states being seen as challenging the "Rhineland Model" of social welfare espoused by France and Germany. What we may see coming out of this debate is the battle of the models: Rhineland versus Anglo-Saxon (more free market), but with the Nordic model coming into the fray with its emphasis on heavy investment into research and social welfare. The new member states may wish to choose between the models but they may also have their own contributions to make. An important element to consider in all this is the ageing nature of the EU population and the burden that this will place on the coming generation: for the larger countries (but I suspect also for Latvia) this resonates with the issue of immigration – the use of migrant labour to do those jobs that there a no native workers or which the locals just do not want to do. The fifth policy area is that of a European Energy Policy. This has typically been an area where member states tended to act in their own interest in the past. However, as the European energy market starts to develop and its infrastructure matures it will become more difficult to have purely national policies. The dependence of the EU on the outside world for its energy is clear and this is a stimulus for developing more efficient uses of energy and alternative sources both within the EU and outside. The final policy area is that of relations with other European states – candidates and neighbours. The Northern Dimension is of particular interest to the Baltic region. This is a unique policy as it brings together a number of national and EU policies and EU member states, EEA countries and Russia; and it also works at the transnational level as well as the international, national and EU levels. It received a new impetus last year with the move towards a new programme, and its future will become clearer in the Finnish presidency.

Finally, let me turn to the *politics* of the European Union. This is last but most important. It involves those who engage in the political process at the national and EU

level and in the institutions of the EU, whether the Council, Commission or Parliament. There has been something of a turning away from politics and politicians over the last decade, if not longer – perhaps part of the rejection of the collective and the move to the individual. More consumer choice, less political involvement seems to have been the formula. We will see whether during the coming decade there can be an increased engagement in politics, including the politics of the EU. I suspect that any higher level of political engagement will not come in the traditional forms of political parties, standing for parliament and councils but more in single issue action, pressure groups and demonstrations.

All this means that the current problems facing the EU – in the world, in Europe and within the EU – will probably be more intractable than before, but that we will also have a longer list of choices before us – of institutions and of policies and means of dealing with issues. The challenge will be to reach consensus on a range of issues so that the existing institutions, EU ones as well as the national, can be effective in meeting the expectations of voters and consumers. This is a challenge not just for politicians and administrators but also for academics in outlining the options for decision-makers. Those participating in this conference responded to this challenge.