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Transcript

Europe between America and China

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David Miliband:

It is an honour to be in the great European city of Krakow today, at the ancient Jagiellonian University. If Europe stands for one thing it is the Enlightenment virtues of free speech, free thought and a free life – and this City and its University speak to that heritage. As the Royal Capital of the Jagiellonian Commonwealth, remarkable for its multi-national, multi-ethnic and multi-cultural character, Krakow showed the world the face of progress. And even in the darkest days of the last century, the citizens of Krakow, and the Professors of this University, showed the spirit and valour that later helped Poland to find its freedom again.

All four of my grandparents were born in Poland. But the tragedies of the 20th century made my Polish heritage distant and foreign. For my father, Poland was not even a memory. For my mother, the history was brutal and traumatic. So to see Poland as an established, respected and stable European country is heartwarming in a very personal way.

My topic today in a way reflects the history of this country. Poland has for centuries been squeezed between Germany and Russia. Today, it has found a more respectful equilibrium with each. The title 'Europe between America and China' is intended to turn attention to the strategic position of the EU in what is already a tumultuous decade. My argument is that it is necessary for the EU to address the crisis of economic confidence that is such a big part of the European debate today. But the short to medium term danger for Europe is a vacuum in international governance. As the one part of the world that has embraced the idea of shared sovereignty, it is massively in our interests that we help fill that vacuum in a serious and enlightened way.

In that project, Britain has the challenge to embrace Europe, and Poland has the challenge to embrace a global vision. We have shown throughout history that we can be good partners; that partnership is needed again. In Britain, the Prime Minister is probably relieved that he has not had to make a speech about Europe in his first year in office. But the need and challenge for Britain to embrace a positive vision of its future in Europe, helping to lead Europe, has not gone away. Poland has the challenge to embrace a global vision.

G-Zero?

When I first came to Poland as Foreign Secretary in 2009, I argued that if we wanted to avoid the downsides of a 'G2 world' – the US and China running

things according to their own interests – then we had a responsibility to make EU foreign policy the third pillar of a G3 world. I said our goals should be clear: to use the new institutions created by the Lisbon Treaty to rev up the twin engines that had driven the European project for four decades, namely commitments to a social market economy and liberal politics, but to do so on a global scale.

The economic symbols of western Europe were not just welfare states that helped those who suffered in market economies; they were market economies that operated in a distinctive way, delivering a blend of economic efficiency and social justice through institutions and rules across public and private sector that treated people as citizens of a country not objects of the market. The great emblem of our commitment to liberal politics was of course the rebirth of liberal democracy in central and eastern Europe after the end of the Cold War. Poland is the heart of that rebirth, now taking its place again as a leading European country, and looking forward to its Presidency of the EU. (Let's agree for the moment to draw a veil over the fact that the Lisbon Treaty, with a new President of the Council and Foreign Policy Chief, was intended to ensure continuity across Presidencies rather than promote distinctive six month strategies).

Nearly two years on from that speech in June 2009, however, there is a different challenge facing Europe. The thesis two years ago was that America and China were shaping global strategies that would squeeze us out. A newly elected President Obama was setting out an agenda for a transformative, globally oriented Presidency. In China the philosophy of 'peaceful rise' was leading to a serious debate about the priorities of the world's coming superpower.

A global carve up between the US and China may come to pass. But today the danger is less a G2 world than a G Zero world. The Chinese-American relationship is not on the rocks; but they are wary partners. Both have turned to focus on domestic concerns over the last two years. Both face issues of political uncertainty in 2012; the US through an election, China through a leadership transition.

One of the results is that the multilateral system is burdened with policy issues that seem stuck not just in the slow lane but sometimes in limbo – from institutional questions like UN Security Council reform to climate and trade talks to the G20's economic agenda.

I was in Washington the week before the killing of bin Laden. America felt to me like a country burdened by global leadership rather than revelling in it. 47

per cent of the American people believe that the Chinese economy is already larger than theirs. The legacy conflicts in Iraq and Afghanistan are draining of idealism and energy as well as people and resources. The fiscal crisis is putting a squeeze on diplomacy – the State Department budget for example has just been cut by \$8 billion for this year. And the political system, designed by the Founders to check executive power, is doing just that. The checks and balances in the system have turned into something resembling check mate on the big issues – symbolised by the downgrade on the rating outlook for American debt by Standard and Poor's.

I always say to people that they should not underestimate America. Its resourcefulness as well as its resources are immense. Both were on show in the symbolically highly significant killing of bin Laden. It is not that the events in Abbotabad close a chapter; they make possible the closing of a chapter. Only America could have put together such an operation. But I don't think that means that the American focus on the home front will be diminished; if anything it will be increased. I would like to see bold moves for a political settlement in Afghanistan, for a new international effort in the Middle East, for American leadership on climate change.

But that is a big ask for a country focussed on domestic economic and social needs. And America's attention today is on the home front.

As for China, it approaches its leadership transition armed with a hugely ambitious Five Year Plan focussed on restructuring its development model. The emphasis is on the quality of growth, tackling internal inequalities, turning on the low carbon tap, as the country tries to engineer urban growth of 10 million people a year.

The foreign policy rhetoric is determinedly cautious. China denies that it is a superpower. After all its GDP per head is one tenth the US level. In 2009/10 many observers felt it seemed to be flexing its muscles in its own region...but in December last year set about reassuring all and sundry that the philosophy of peaceful rise had not changed. I got the impression on my visit in March that China had made a decision to engage more pro actively in the G20, promoting more coordinated global economic governance. But on the foreign policy questions that dominate the multilateral system, caution would be the order of the day.

So Europe faces a choice. Breathe a sigh of relief that the world is not being carved up by others, and become what Richard Gowan has called a 'strategic suburbia: a collection of small, quiet and obsessively inward-looking

communities suspicious of the outside world' ; or recognise that nature abhors a vacuum, and move forward into it?

Economic Crisis is Acute

That choice is challenging enough in and of itself for the UK and Poland, both strong allies of the US, both late comers to the EU, both jealous of threats to national identity, both outside the Euro. But the truth is that Europe faces the strategic question of its role in the world in the context of an acute and intertwined economic and political crisis that has major consequences for living standards, but also for the perception and potential of Europe's role in the world. Although this speech is primarily about our foreign policy stance, it is impossible to address that without considering its economic context.

Europe as a 27 nation bloc has significant economic weight and advantages. It is the world's largest single market. Average income at \$30 000 is 4 times that of China and almost three times that of Brazil. Europe's overall balance of payments is more or less in balance. The debt to GDP ratio of the Eurozone as a whole is less than that of the UK, Japan or the US. Inflation is under control. The central bank is respected. And there is real dynamism in parts of European industry that are vital cogs in global chains of entrepreneurship. We are China's largest trading partner for good reason.

But the internal economic disequilibrium is striking. It mirrors the global disequilibrium symbolised by Chinese surpluses and American deficits.

The IMF says that 'the most tangible downside risk (to growth) still arises from the European periphery, which may spread to core European economies'. While German unemployment is at a 20 year low, Spanish unemployment is over 20 per cent, and over forty per cent among young people. The yield on Greek bonds is now 7 per cent higher than when it agreed a rescue package a year ago. And the intertwined risks of the financial sector and the public sector now define Europe's political and economic challenge.

Economic integration, that was such a strength of 1990s Europe, is now also a danger, as banks in the core of Europe are exposed to financing problems in the periphery. And the politics of European integration has become more difficult not less, itself raising the risk to the European economy, as international fund managers ask whether German provincial politics will allow strategic decision making about the future of the Euro, or whether Finnish coalition building will prevent essential short term measures to hold Portugal's bailout together.

Chancellor Merkel and President Sarkozy took and announced a strategic intent last year when they proclaimed that they would never allow the Euro to break up. It had an effect. I think it was a real commitment. But the IMF are still calling for a 'comprehensive European approach to crisis management' because the tactics of surviving the next debt issue or the next summit are obscuring the strategic question of how Europe is to share the burden of economic adjustment.

It is almost like there is a European economic E-Zero to match the global political G-Zero.

Bailouts are themselves a step on the road to closer fiscal integration; so are Euro bonds or other measures; and they are all politically unpalatable; but so are the consequences of defaults economically and politically difficult; and an unbalanced sharing of the burden makes these defaults more likely.

Hence the attraction of a reprofiling of debt. But if solvency and growth are not addressed then the problem won't actually be resolved. That's the why issue of default won't go away. Too often the medicine being prescribed looks like it will actually make the patient worse.

This is not only about German policy and its outlook, but there is no answer without Germany.

Germany has shown herself to be strategic and straightforward in welcoming Poland as a leading partner in the EU. It was striking how Mrs Merkel amended the 'Euro Plus' pact to validate Prime Minister Tusk's insistence that Poland be allowed to participate. Britain's self exclusion stands by striking contrast.

Germany doesn't want to be Europe's paymaster, which is understandable, but it is a massive beneficiary of what for Germany is a highly competitive exchange rate. The 1.9 million Volkswagen cars exported to China last year are a tribute to German ingenuity, but also to an exchange rate that helps them along.

The truth is that the European construction has always been a compromise between economic efficiency and political legitimacy. The former points to federalism; the latter to intergovernmentalism; the reality over fifty years has been a hybrid, part supranational, on issues like trade and now on interest rates within the Eurozone, part intergovernmental, on issues like tax and foreign policy.

The circle has been squared in the past through bold leadership – by the Commission in creating the single market, by Kohl and Mitterrand in

designing the Euro. As Ulrike Guerot and Mark Leonard have pointed out, successive German leaders - from Konrad Adenauer in his approach to remaking Germany as a European country, Willy Brandt in respect of Ostpolitik, and Helmut Kohl on US missiles in the 1980s – have made European integration and transatlanticism non negotiable articles of faith, beyond the reach or pressure of voters. The contrast with the current German government's approach to the Euro and Libya is striking.

The consequences are significant. We should urge the leaders of the Eurozone not to wait for even more of an emergency to address the precarious structural nature of the current position.

But Britain and Poland cannot control that. We are agenda takers on the major economic questions facing Europe. But we must seek to be agenda setters when it comes to foreign policy questions.

The Global Agenda

For Britain the choice is an old one: whether to take Europe seriously as a global player. I believe we have no choice. This is not just a networked world. It is a multilateral world. And in that world good bilateral relations are not enough. Strong European foreign policy is an opportunity for Britain not a threat. And European foreign policy does not just mean Anglo French defence cooperation. It means the sustained engagement with all of the EU's members to shape a global strategy that has meaning.

For Poland the choice is different. Not whether to embrace Europe; rather whether to embrace a global not a sub-regional vision of foreign policy. I think this is what Minister Sikorski was saying in his annual address to the Lower House of the Polish Parliament this year.

In the EU, Poland has played a significant role in rebalancing the Union, so that, for example, it has a more realistic view of Russia and her intentions. It has pioneered the Eastern Partnership. In Nato Poland has shown herself to be willing to support Alliance priorities in Afghanistan. But the European Presidency means that global issues will be thrown onto your plate. There will be no escaping Libya, Somalia or Zimbabwe.

So while Britain has to come to terms with a multilateral Europe, Poland has to recognise an interdependent globe. And for Europe, the tests are stark.

Do we have a philosophy relevant to the modern world? Do we have the resources deployable in the right place at the right time in the right

partnerships to be serious players? And are we clear on priorities? I want to say a word about all three.

The EU represents the only part of the world where shared sovereignty – alongside intergovernmental cooperation - is a reality. The EU represents a distinctive response to the realities of interdependence and the importance of cooperation. But it is far from the norm. As Robert Cooper points out, most of the world is either rigidly stuck in a traditional international relations paradigm of sovereign nation states unfettered in their actions by international obligations – what he calls the modernist view; or condemned to ‘pre modern’ conditions of ungoverned space where the state is too weak to keep order, as in places like Somalia or parts of Afghanistan and Pakistan.

We need to develop the case that a world of interdependence cannot rely on the old rules to provide effective governance. I call this alternative ‘responsible sovereignty’ - recognising that the nation state is the building block of political identity and therefore legitimacy, but also that an interdependent world needs to qualify the right of states either to violate the rights of their own citizens or of others.

This is a hard argument to make. Most countries of the world still revel in their escape from domination by others. But the result is that we all lose when our common interests are neglected – whether on the economy, crime, migration or climate.

Strikingly, this is also the conclusion of recent intervention by ‘Mr Y’, in fact two US military officers seeking to redefine the national narrative of American security in the way Mr X (George Kennan) did with his vision of containment in the 1940s. Captain Porter and Colonel Mykleby in their new Princeton University paper call their strategy ‘sustainment’, and base it on domestic action to strengthen US self-reliance, but also a foreign policy based on seeking influence in an open system not control in a closed one. It seems to me they are on the right track.

We need to argue for stronger regional organisations between nation state and the UN; clearer rules to protect global public goods, from nuclear security to food safety and climate change; a filling out of the 2005 UN commitment to ‘Responsibility to Protect’.

However, the EU is not an academic institution. The EU needs to practice and not just argue. We do not occupy an ivory tower. We face practical challenges. So we need the resources to attack them. And these resources are financial, military, cultural and economic.

The scale of EU action abroad is under-recognised. A glance at Catherine Ashton's reports to the European parliament show the sheer scale, ambition and complexity of Europe's operations abroad. From terrorism and nuclear non proliferation to media freedoms in Russia and crisis management in Kyrgyzstan Europe is expected to be a player. We are the world's largest development funders. We are supporting 13 Common Security and Defence Policy missions around the world.

But it is striking that the ECFR Foreign Policy Scorecard should conclude that '2010...ended up being the year in which foreign policy was marginalised'. This is partly about the attention span and focus of leaders and the media. But it is also about the deployability of resources, and the identification of priorities.

Our claim is that we have a unique blend of resources, soft and hard power, at our disposal.

- But while we spend E200 billion a year on defence, more than any country except the US, and have two million European troops in uniform, only 5% deployable at any one time.
- We have a development budget of about 12 billion Euros a year, but it is committed seven years in advance, and continues to privilege historic linkages rather than modern needs.
- The EIB has a lending facility of 650 billion Euros, but lending outside the EU for example to North Africa is highly limited in scope.
- Our single market is our greatest attraction, but it takes on average at least four years to negotiate a trade agreement with a third country
- The idea of a European Civil Peace Corps of judges and police was first proposed 16 years ago, and has been put into effect on an ad hoc basis in Kosovo, Bosnia and Georgia, but still stands far short of a standing capacity.

In other words the historic spend and actions of the EU have created a great inertia. And I dread the next debate about the financial perspective only being about the size of the spending cake. Fundamental to Europe's role in the world is freeing up money, time, people to focus on the things that matter today and tomorrow. So alongside the seven year funding plan that will emerge for 2014-20 we need a clear statement of Europe's priorities for spending and action across the external sphere; and much greater fungibility of spending between departments.

Our priorities should first come from geography. America is rebalancing its foreign policy towards the Pacific. China is not really engaged to our South in the Middle East and North Africa or to our East in the Balkans or Ukraine. If we cannot make a difference in these places, then we will not be taken seriously elsewhere.

There is much that can and should be said about these regions. The need for a 'Marshall Plan' for Tunisia and Egypt; the dangers in Libya; the often tragic and enigmatic neighbour that is Russia; and a series of simmering problems from Belarus to Nagorno Karabach.

I just want to make one strategic point: the longer there is limbo, uncertainty, confusion and even double dealing in our relationship with Turkey, the more difficult it will be to play a serious role around our borders.

Just look at the map. Turkey is not just strategically placed; not just a bridge to the Muslim world; it is activist in word and deed, determined to be part of solutions to problems all around it. At the moment, our relationship is at best on hold and at worst on the road to breakdown.

I know all the difficulties. The crackdown on Turkish journalists rightly worries a lot of people; the immigration debate underway in Europe right now shows all the difficulties ahead in bringing Turkey wholly into the European family. But these are the kind of tests that the EU was set up to address. If we funk them, and focus on the less important issues, we will miss a massive opportunity.

Turkey is a long way from being ready to join the EU, and the EU is a long way from being ready to welcome Turkey. But at the moment the standoff in the accession process is blighting cooperation with Turkey across a wider range of policy. And it is Europe that suffers the strategic loss, not Turkey.

Our second set of priorities must come from our security needs. Again, there is a lot to be said. Let me address one thing: Pakistan.

There are dramatically high stakes in this country for all of us, but a real debate in the US about whether it should cut off links to Pakistan. This was the talk of Washington before bin Laden's killing; now it is common currency.

Europe has increased its development aid to Pakistan. It is holding a strategic dialogue with the country. But this is a long way from the kind of partnership that impacts on everyday lives in a country where chronic problems of weak institutions (outside the army) and widespread poverty are combined with acute stress from the rise in commodity prices and deepseated insecurity.

I am not suggesting that we should always play tag team with the US. I am saying that from economic development and trade to agriculture to institution building the EU should become a primary and demanding friend of Pakistan, in their interests and ours.

Finally, there are our relationships with the great national powers. I am concerned on this front. The US President has cancelled EU-US Summits (though I know he is coming to Poland later this month). Russia sees us as divided (which we are). China is concerned that we are unfocussed. Brazil and South Africa don't quite know what we won't. India sees the EU as a trade block and little else.

My feeling is that rather than the comprehensive dialogues that currently dominate debate, we should for each country identify one or two issues on which we are going to become a major strategic partner. With the US it could be the future of Pakistan. With Russia it must be energy. With China it can be climate change.

In the G20 we need a common European agenda based on the highest common factor of our policies not the lowest common denominator.

And then we must set out to become the most expert, most imaginative and most effective partner imaginable. Including getting our own institutions working in harness, because policies without implementation are just dreams.

This Lisbon Treaty makes it possible. But Catherine Ashton's efforts must not be frustrated by bureaucratic vested interests.

For example, I am concerned about the way the Commission see themselves locked in zero sum conflict with other institutions, including the EAS. I would like to see far more integration of Commission and Council effort in the external field. This is not an institutional dogfight. It is our future ability to achieve our goals.

Conclusion

The last four months have clarified for me the great forces reshaping the world. It is at least five factors:

- The civilian surge that has raised the bar of legitimate government in undemocratic countries across the Middle east, and is watched so carefully in China.

- The resource squeeze that is driving up food and commodity prices around the world, and that threatens to be such a destabilising factor in international relations.
- The shift in economic power from West to East, and the backlash against globalisation in the west, notably in Europe but also in the US.
- The dramatic debates within Islam about how it should engage in politics in the Islamic world, and with countries beyond.
- And the fundamental rift that continues to exist between those who see the governance of our global village in the old ways, with different nations going their own way, and those who believe that we need rules and institutions to hold the ring against the abuse of power.

This is a world that needs a strong Europe more than ever. That is only possibly if we are economically strong, not as individual nations but as a collection of states. But it also requires a vision of Europe in the world based on clear ideals, hard heads, and real delivery. That is a project in which Britain and Poland should be proud to be partners. If we do so, we will honour the centuries long heritage of this great university and this remarkable city.