

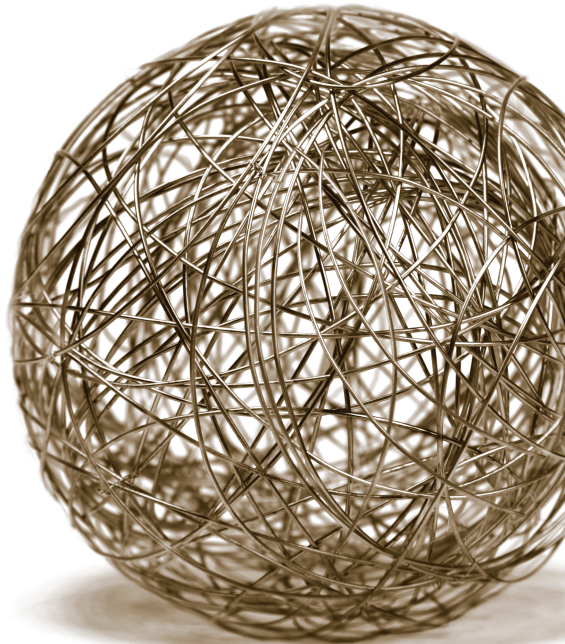


E3G

Europe in the World

Political choices for security
and prosperity

Tom Burke and Nick Mabey



Europe in the World

Political choices for security
and prosperity

Tom Burke and Nick Mabey



E3G

© December 2006
Third Generation Environmentalism Ltd (E3G)

www.europeintheworld.eu

Published by
Third Generation Environmentalism Ltd (E3G)
The Science Museum
Exhibition Road
South Kensington
London SW7 2DD
Tel: +44 (0)20 7942 4060
Fax: +44 (0)20 7942 4062
www.e3g.org



This work is licenced under the Creative Commons Attribution-NonCommercial-ShareAlike 2.0 License. To view a copy of this licence, visit <http://creativecommons.org/licenses/by-nc-sa/2.0/uk/>

You are free to:

- Copy, distribute, display, and perform the work.
- Make derivative works.

under the following conditions:

- You must attribute the work in the manner specified by the author or licensor.
- You may not use this work for commercial purposes.
- If you alter, transform, or build upon this work, you may distribute the resulting work only under a license identical to this one.
- For any reuse or distribution, you must make clear to others the license terms of this work.
- Any of these conditions can be waived if you get permission from the copyright holder.

Your fair use and other rights are in no way affected by the above.

Designed by www.thedesignpod.net

Printed by Crown Litho using vegetable based inks and advanced environmental technology that requires no processing chemicals.

Printed on Revive Uncoated, a recycled paper made from 80% de-inked post-consumer waste and 20% mill broke.

Contents

Preface	iv
About the authors	vii
Acknowledgements	x
1 A new vision for Europe in the World	1
2 The challenge of interdependence	6
Globalisation and power	8
Values	10
The dark side	12
The challenge	13
3 Europe's lesson from history	17
4 Towards a common global policy	23
China, energy security and climate security	27
A sustainable neighbourhood	31
A new Atlanticism	34
5 Building confidence	36
6 Europe's choices	40
Redefining success	41
Building intergenerational cooperation	42
Achieving energy security and climate security	44
Investing in a successful China	45
A European budget for the future	46
7 Making those choices	48
Investing in democratic innovation	50
A democratic European budget	52
8 Conclusion	54

Preface

The strategic analysis provided by the 'Europe in the World' pamphlet is extremely timely. As Europe struggles within the new context of an interdependent world, the pamphlet opens up a much-needed debate. We are truly faced with decisions over our strategic choices. We must urgently define the role of the European Union in response to new global challenges. The pamphlet's message forces us to consider more deeply the concrete actions that could be put into motion straight away.

The 'Europe in the World' pamphlet clearly outlines the new world in which we live today. It emphasises that there are both new challenges and new opportunities to be faced. In this new and continually transforming context, the European Union has to play a proactive role in designing and implementing the political choices needed to ensure the prosperity and security of European citizens.

The twin challenges of energy security and climate security are bringing this message to the attention of an increasing range of policy makers across Europe. The EU and the world need reliable, affordable and sustainable flows of energy. This is a key element for economic development and the achievement of the Lisbon goals. There is an obvious link between security of energy supply, environmental sustainability and competitiveness.

The ability of Europe to manage the potential contradictions between climate and energy security will be crucially important not only for Europe, but also for other countries. Europe will set the framework in which producer countries and consumer countries alike can plan for the future.

If we look at energy use and greenhouse gas emissions scenarios, as performed by the International Energy Agency in the World Economic Outlook 2006, world energy consumption will increase about 55% in the next 25 years, mostly dominated by fossil fuels, while global energy-related CO₂ emissions will increase, by 2030, by about 50%-60%.

Developing countries account for over three-quarters of the increase in global CO₂ emissions between 2004 and 2030 in this scenario. China alone is responsible for about 39% of the rise in global emissions, and is predicted to overtake the USA as the world's biggest emitter before 2010.

As the 'Europe in the World' pamphlet rightly illuminates, Europe has led the world in developing a coherent response to these twin challenges, *but it has failed to match the scale and urgency of the problem.*

Europe's response

EU member states, individually, find themselves in a difficult situation. They are aware that they must take measures to combat the growing threats to energy and climate security, but in many cases this requires the investment of significant public financial resources. Not only does this come up against EU policy on deficit reduction; there are also widespread fears that it could damage the competitiveness of strategic sectors of national economies, most notably those associated with the production and large-scale consumption of energy.

Such measures at the level of individual member states, however, are not supported by a common energy policy, by common rules for energy taxation, or by EU-wide funding aimed at the development of low carbon emissions technologies. Member states are all too often caught between the desire to act and the inevitable restrictions which stem

from seeking to work within shared EU guidelines.

The 'Europe in the World' pamphlet is therefore right to propose a shift in the European budget away from the old challenge of food security and towards the development and dissemination of clean energy, resource efficiency and intelligent infrastructures. Win-win solutions must be explored and pushed forwards, for example by looking to the agriculture sector as a supplier of low carbon energy through the development of sustainable bioenergy. We must work together at the EU level to create enabling conditions which support member states in their pursuit of these solutions.

The European Union, as the de-facto leader of the Kyoto Protocol process, has the responsibility of starting a strategic initiative toward the decarbonisation of the global economy, moving the frame of reference beyond the Kyoto Protocol itself. Europe must develop and disseminate innovative low carbon technologies in concert with its partners in Japan, China, India and Brazil. Only by creating the political conditions across Europe for this effort will such leadership be possible.

The reality of global interdependence will be felt increasingly strongly over the coming years as the world experiences the impact of growing resource constraints. Europe is uniquely placed to be a pathfinder for the transition to sustainable development, taking on a role as leader and facilitator of a global response. As we approach the 50th Anniversary of the Treaty of Rome I commend the 'Europe in the World' pamphlet for placing this challenge at the heart of discussions about the future of Europe. The implementation of these ideas will be where Europe can show its true worth.

Corrado Clini, Director General, Ministry for Environment, Land and Sea, Italy; Chairman of the Regional Environmental Center. Rome, November 2006

About the authors

Tom Burke

Tom Burke is a founding director of E3G, an Environmental Policy Adviser to Rio Tinto plc and a Visiting Professor at Imperial and University Colleges, London.

Tom is Chair of the Review of Environmental Governance in Northern Ireland and is Chairman of the Editorial Board of ENDS magazine. He is the co-chairman of the British-German Environment Forum.

Tom was a member of the Council of English Nature, the statutory advisor to the British Government on biodiversity, from 1999 to 2005. He was Special Advisor to three Secretaries of State for the Environment from 1991 to 1997 after serving as Director of the Green Alliance from 1982 to 1991.

He has been a professional environmentalist for 33 years, and was formerly Executive Director of Friends of the Earth and a member of the Executive Committee of the European Environmental Bureau from 1988 to 1991. In 1993 he was appointed to the United Nations Environment Programme's 'Global 500' roll of honour. In 1997, he was appointed CBE for services to the environment.

Nick Mabey

Nick Mabey is a founding director and the Chief Executive of E3G. Until December 2005 he was a senior advisor in the UK Prime Minister's Strategy Unit leading work on a variety of policy areas including energy, fisheries, unstable states and organised crime.

Nick was previously Head of Sustainable Development in the Environment Policy department of the UK Foreign and Commonwealth Office. He was the FCO lead on the Johannesburg Summit where he was responsible for establishing a number of innovative international partnerships including REEEP and the Travel Foundation.

An economist and engineer by training, before he joined government Nick was Head of Economics and Development at WWF-UK. He came to WWF from academic research at London Business School on the economics of climate change, published in the book “Argument in the Greenhouse”. This followed research at MIT into energy system planning and a period in the energy industry working for PowerGen and GEC Alsthom. Nick trained as a mechanical engineer at Bristol University specialising in energy systems, and holds a masters degree in Technology and Policy from MIT.

Acknowledgments

The ideas presented in this pamphlet have emerged from in-depth shared thinking over the past two years, undertaken across Europe as part of E3G’s ‘Europe in the World’ programme. The authors wish to thank all those who have participated in events, or met with us in person, to discuss, challenge and push further our evolving thinking.

Central to the development of the ideas presented here has been the intellectual drive of John Ashton, our co-founder of E3G, currently on secondment to the UK Foreign and Commonwealth Office as Special Representative for Climate Change.

Particular thanks are due to those who helped in the development of our series of thinking events: Adrian Taylor and Thomas Henschel at the European School of Governance; Laurence Tubiana at Insitut du Development Durable et Relations Internationales; Marta Szigeti Bonifert and Janos Zlinszky at The Regional Environmental Center for Central and Eastern Europe; Doug Miller at GlobeScan; and Paul Adamson, Martin Porter, Barry Lynham and Caterina Ronchieri at The Centre.

The activities in the “Europe in the World” programme have been made possible thanks to the invaluable support of Corrado Clini, Director General of the Ministry of Environment, Land and Sea of Italy and Chairman of the Regional Environmental Center.

The authors would like to thank James Kariuki and Ian Christie for their input into the early thinking which led to this pamphlet. Martin Rands similarly made important

contributions throughout the drafting stage. For their patient research and thoughtful assistance in the preparation of this pamphlet, the authors would also like to thank Marina Brutinel, Diana Parusheva and Shane Tomlinson.

Finally, the authors extend their warmest thanks to Chris Littlecott, the coordinator of the Europe in the World project. His astute insight, attention to detail and sheer hard work have been invaluable in guiding the project to this stage.

Responses to this pamphlet, translated versions, downloadable resources and news of related activities are available at www.europeintheworld.eu

Further details about E3G are available at www.e3g.org

1 A new vision for Europe in the World

We live in an age of unprecedented interdependence. We are connected to each other as never before – by trade, by internet, by satellite television and mobile phone. Never before in the course of human history have so many of us been in such constant contact with each other.

This interdependence has brought many of us opportunities beyond the wildest dreams of our parent's generation. We have the health and wealth to experience a wider world than they were ever able to know. We live in centrally heated or air conditioned comfort. No beach is too remote, nor mountaintop too distant, for us to visit. Our lives are pleasant, civilised and long. But for those excluded from this world of opportunity – both here in Europe and in vaster numbers elsewhere in the world – the contrast is ever more bitter. They can see but they cannot reach.

The very interconnectedness that opens opportunities also increases our vulnerabilities. The ever more complex networks of trade and communication that make our prosperity possible can be turned against us. Illegal drugs and weapons travel in the same containers that bring us high-powered computers or fashionable clothing. The sophisticated skills that develop the software for our video games can equally well be turned to designing improvised explosive devices. The same planes that bring us out-of-season flowers can also carry invasive plants or pathogens.

Two profound experiences in the last century shaped and defined the Europe we live in today. The first was the three

decades from 1914 to 1945 when Europe tore itself apart in two savage wars. The second was the four decades that followed when, informed by that harrowing legacy and confronted with the looming menace of the Soviet Union, Europeans came together as never before to build the shared space of peace and prosperity we now enjoy.

As we go forward into this still young century, new challenges are emerging and with them new opportunities. Globalisation has propelled a tsunami of change through our lives, dislocating established economic and personal relationships, creating eagerly seized opportunities and deeply felt anxieties in equal measure. We are discovering that borders are no longer barriers; that the distinction between foreign and domestic policy is dissolving; that our future well-being and security cannot be separated from that of others in the world.

The lessons we in Europe were so harshly taught by the 20th Century equip us uniquely well to meet the challenges of the 21st Century. We know in our bones the high price to be paid when raw power replaces the rule of law as the dominant means of mediating relations between states. We know to our cost the danger of allowing the rich complexities of human diversity to be replaced by simplistic stereotypes. We know, too, that it is possible to pool sovereignty without losing identity. As a result, in the sixty years since the end of the Second World War, we have built a stability in Europe our grandparents could not have imagined.

The crux of the challenge we now face is to expand the envelope of affluence we currently enjoy to include the billions of our fellow human beings who share our hopes and aspirations for a secure and prosperous future. But we must do this without collapsing either the environmental or social foundations on which that prosperity rests.

And they are increasingly in peril. The resource pillars of prosperity – access to secure supplies of energy, water and food and a stable climate – are being corroded at an accelerating rate as population and affluence grow. The tides of global competition are tugging remorselessly at the social cohesion and cultural capital that underpin Europe's economy.

We live in a world of colossally expanding capabilities and mounting disorders and discontents. Globalisation is an historical force we must learn to manage before it destroys the circumstances which brought it into being. We must now design the future rather than simply react to the present or avoid the mistakes of the past.

As we built the single market in Europe we experienced within our borders many of the pressures and tensions now being recapitulated on a global scale. We discovered directly that we could make our economy more efficient without destroying social cohesion; that major centres of economic activity did not move lock, stock and barrel to the poorest and cheapest member states; and that environmental standards and social justice were enhanced not degraded as we brought more nations into Europe.

These were not pain free discoveries. Adjustment often hurt. But building new networks of mutuality with our neighbours increased opportunity for Europeans far more than it constrained choice. Life for Europe's citizens is more secure, more stable and more prosperous than ever before in our long and often turbulent history.

Yet, just at the moment when the accelerating pace of global change needs a more focussed and confident Europe, we Europeans have stalled and become unsure of our way forward. Instead of paying close attention to the tectonic

shifts occurring as globalisation gathers momentum, we have become introspective and uncertain.

The emerging crises of civilisation demand a bold and coherent vision for the future if they are to be resolved. Europe uniquely has the experience and the capacity to provide this vision. Yet it has lost its way. The momentum that successfully carried Europe forward through the second half of the 20th Century has dissipated. The political will that drove its nations from the Common Market to the European Community and on to the European Union and its wider arc of influence is no longer evident. Europe is now failing to make the political choices necessary to ensure the prosperity and security of its citizens in a more complex and increasingly challenging world.

In part, this is simply because memories of the wider reasons for building a shared Europe are beginning to fade as those with direct experience of Europe in the 20th Century leave us. This has impoverished the debate about Europe's future. Today, this too often seems focussed only on the minutiae of making a market work, as if that were an end in itself rather than a means to ensuring the prosperity without which political stability is impossible. But it is also because Europe's politicians have yet to offer a compelling narrative of what Europe is for in the 21st Century.

This lack of political vision is now more important than ever. In an interdependent world Europe cannot secure its prosperity on its own. The fate of the pillars of prosperity is now determined by decisions taken in many places in the world. If those decisions are not aligned with each other the pillars will weaken and conflict and instability will follow. Responsibility must be globalised as well as opportunity if we are to preserve the pillars of prosperity.

Europe needs to play a leading part in shaping the global transitions that are underway to preserve security and prosperity. We need to do this for neither altruistic nor imperialistic reasons, but simply because if we do not do so we cannot guarantee our own success. It is overwhelmingly in our interest to take a lead, both in words and deeds. There is a risk that some others may not follow, but there is a certainty that if leadership is not given, the prospect for greater security and prosperity in the 21st Century will dim.

An inward looking and uncertain Europe, mistrusted by its citizens, cannot hope to play this role. Politicians whose attention is wholly focussed on marginal improvements to present policies cannot hope to lead Europe into playing the role in the world its history and values have prepared it for.

To succeed, Europe must see itself in the mirror of the world. It must define for itself a role in securing the pillars of prosperity and then deploy the policies and resources necessary to play that part.

In this pamphlet we have set out a sketch of how this might be done. It analyses the global context in which we find ourselves at the beginning of the 21st Century. It sets out the unique lessons we have learnt, from building Europe together, about how nations can best ensure that cooperation triumphs over conflict. It looks more closely at what must be done to maintain the strength of the pillars of prosperity, identifying what that might mean in terms of the political choices Europe must itself make. It then closes by underlining that the renewal and revitalisation of democracy in Europe is necessary if Europeans are to be able to make those necessary political choices.

2 The challenge of interdependence

The most powerful forces shaping the world in the 21st Century are those unleashed by globalisation. For most of history, yesterday has been a reliable guide to tomorrow. The future resembled the past in its most important features. People's lives were determined largely by an interplay of local factors and stable routines deeply ingrained in the patterns of everyday life.

Globalisation takes us beyond the boundaries of such familiarities. It turns the kaleidoscope of events more rapidly producing ever more complex and unfamiliar patterns. These compel us to think about the future in new ways. It is a future that will bear little resemblance to the past. To cope with what it will bring we need to rely less on habit and precedent, more on analysis and foresight. We must anticipate rather than react. Lessons from the past remain relevant, but the past is no longer a sure guide to the future.

This is a disturbing prospect and it is understandable that some should want to slow the pace of change to a more bearable rate. This is an illusory prospect. Globalisation, and the interdependence that is its consequence, is not the invention of some malign conspiracy of governments and giant corporations. It is the consequence of the choices we all make as individuals and the efforts of governments and businesses to make those choices available on a scale unprecedented in human history.

When today's leaders were born there were just over 2 billion people on the planet. Today there are 6.5 billion. Before today's

leaders are all dead there will be four times as many people on the planet as there were when they were born. No other event in the whole of human history has produced such dramatic acceleration of change.

All of us are driven by the same impulses: to meet our basic needs of food, clothing, water, warmth, shelter; to provide better lives for our families. We are all looking for education, employment and entertainment. And we all share the urge to connect, to communicate with, and travel to, anywhere on the planet our imagination can reach.

Globalisation is not the cause of these needs and desires. It is the consequence of the scale of organisation needed to meet them for four times more people than lived on the planet less than a lifetime ago. The consequent interdependence is no more reversible a phenomenon than the tide.

But this does not mean that we should simply let the tide sweep over us. Globalisation is neither cost free nor unmanageable. But to manage the consequences well, and to reduce the costs of change, especially for the least able among us, we must understand its dynamics better.

Civilisation is the thin film of order we construct around the chaos of events. Such is the scale of the forces unleashed by globalisation that, uncontained by responsibility, they could damage or even destroy that film.

The European Union is itself a microcosm of globalisation. We have our own North and South within the Union, our own rich and poor; our own East and West. But little in Europe's experience supports the worst fears of its consequences. Industries have not moved wholesale to the poorer parts of the Union even though there are no longer any national barriers to prevent them doing so. Nor has labour flowed

massively in the opposite direction, impelled by higher wages. Environmental standards have risen to higher levels, not raced downwards to compete at the bottom. This is because our internal 'globalisation' combines responsibility with opportunity. We must now project the lesson of Europe's experience into the wider world.

Globalisation and power

Globalisation is changing the distribution of power. Far from being a massive force for centralisation, it often causes power to disperse in all directions away from its traditional custodians, especially governments. On the one hand power is pulled downwards by more assertive regional and local interests that have more opportunities to articulate their own preferences, and more information on which to base them. More affluent, better educated and more confident citizens want more control over the decisions that affect them. On the other hand, power is pulled upwards as Governments themselves choose to pool their sovereignty to confront common problems they cannot manage on their own. The European Union is only one of dozens of regional and global bodies whose decisions affect people's lives.

Significantly, power is also moving outwards into new configurations that have little to do with governments at any level, and that pay no attention to political or geographical boundaries. New means of organisation are creating new agents of change that can have as much impact as governments.

Common interest communities can mobilise thousands overnight, holding governments, companies and each other to account, and wielding enormous influence. The 'Orange' and 'Tulip' revolutions are both examples of how significant these forces can be. They succeeded in overthrowing

dictatorships without bloodshed because in a globalised world there are new constraints on how power can be exercised.

We would not have agreed the Kyoto Protocol, banned landmines, or be writing off the debt of the poorest countries without global campaigns by non-governmental organisations, empowered by connectivity to bring effective pressure to bear on many governments simultaneously. A growing number of multinational companies have revenues exceeding those of many states, but increasingly they can no longer behave differently abroad from how they behave at home. This often means they operate to higher standards of corporate behaviour than is required by law in host countries.

These trends do not mark the end of the nation state. Only nation states – acting on their own or through organisations like the EU – can pass laws, sign treaties or raise taxes. No other entity can legally deploy military force. As they get to grips with a new and more complex set of problems they have unique capabilities to bring together the multi-actor partnerships necessary to deliver solutions. As the power to dispose diminishes, the power to convene becomes more significant.

Before globalisation, borders used to map the limits of power. Only governments can run borders. But, although we still have borders, they are now much more porous. They cannot keep out information or block communication through the internet. Nor can they stop the flow of drugs, epidemics or the burgeoning international trade in illegal bushmeat. They will not hold back the rising sea levels or more bruising storms that come with climate change. Even the task of policing the passage through them of people and goods is getting harder as volumes grow. Only 2% of

all the freight containers transported around the world are examined when they cross frontiers. This certainly cuts the cost of goods to the consumer, but it also brings new problems.

Values

Globalisation is not a single unified process run by business and government. It is more like a river with many tributaries that create areas of turbulence when they intersect the main channel. The most fundamental component, the main channel, has been the creation of a single global information space by the use of modern information and communications technologies. This space is accessible to anyone with a phone and a modem.

Of course, there was connectivity before globalisation. Trade and travel are as old as humanity. But fewer people were involved in the transactions that were, in any case, much less transformational. In the virtual world of the single information space what travels is information – weightless, moving at the speed of light, costless to replicate once created.

This global information space has facilitated the growth of global markets for capital and, increasingly, for goods and services, both of which depend on the vast and uninterrupted flows of information now possible. Those markets are themselves changing the world. They are fuelling increased trade, investment and innovation and creating new livelihoods. They are driving the transition to a global knowledge economy and, in many places, particularly India and China, offering an escape from poverty.

With the emergence of these markets have come new systems of global rules to regulate them: on trade; on the environment; on human rights; corruption; on child labour. These

rules systems recognise that individual nations, however powerful, cannot in a globally connected world achieve their ends on their own. When outcomes are interconnected, so must be the devices we use to deliver them.

These rules systems have grown up haphazardly over the past 60 years. They are enforced by weak institutions and little effort is made to coordinate their work. Trade rules have consequences for the environment and vice versa. Sometimes these are intended and complementary, but all too often they are unintended and antagonistic. We must make our rules systems mutually reinforcing.

And we must invest more in them, much more. These rules systems are the operating system for a world in which more people are making more complex choices about more things. Without rules, all communities quickly collapse into conflict and chaos. This is as true of the global community as in any other. The global rules system we have at present, insofar as it was designed at all, was built to deal with the pre-globalisation world of the 20th Century. Running today's world on this basis is like trying to run the latest computer games on an operating system from the 1980s.

The various dimensions of globalisation – the global information space, global markets and global rules – all serve to intensify the exchanges we have with each other. These exchanges are leading to the emergence of globally shared values. It is sometimes argued that we should not impose our values on other cultures. This misunderstands the relationship. Cultures do not define values, they express them. As our experience in Europe clearly shows, very different cultures can share the same values. You do not have to come from a particular culture to want freedom and good governance, or to abhor torture, arbitrary detention or the

perversion of justice for personal or political gain.

The dark side

These dynamics have brought with them many unforeseen and undesirable impacts. There is no question that globalisation has its dark side.

Globalisation is blind to all purposes and value-free. Drug traffickers and terrorists can exploit connectivity as effectively as educators and entrepreneurs. Anyone with a grievance can mobilise others of like mind to far greater effect than hitherto. The terrorists who exploded bombs in Madrid and London to such devastating effect did not rely on a sophisticated and powerful terror infrastructure. They were simply groups of disenchanted individuals who knew how to use the Internet to find all they needed to know to commit a dreadful crime. Of course we need to improve our systems for neutralizing such threats but even more importantly, we must reduce our exposure to them by understanding and addressing the underlying discontents.

Many of the new dangers we face are themselves products of globalisation. Some just surf the wave: pathogens or invasive species that can spread more quickly by hitching rides on intercontinental flights, or criminals who can mobilise more accomplices in larger markets. Others are increasingly part of the reaction to globalisation's dislocations.

Like any process of change, globalisation creates losers as well as winners. In much of the world the gaps are widening between those with the education, capital and connections and those who have none of these things. The new opportunities do not come with a built in mechanism for sharing out the benefits fairly.

The result is that poverty and wealth increasingly face each other across the same street, or through a TV screen. Transient vogues challenge embedded cultural assumptions that have evolved over centuries. Systems of family and peer support disintegrate with nothing to take their place. It is over this ground that the dark side of globalisation casts its shadow. Images of death and destruction in Iraq or Afghanistan filmed on mobile phones and uploaded to the internet appear on our televisions hours after the events occurred. Appalling to most of us, these same images are the recruitment agents for the purveyors of violence.

Stopping, or even significantly slowing, the historical forces of globalisation is impossible. So we must learn to manage them so that they work for all and not just for those able to anticipate and adapt to change. We must build the mechanisms for sharing the benefits. And we must illuminate the dark side, removing its shadows and offering new opportunities for those who live in them.

The challenge

This points to the core challenge for a new generation of European politicians. We need to construct a politics of global responsibility that seeks to make the new opportunities available to all, that assists those who cannot themselves manage the upheavals of globalisation and that protects the environmental foundations of prosperity against irreversible harm.

We have been here before on a national scale. As the industrial revolution gathered pace in Europe and national markets emerged for the first time, those with the good fortune to enjoy access to the new opportunities flourished, often beyond their wildest dreams. But then, as now, there

were many more losers than winners as the old social and economic fabric fell asunder.

Inequity grew and the spectre of revolution appeared throughout Europe. By 1848, Karl Marx had already written the Communist Manifesto. In time, the beneficiaries of industrialisation came to realise that to continue reaping the benefits they had to share them. Institutions, policies and programmes were developed to do just that. Starting with Bismark in the 1870s the nations of Europe slowly laid the foundations for the culture of solidarity, community and social investment that is modern Europe's greatest strength.

The central, and compelling, concept was that shared opportunity created shared responsibility. From the interplay between the two came the experience and institutions that today define the European Union's core values.

But we learned too late that we needed to invest some of the proceeds of economic growth to maintain the social conditions necessary for that growth to continue. Our failure to do so in time let loose the massive tide of social tensions that swept through every country in Europe at the end of the 19th Century. As a consequence we spent the first half of the 20th Century deciding empirically whether communism or fascism was our preferred form of totalitarianism.

By the middle of the last century there was no longer any argument over the need for nations to invest in health, education and social security in order to underpin their economies. The purpose of public policy expanded from simply facilitating economic growth to promoting economic development, that is, growth plus welfare. The arguments over how much welfare to provide, and how best to provide it, will continue, but very few today believe that governments can ensure prosperity without such investment.

As population and prosperity accelerated in the aftermath of the Second World War the world entered an era of very rapid economic development. Within two decades a new debate began. Air and water quality deteriorated; wastes accumulated; deserts spread; cities sprawled and natural habitats and the plants and animals that lived in them began to disappear. Doubts emerged as to whether the planet could continue to provide the resources necessary to maintain the momentum of development.

Reinforced by graphic pictures of a blue and white planet alone in the darkness of space, these growing doubts led to the first of the great global conferences that punctuated the last decades of the 20th Century. The Stockholm Conference on the Human Environment in 1972 defined for the first time an agenda for action to protect the planet's environment. Over the following thirty years it became increasingly clear that we now needed to invest some of the proceeds of our burgeoning economic development in maintaining the environmental conditions that permit development to occur. In other words, economic development must become sustainable development if prosperity and security were to be ensured in the 21st Century.

Making a successful transition to sustainable development is the greatest challenge civilisation faces. Meeting this challenge will require nations to work together as never before in history. Cooperation must succeed, because there is no way that coercion can. Sustainable development simply cannot be built out of the barrel of a gun.

In building the European Union out of the Common Market and the European Community we have learned a great deal about how the ideals of sharing sovereignty to meet shared problems can be turned into the practical realities of daily

life; how to balance opportunity with responsibility; how to foster diversity without breeding division. There have been plenty of mistakes. There will doubtless be more. But much has also been accomplished that will not easily be undone.

We must now carry the lessons of this history on to the global stage as we seek to manage globalisation so that all benefit. We should do so, however, with some humility. It took us two bloody World Wars and many lesser conflicts before we learned to make diversity the servant, not the master, of our destiny. And even then it has taken us five decades and counting to come as far as we have.

The determinants of Europe's peace and prosperity no longer lie predominantly within its geographical borders. We cannot make a transition to sustainable development on our own. A stalled Europe needs a defining mission to restore its momentum. Making the global transition to sustainable development is just such a mission. It is a vital strategic interest for every citizen of Europe. But it can only be accomplished by the deployment of the 'soft' power that has been the hallmark of building the Union. We must now learn to project the lessons of our own experience into the wider world. In order to do so we need to recall how we came to learn them.

3 Europe's lesson from history

The designers of modern Europe, from Churchill, Monnet, and Adenauer to Delors, Mitterrand and Kohl, were driven predominantly by a single ambition: to banish the spectre of war from Europe's borders. They sought to design out conflict while allowing for difference. And they succeeded.

Within the European Union armed aggression between the members is now unthinkable. The momentum of the post-war European project pulled Greece, Portugal and Spain from dictatorship to democracy. It played a central part in lifting the Iron Curtain and is now embedding freedom and the rule of law across the European territories once locked behind it. While we certainly made mistakes in the Balkans, in Kosovo, Macedonia, and Bosnia, Europe is learning to project stability beyond its own borders.

And those borders have widened from 6 to 9 to 12 to 15 and now, very shortly, to 27 states as the benefits of membership of the Union became ever more apparent. More are queuing to join. No imperial conquest in history has been as successful as Europe's voluntary conquest of rivalry by cooperation, of self-interest by solidarity, suspicion by trust.

The building of the European Union reveals how nation states can overcome national rivalries by identifying common interests and pooling sovereignty. Seen through the eyes of our parents and grandparents – from the perspective of 1918, 1926 or 1945 – modern Europe is a phenomenal success. It is one from which we must draw global lessons.

The biggest global problems that will dominate the 21st

Century, from terrorism to climate change, from mass migrations to organised crime, cannot be solved by nations acting alone. They require a pooling of sovereignty. Europe is the world's most sustained and far reaching experiment in the practical and political realities of sharing sovereignty. It has shown that it is possible to throw a loop of legal certainty around the often turbulent relationships between nations. Its continued success matters to everyone, not just to Europeans.

It was during Hitler's war that the architects of modern Europe recognised that only solidarity and cohesion across the continent could guarantee democracy, stability and prosperity. But it had taken the Holocaust and the Gulag to drive this message home beyond argument. Churchill and Monnet were debating their early vision of a Council of Europe long before the war was won.

Driven by enlightened self-interest, the presence of Soviet tanks on our borders and the memory of war, Europe's designers did not debate the abstractions of a Federal Europe versus a Europe of the Nations. They made Europe up practically as they went along. There were, of course, visionaries and there were pragmatists; enthusiasts and doubters. But the common thread is that at each stage in the evolution of the EU a growing number of countries voluntarily chose to put aside narrow self-interest to collectively meet the challenges facing their citizens.

It is a story that starts in 1951 with the establishment of the European Coal and Steel Community. By 1957 that had been extended in the Treaty of Rome to the creation of a common market and the European Economic Community was born, though an effort to create a European Defence Community failed. This foundation developed slowly for nearly 30 years

as the original 6 members become 9 and then 12. Then, starting in 1986, there followed an extraordinary 20 year burst of innovation as successive treaties, Luxembourg, Maastricht, Amsterdam and Nice, extended the scope and depth of cooperation. Membership more than doubled to 25 and the European Union came into being.

Cooperation in Europe now extends to almost every aspect of public policy. By 1972, environment, regional, social and industrial policies had been added to the original economic, agriculture and trade policies. Transport and energy policies had been included. Fifteen years later, the foundations for a common foreign and security policy and deeper cooperation on justice and policing had been added. The 'four freedoms' enabling the free movement of goods, services, capital and labour were well established. Over the past 20 years the process of extending and deepening the shared policy framework has continued to include a common currency, employment, youth and culture policies and the appointment of a High Representative to act as the Union's voice to the rest of the world.

The successive revisions of the original treaties have also seen a constant maturing of the institutional strength of the Union. In part this has been driven simply by the need to maintain effective decision-making as membership grew from 6 to 25. But more important has been the need to develop democratic depth as the scope of pooled sovereignty has grown. The European Parliament has moved from being an appointed assembly with very limited powers to a fully elected body with co-decision rights. It also has the power, which it memorably used on one occasion, to force the removal of the whole Commission.

With the development of a common currency for some

members, there is now a powerful and independent Central Bank. A Court of Auditors provides growing confidence in the authorised disbursement of the Union's budget, now raised as an agreed proportion of the tax revenues of the member states. The European Court of Justice has built a considerable body of case law constraining the extent to which national governments can interpret European legislation. This is a nexus of shared institutions unprecedented in history.

The whole basis of the European experiment has been to vary the method of delivery according to the policy objective. Responsibility for trade negotiations and upholding the single market is assigned to the Commission (acting on a mandate agreed by the elected governments of member states). In Foreign and Security Policy, Europe operates by consensus among national Ministers. On issues of vital interest to national sovereignty, like direct taxation, the member states preserve the right of veto.

This European evolution is an open-ended process. The building and reshaping may never be complete as the pace of change around us accelerates. On the way, Europeans have learnt empirically what works and what does not. Mistakes have been made in both the design and the execution of European policies – there are few outside the agricultural world who understand, or would defend, the bureaucratic rigidities of the Common Agricultural Policy. There is no appetite to repeat its structure in other sectors. The institutional failures of accountability, transparency and communication have undermined public trust.

Viewed from within Europe this has been a painful progress. Long periods of dull debate, often in a bureaucratic language of impenetrable opacity, have been punctuated by

short periods of intense, sometimes ferocious, public debate conducted in the rawest and most vernacular terms. But despite the mistakes, the worst fears of European sceptics have never materialised. Far from homogenizing, the building of Europe has fostered diversity as never before, strengthening regional identity and promoting cultural distinctiveness.

From the outside the picture is clearer, and Europe is seen as a spectacular success. In five decades Europe has emerged from the ruins of war to become a global power. The European Union is the world's largest trading entity. It is the largest source of foreign direct investment and the largest donor of aid. Since enlargement it is the largest concentration of purchasing power. Forces from the member states are heavily engaged in international operations from Afghanistan to East Timor and Sierra Leone, building peace, democracy and the rule of law. European legislation, from textiles to vehicle emissions, is setting a standard for new legislation in the world's emerging economies. Europe has become a source of ideas, education, capital, technology and political energy for global progress.

In today's global society there are isolationists and rejectionists of all kinds, extremists of left and right, who advocate withdrawal from mutual cooperation and retreat into the pursuit of national or regional self-interest. The lesson of Europe's history is that this is a false prospect. Interdependence cannot be rolled back: no single nation can insulate itself from climate change or the contagion of a regional financial crisis. Pooling sovereignty and establishing common rules-based responses builds mutual defences against common threats and spreads the benefits of stability and prosperity.

This applies even more to the global society of the 21st

Century than it did to the Europe of the second half of the 20th. In an age of weapons of mass destruction and global interdependence we cannot afford a continent or region to have to learn the hard way, as Europe did in the last century, about the benefits of sharing sovereignty. Threats to security and prosperity like climate change, global pandemics or organised crime cannot be met successfully with only the traditional tools of hard power.

Half the population of the earth now lives in cities. This proportion will grow as the century advances as 90% of population growth occurs in urban areas. All too tragically, the debacles in Iraq, Afghanistan and the Lebanon have given us a compelling demonstration of the limitations of hard power to solve urban security problems whose roots are deeply embedded in culture and history.

These kinds of threats to our security and prosperity will multiply as we move deeper into the 21st Century. They can only be tackled successfully by deploying exactly the soft power that Europe has built over the last half century. Yet at a time when we most need to be able to deploy this huge asset to preserve our own security and prosperity we seem to be losing confidence in its value ourselves.

4 Towards a common global policy

The pensions of European citizens under the age of 30 will depend, in part, on the success of the investments we make in China as it continues to grow into the world's second largest economy. This means that we in Europe have a vital interest in the long term success of the Chinese economy. This is just one example of the practical consequences that flow from the interdependence that globalisation drives. Our fate is increasingly bound up with the fate of others; their successes increasingly our successes, their perils, our perils.

The success of all our economies rests on the continued robustness of the resource pillars of prosperity. The four pillars of prosperity – energy security, climate security, food security and water security – provide the foundations for all economies. Increasingly, no single nation has the means to provide them for its citizens on its own.

The mutually reinforcing, or destabilising, linkages between them are poorly understood but they provide the basis of economic development everywhere. The rising affluence of a growing population in an interdependent world is stressing all four pillars.

Our food security is hugely dependent on cheap energy to make the chemicals and pump the water necessary to maintain agricultural productivity; to transport the food to ever more urbanised consumers; and to run the machinery to produce and process food. Without water for irrigation, far less land would be useful for food production, especially in the drylands where a great many of the world's poorest

people live. Nearly half the world's population live in areas suffering already from water stress. Maintaining energy security today means being able to use fossil fuels for transport and electricity generation. But demand for those fossil fuels is driving the price upwards and the use of them is destabilising the climate. An unstable climate will exacerbate water and food stress because a warmer world makes dry areas drier and lowers crop yields.

These interactions mean that the future political stability of China may depend on how well the USA manages its increasingly strained water resources west of the Mississippi. Poor water management there leading to lower yields from the harvest can readily turn into large price rises for food in China. In 2006, the global grain harvest was lower than demand, largely as a result of higher temperatures. At the same time, grain stocks were at their lowest level ever in relation to consumption. Falling farm yields in China resulting from temperature rises and water shortages due to climate change will add more price pressure. Any sustained conjunction of such factors could very quickly lead to political instability in China.

We share a dilemma with China and with the other rapidly emerging economies. We must all keep our economies growing in order to maintain social cohesion in Europe and basic political stability in China. But it is now increasingly clear that if our economies continue to grow as at present then we will degrade the pillars of prosperity to the point of collapse, rendering further growth impossible. In either case, social cohesion and political stability are threatened unless we can find new ways to use resources.

No nation acting alone can preserve the integrity of the pillars of prosperity. China's future food security depends on

decisions taken in America and Brazil. Europe's energy security rests on political stability in the Middle East. India's future water security depends on decisions we all take about preventing climate change. Nor is this task manageable by traditional diplomacy, which sees a clear separation between foreign and domestic policy.

Military force is the option of last resort for nations to protect their vital interests when traditional diplomacy fails. Yet, it is clear that the pillars of prosperity cannot be protected by the use of military force. Nations cannot be compelled to reduce their carbon emissions by armed force. No invasion can secure access to water that is no longer there. The limitations of conventional military force to create stability in modern urbanised areas are being daily demonstrated in Baghdad. The intricate and highly engineered physical infrastructure which underpins the modern world's access to energy, food and water is highly vulnerable to even small scale conflicts. This means we have no alternative but to make soft power work if we want to maintain the resource pillars of security and prosperity.

This is why we must develop a common global policy for Europe. It is in our mutual interest to work with China and the other emerging economies to develop and deploy the carbon neutral energy technologies necessary to maintain climate security. It is equally in our mutual interest to develop less energy and water intensive agriculture, and to enhance our energy security by dramatically improving energy efficiency. It is in our mutual interest because interdependence means failure anywhere in the world is rapidly translated into failure within Europe.

This means we have to align our internal and external policies as never before. Others will do as we do, not as we

say. It is our actions within Europe that will be persuasive beyond our borders. Thus we can no longer have one energy policy at home and another abroad; our agriculture or transport policy must be one that can be adopted everywhere.

Europe's strategic interests in coming decades will turn around maintaining the social and environmental foundations of security and prosperity. These interests will transect the old division between foreign and domestic policy. The agenda for a common global policy will include building a secure neighbourhood; renewing the European social model; combating organised crime and terrorism; defending global economic stability; enabling the transition to sustainable development and much else besides.

At present, Europe does not have a common global policy. It has an emerging Common Foreign and Security Policy focussed more on traditional diplomacy than on the cross-cutting global agenda which diplomacy now needs. It also has a development assistance policy aimed at alleviating global poverty. Europe is investing in building joint rapid reaction forces and is undertaking 11 stabilisation operations across the globe, from Bosnia to Indonesia. They form part of the EU's wider engagement with bilateral and regional partners and with global institutions. More apparent than either of these elements, at least from outside Europe, remain the national foreign policies of key member states.

This is, nevertheless, a formidable array of assets. But they deliver less value to Europeans than they should because there is no informing vision behind their use. The challenge is to harness them together in pursuit of a coherent vision of Europe's role in the world. What follows sketches some examples of how Europe could apply such a common global policy.

China, energy security and climate security

There is no more powerful dynamic at work in the world today than the economic transformation of China. No other country in history has achieved economic growth of 8–10% for nearly two decades. No other country has transformed itself – in just 13 years – from being a major oil exporter to being the world's second largest oil importer. In order to maintain stability China needs to continue growing. There are fears that GDP growth below 7% per year would be a destabilising factor for Chinese society. But, such is the importance of China as a motor of growth for our inter-dependent world, this matters well beyond its own borders.

Chinese leaders are, understandably, deeply alert to the socio-political consequences of slower growth. They also know that, without a secure energy supply for China's industrial sector, growth will certainly slow. Achieving energy security is thus a core driver of Chinese policy. This has led to a strengthening engagement with repressive leaders in resource rich African countries, which embodies an even more serious risk. This is a standard move from the traditional playbook of great power competition. The inevitable outcome of the prolonged pursuit of this approach is all too familiar to Europeans: what begins as economic conflict soon becomes military conflict.

Europe has learnt the hard way that the 'soft' power of cooperation is a better bet than the 'hard' power entailed in competition for scarce resources. China is experimenting with both approaches at the moment – acting as a soft power in international relations and acting as a hard power when it comes to the scramble for global resources. This reflects in China, as it does elsewhere, an unresolved internal debate. Europe must work to strengthen the hand of those in China pursuing a soft power approach.

Where there is risk, there is also opportunity. There is considerable interest in China in a dialogue with Europe about the future shape of the global system. At times it seems that China's leaders have more faith in Europe than we do ourselves. From Beijing, a world influenced by European soft power, and steadier hand, looks more attractive than one chiselled by the harder and more erratic lead offered by the USA.

This sophisticated and strategic view contrasts sharply with the current European fear of the rise of China's economy. The approach of the EU member state governments to China is dysfunctional. There is competitive, reactive and opportunistic engagement with China, but no common proactive strategy that seeks to invest in the stability of China. There is little attempt by Europe's political leaders to resolve the incoherence of fearing a nation on whose success your own depends. This European dysfunctionality is deeply rooted in the lack of political vision that prompted this pamphlet.

Climate and energy security are two sides of the same coin. The one cannot be achieved without the other. Relying on carbon intensive technology to provide energy security will destabilise the climate. An unstable climate will so undermine security and prosperity as to deter the high and long term levels of investment that are necessary for energy security. Countries can no longer buy their national energy security at the expense of increasing global climate insecurity.

This twin challenge provides an urgent impetus for Europe to begin building with China a clear example of the kind of strategic relationship that will be essential in the 21st Century. It is an opportunity to build an axis of mutual advantage.

Europe's core strategic interest lies in driving the global transformation to a high efficiency and low carbon energy system. It is also in our interest to ensure that access to fuels is driven by rules-based market processes rather than arbitrary strategic and military relationships. At the moment oil and gas markets are moving in the other direction, with direct state control and strategic involvement increasing across the world. It will be essential to bring China with us as a partner if Europe's approach to energy security is to succeed.

But we cannot expect to be credible arguing for such an approach globally if, as is currently the case, we have not managed to adopt it ourselves. Thus the continued liberalisation of Europe's internal energy market is intimately entangled with the external goal of maintaining market based access to fossil fuel reserves for Europe's energy companies.

A stable and growing China will provide higher returns on our investments and trade and will be critical in securing pensions for our aging population. But a stable and growing China means a massive increase in the use of coal. China has huge coal reserves of its own and access to much more in Mongolia. Such is the demand for electricity to power China's growth that it is commissioning a new large (1 gigawatt) coal fired power station every five days. Even this phenomenal rate is only barely enough to keep up with new demand.

All of these stations are being built with the current global standard pulverised coal technology. This releases all the carbon dioxide from the coal burn into the atmosphere. By 2030 China will have built about 600 new coal fired power stations of this size since 2000. If they are all built with conventional technology then over the life of the stations they will add about 60 gigatonnes of carbon to the atmosphere. This is about a third of the amount added by the whole world

since the beginning of the industrial revolution and would make achieving a stable climate next to impossible.

There is everything to be gained from Europe and China working together to create a new global standard for coal-fuelled electricity that is carbon neutral. We know that the technologies to do this are within reach. What matters is that we work together to accelerate their deployment. The first steps have already been taken. In 2005 it was agreed to cooperate on the development and practical demonstration of the carbon capture and storage technology essential to making coal climate friendly. The next step should be to deliver this commitment quickly by forming a consortium capable of building the first zero emissions coal power plant in China by 2010.

China is deploying capital on energy security so quickly that it offers the shortest route to bringing advanced energy technologies to maturity. This makes it worthwhile for Europe to invest in their development in China. But it would be foolish to think that China will widely adopt advanced coal technologies if we are not using them ourselves. So we must also be prepared to deploy them in Europe. That is why some of Europe's political leaders have begun calling for legislation to require any fossil-fuelled power station built in the EU to be carbon neutral within a decade. Once again, success will require the intimate entanglement between Europe's internal and external policies that will be the hallmark of a common global policy.

Building an ambitious partnership with China on advanced coal is only one track in what could be built into a multi-dimensional relationship on energy and climate security. China has already set an extremely ambitious target of reducing energy intensity per unit of GDP by 20% by 2010.

This will reduce China's carbon footprint much below what it otherwise would have been. We now need to begin exploring how we can create access to the European Emissions Trading scheme for China, in much the way that is currently being considered for California, so that it can receive credit for the avoided emissions.

China is also committed to increasing the role of renewable electricity sources to 15% of its supply in the same timeframe. The EU and China need to build a trade policy framework that aligns technical standards and removes tariff barriers so that there is a rapid build up of two-way trade in these technologies. But it is not just technologies. A comprehensive partnership on energy and climate security would also create massive opportunities for planning and engineering consultancies, for innovative financing mechanisms and for a wider alignment of standards on vehicle emissions or consumer appliances.

These issues, more than any other, have the potential to engage European citizens with a new sense of purpose and vision for a renewed European project. No member state, acting on its own, has the scale to engage China significantly enough to make a difference on energy and climate security. Acting together, we have that opportunity. But to take it we must overcome the national barriers and institutional silos that bedevil current European policy making.

A sustainable neighbourhood

The recognition that Europe's internal and external policies are intimately entangled must pervade our approach to every other aspect of a common global policy. Europe's bilateral dealings should be managed from a wider regional perspective. The emerging powers will shape the regions

around them. Many of those regions lack the finely balanced mechanisms that have evolved in Europe for managing divergent interests before they lead to conflict. All major regional conflict now threatens catastrophic global consequences. We should pay particular attention to regional competition for water, cultivable land, energy, fisheries and other resources necessary to meet basic needs. That competition will intensify.

Sustainable development is about peace and stability as much as it is about the environment. So we should ensure that our bilateral engagements, in volatile, water-scarce regions like the Middle East and Central Asia do not inadvertently store up trouble by fuelling future competition for water through unsustainable agricultural, urban or industrial development. Water as much as settlements is a key to peace between Israel and the Palestinians.

Six countries in North Africa and the Middle East have recently announced their intention to pursue civilian nuclear power, citing the energy demands of large-scale desalination to alleviate water shortages as their main motivation. These countries are currently following agreed non-proliferation agreements, but then so is Iran. Europe is right to worry about the prospect of a nuclear-powered neighbourhood, but is currently doing little to help these countries overcome their energy and water security dilemmas.

Europe's interest in regional engagement is strongest in the case of our own near abroad: the arc running from Russia and the Ukraine, through the Balkans, southeast Europe, the Middle East and the Maghreb, to Morocco. Events in that arc are likely to have immediate and profound consequences for Europe. Our own decisions will help shape what happens there and our influence is greater. If our

policies are not seen to work on our doorstep, they will not be credible anywhere else.

Our first goal with our neighbours must be to invest in the conditions for stability and growth, by helping them make the transition to sustainable development. That is a formidable challenge. The obstacles in some parts of the neighbourhood, from organised crime to religious fundamentalism, are as formidable as they have ever been in Europe. Societies that have never achieved a stable compact for national modernisation are under pressure to complete, in years, a journey that in Europe has taken centuries.

North Africa deserves more attention than it gets. Stability there, as elsewhere, can only be won through integration into the global community, recognising, not homogenising, cultural diversity. That in turn requires open and tolerant societies, capable of offering their people better alternatives than violent fundamentalism or mass migration to the EU.

European decisions affect what happens in North Africa. This certainly includes the conduct of our political dialogues both at European and national levels; our trade relationships; the frameworks that operate – by design and default – for private investment; our strategic aims as donors; and our transactions over resources such as Algerian natural gas or Moroccan fisheries. But equally we should look at the impacts in North Africa of our policies on inward migration, agriculture, water, and all the other sectors that link our destiny to that of the southern Mediterranean.

As an example, we should address the social stresses arising from the burgeoning production of water-intensive tomatoes and olives in Tunisia for the European market. This is intensifying competition for scarce water, driving local

smallholders off the land and towards crowded cities and perhaps thence illegally to Europe. The choice we face is whether to go with the flow – to let that impact emerge from the aggregate of unconnected decisions we take in different spheres – or take the future in our hands by defining clear and convergent aims and working in a joined up way to achieve them.

A new Atlanticism

No international engagement will so test Europe's capacity to become a mature and effective agent for global change than that between Europe and the USA. It is vital that Europe builds an axis for good across the Atlantic, capable of rising to the new challenges as successfully as it did to those of the last century.

That ought to be possible. We want the same kind of world: prosperous, stable, operating in accordance with agreed rules reflecting decency and justice. But there is a significant obstacle to a truly shared sense of transatlantic purpose. Europe and the USA have very different perceptions of the world around them. Europe has already come a long way towards understanding that to be secure we must be willing to share our sovereignty with others in a global community based on multilateralism and partnerships.

But the USA is not politically ready to go as far as Europe to recognise the realities of an interdependent world. That is why it has been effective domestic politics for it to pull out of the Kyoto Protocol and reject the International Criminal Court. This is a real divide. We need to be honest about these differences if we want to find solutions in spite of them.

To tackle it, Europe needs to put across in the USA its own vision of interdependence and engagement. We need to

address American concerns about that vision. But, by the same token, Europe needs to become a better equipped and more capable partner for the USA on those inevitable occasions when it will be necessary to project force to make and keep the peace. Just as we must harness China's economic power to Europe's market power to the East, we must harness Europe's soft power to American hard power to the West.

To guarantee the well-being and security of the people of Europe in the 21st Century, we need to get a great many other countries to act decisively with us on the shared problems of an interdependent world. This is especially true of the effort to maintain the pillars of prosperity. But they will pay more attention to our deeds than our words. Only if we are seen to be modernising Europe's internal policies in a way that is consistent with our vision of Europe's role in the world will we be believed.

Every area of European policy – from energy to justice, from transport to agriculture, from environment to employment – must demonstrate that we grasp the importance of aligning our internal and external policies in practise as well as in theory. This will mean significant adjustments to Europe's current policies. These will not be pain free. There will be losers as well as winners. This will only be politically possible in a confident Europe.

5 Building confidence

Prosperity has always been the foundation of political stability. In recent times Europe has become gripped by a wave of misplaced fear about its ability to maintain its prosperity in an increasingly interdependent and competitive world. It has become afflicted with a kind of economic agoraphobia that is sapping its ability to act.

Only 6% of Europe's citizens think it will remain an economic superpower, and only 16% see globalisation as an opportunity. This politically debilitating lack of confidence flows from a persistent undervaluing of Europe's structural economic and political strengths.

36 As a result, the political debate around the Lisbon Agenda, far from acting as a spur to reform and innovation, has simply fed fears that jobs will be destroyed and the social compact corroded. Europe's citizens need, and deserve, better than this from their political leaders. We need to develop a clear prospectus for renewing the economic and social pillars of prosperity that goes beyond simply discussing how to broaden and deepen the single market or how we must imitate others if we are to succeed.

This is not to underestimate the enduring value of the single market's construction. Nor to overlook Europe's unique record of enabling the difficult transition to stable democracy in so many countries. Neither task could have been accomplished without the patient and intricate work of assembling the complex of common institutions which hold the Union together. Yet, these processes have necessitated an inward focus on the internal workings of the Union that has

increasingly become alienating and obsessive. These internal challenges are no longer Europe's most pressing problem, and they no longer provide a compelling political focus for European citizens.

Europe does indeed face profound economic challenges. There is a high level of long term unemployment in some countries and sectors of the economy. Some regions remain stubbornly disadvantaged. There is greater global economic competition and faster changes in consumer preferences, which drive reorganisation and redundancies and raise risks to everybody in the workforce. We do have an aging and stabilising population. Environmental and resource constraints are tightening.

Of these unemployment has the highest profile in the headlines but is potentially the most straightforward to address. The majority of European countries have relatively low unemployment rates, and few economists think there is any fundamental reason why Europe cannot create enough jobs into the medium and long term, even as the population ages and the number of new entrants to the workforce declines.

Europe is not alone in facing such challenges. All other major countries face similar or greater structural stresses. Even the USA and China will have rapidly aging populations in the next 15 years.

We need to stop dwelling on our perceived weaknesses and assess the reality of our relative strength. The USA has runaway deficits and inefficient healthcare policies, which have helped destroy the competitiveness of some of its major industries. At the same time as we are fretting about the increasing external power of emerging economies such as India and China, they are debating the growing threats to

their internal stability from rising social inequality, critical water shortages, health pandemics, and endemic corruption. Even the largest economies are vulnerable unless they learn to manage collectively a world characterised by an unstable climate and resource constraints.

We do better to look at Europe's assets in the face of these challenges. Europe is the world's largest economy, trading power and supplier of capital. It adds around two times more global purchasing power every year than China does, and will outstrip China as a growing market for around 20 years. The single market, although incomplete, is the world's largest and best regulated. EU regulations in many fields are setting the global standards for the emerging economies. Europe's growing network of major cities is the main source of new jobs and wealth creation and leads the world in global economic integration.

Europe also outperforms other countries in ensuring that economic growth actually leads to increased well-being, equity and social mobility. Public investment in education, housing and healthcare has weakened the link between background and destiny across much of Europe. In contrast, the USA and most emerging economies are struggling to generate the necessary investment in social security, healthcare, pensions, environmental protection and modern, efficient infrastructure. In many places social divisiveness is increasing as wealth becomes less fairly shared. These are not models for Europe to follow.

Europe does need to reform some of its social institutions, and invest more in areas such as tertiary education and research and development. But building the political coalitions needed to achieve these changes is far easier than the task facing China, India, and even the USA,

of constructing a fundamentally new social contract.

Above all, Europe leads all the major economic powers in generating public and political support for investment in the public goods which underpin the economy: in healthcare; in pensions; in social security; in education; in tackling climate change and preventing poverty and instability outside the EU. Our financial stability, enduring social compact and strong environmental governance equip us well to cope with a world of structural economic and social change, demographic transition, resource constraints, climate instability and multiple interlinked vulnerabilities. These assets are firmly embedded in deeply held and widely shared values. However, Europe's reform debates have failed to build on these strengths, and have offered Europeans a prospect of the future based on a fear of change, rather than confidence in its management.

This lack of confidence has its roots in the reality of unemployment and the tensions resulting from accelerating economic change. But these roots are watered by the self-defeating rhetoric of European political debates. On the one hand economic reform is presented as if the only way forward is for Europe to become a pale imitation of the USA. On the other, we are urged to close our doors and our minds to a world of change, in the vain hope that we can return to a mythical protectionist golden age.

We know to our cost that such a path is the route to failure. Instead, we must employ Europe's unique assets to meet the challenges of an interdependent world. By focussing on our core strengths we will instil confidence. Restoring momentum to Europe requires a compelling vision of its role in the world. That vision must project Europe's strengths outwards to make possible security and prosperity for all.

6 Europe's choices

Europe's core political choices as we move deeper into the complex and connected world of the 21st Century are less limited. There is a richer field of opportunity for Europeans to explore. But it requires us to have a different vision of ourselves and our place in the world. We can no longer see ourselves as separated from the rest of the world by our borders. The world reaches in as much as we reach out. Foreign and domestic policy are no longer different disciplines. The ground on which the pillars of our security and prosperity rest is to be found as much in Asia or Africa as it is in France or Germany.

Concern for the fate of others is therefore no longer a philanthropic impulse to be indulged when we have addressed our internal priorities. The price of making the most of the opportunities of globalisation is that its responsibilities become imperatives, not options.

The political choices we must make will define Europe's identity. As with individuals or corporate bodies, self-definition is achieved through action. Who you are is symbiotic with what you do. Choices express values. The choices Europe makes will define whether it remains an open society in the face of increasing social and environmental pressures.

To define the place of Europe in the world we must make different political choices about how we face the challenges of the 21st Century. Specific actions will flow out of these, and it will be through delivery that Europe will build itself the capacity to act. The means will flow from a clear vision of the purpose.

The choices we must now make will define Europe's future; its

purpose; and its identity. Five initial choices are set out below.

Redefining success

Europe must be confident, not anxious. Anxiety paralyses, confidence energises. Rebuilding our confidence requires us to redefine the meaning of economic success.

Europe has no choice but to go through a demographic transition from rising to falling workforce as the population stabilises. The question is how well we manage the process. The criteria for success cannot simply be the raw GDP growth rates we currently use. These will obviously fall as the size of the European workforce stabilises and then falls. This will make European growth numerically only two thirds of that of the USA even if productivity and labour utilisation is identical.

But this only matters if we continue to use outmoded measures of success. For all its vaunted productivity growth, wages for most US workers have grown annually by only a fifth of the rate of productivity, as the distribution of the benefits of economic success has become ever more inequitable. As we know from our past, economic success cannot long be sustained if it destroys social cohesion.

The EU15 achieve better health outcomes for less than half of the per capita health spending of the US. The countries regularly seen as most competitive in the EU – Finland, Sweden, Denmark, the Netherlands – all invest highly in core public goods and all sit at the top of European life satisfaction surveys.

Building confidence in Europe's economic future requires a political reframing of growth in terms of its quality rather than simply its quantity. The suite of measures and indicators defined during the Keynesian consensus offer little guidance

as to how best to manage our core human, social and resource assets and even less on how to understand the future liabilities acquired by a resource and carbon intensive economy. We focus too much on the short term business cycle and not enough on long term structural issues. When Keynes said that we were all dead in the long run, he did not anticipate that the long run would get ever closer as the world reached 6.5 billion people.

This reframing will be necessary to create the basis for a new social bargain. It should be underpinned by meaningful measures of sustainable prosperity such as well-being, income stability, environmental quality and social mobility. It should focus on managing the real assets underpinning the future success of the European economy: intellectual and human capital, social cohesion, and the effective provision of global public goods.

Building intergenerational cooperation

Europe must build a new intergenerational contract between young and old. Today, we entrench defensiveness and disillusionment in young and old alike. For tomorrow, we must agree a fair sharing of future risks between the generations or we will fail to invest in a sustainable future.

The critical political fault line in the future will not be between insiders and outsiders in the labour market. Nor will it be between labour and capital. It will be between generations. A bargain in which younger people shoulder the fiscal burden of an aging society, but have less economic security, while the economically established face lower prices and higher returns on their investments, is no bargain. It cannot be sustained. Increasingly tight environmental constraints will need to be managed by a younger generation

which has not benefited from the era of cheap fuel and resources. Yet it is they who will bear the direct costs of climate change, resource depletion, water shortages and biodiversity loss.

Unless a new politics of Europe generates intergenerational cooperation then more young people will leave for low tax economies. Those that remain may well reject higher investment in the public goods needed to secure Europe's future security and prosperity; either to tackle climate change and energy security, or to invest in the political stability of Europe's neighbourhood. The intergenerational cooperation essential for social cohesion needs to be built now. This means there must be a fairer sharing of the burden of public investment between generations.

Just as we still benefit from public investment in civic infrastructure made over a century ago, today's young people must be able to benefit, as the 21st Century progresses, from wise investments we make now. The intergenerational dynamic must be reflected in how we make immediate decisions. Europe will soon undertake large reinvestment in basic energy infrastructure, including 50% of its current power stations.

This long-lived investment needs to be resilient against the global realities of 2030, not just the short term economic demands of today. A key principle of achieving sustainable development is replacing resources and capital with intelligence and design. Putting this into action would radically improve resource productivity in the European economy, alongside increasing labour productivity. Hedging against future climate and resource price risks will involve investing in flexibility and innovation, while avoiding rigid "mega-solutions": road pricing to reduce congestion not new

motorways; energy efficiency not new power stations; water efficiency not new dams; European innovation networks not new European industrial champions.

Advances in materials science, nanotechnology and biotechnology promise to offer many more radical improvements, but only if successfully harnessed to the public purpose. The convergence of cheap communications, computing power and mobile personal devices has generated a host of possibilities for changing how infrastructure is designed, used and paid for, but only a fraction of these opportunities have yet been exploited at scale.

These investments must be made today to provide a foundation for future prosperity and to enable a better intergenerational bargain.

Achieving energy security and climate security

Europe must develop a low carbon economy without waiting for others. These twin challenges must be seen as an opportunity to drive forward innovation and efficiency, not as constraints on our growth.

Europe cannot prosper in an unstable climate. Nor can it succeed without reliable and affordable access to energy services. This makes the transition to a global low carbon economy among the most important of Europe's strategic interests. Failure to achieve either goal will result in rising political tensions, economic disruption and conflict as competition for increasingly scarce resources dominates global relationships. Europe will not fare well in such a world of competing powers, and neither will the values which bind us together.

Europe has led the world in developing a coherent response

to these twin challenges, but it has failed to match the scale and urgency of the problem, and still does not see them as issues essential to European security and prosperity. Our words have often been more compelling than our deeds. Short term national interests still dominate energy policy and prevent effective coordinated action, despite the fact that no one European country can achieve energy and climate security unilaterally.

Moreover, energy and climate change policies are still dealt with separately, though both aim to influence investment in the same energy systems. For the European response to meet the scale of the challenge, energy and climate security must become part of the core of the new European project in the way that food security and the single market have defined the past.

Progress towards achieving energy and climate security should become the critical measure by which Europe's ability to generate political purpose is judged. Success will depend on the scale of Europe's ambition being sufficient to shift global politics and global markets. This will require real leadership and determination to build the alliances which preserve European security and prosperity.

Investing in a successful China

Europe must engage positively with China on the basis of mutual interests. We must not see our relationship with China simply as a fractious competition for contracts. Europe best defends its core economic and security interests by investing in China's development as a stable economy and society.

Too often China is presented as a threat to European prosperity whilst we simultaneously take advantage of cheap Chinese goods and compete vigorously to supply goods and

services into China. This masks the truth that Europe and China are increasingly economically interdependent. China's success is critical to managing the welfare of Europe's aging population. The economic dynamism of China will drive up European incomes and give far higher returns on European pensions than investments in developed countries.

Europe's energy and climate security also depend on the choices China is making. Europe needs China to keep growing. This inevitably means that China will increase its global energy footprint. The challenge for both Europe and China is to discover ways to work together on energy efficiency, the deployment of advanced coal technologies, the development of biofuels and ultra fuel efficient vehicles and the roll-out of renewables. Doing so would mean that neither of us is forced to make a false choice between energy security and climate security. Chinese demand for resources to supply its economy pushes up the price of those same resources in Europe. There is everything to be gained by a strategic effort to make both economies resource efficient.

China's success in managing these domestic and external stresses will determine whether it chooses a hard power route or a soft power route to ensure its security for the next stage of its emergence. At the moment it is keeping both options open. Europe needs a soft power China which helps expand and maintain an international rules-based system and which accepts international norms. That means a China that is successful and stable; above all a China that is achieving a transition to a much more efficient use of resources, thereby accelerating that transition for everyone else.

A European budget for the future

Europe must invest in the future instead of the past. The

most powerful tool in Europe's policy armoury is the budget. This must be focussed on addressing future threats though innovation and the building of an efficient, intelligent infrastructure.

The manner in which an organisation raises and spends its financial resources is a key test of its priorities. At present, the EU fails miserably. Europe will be unable to secure its security and prosperity unless it better aligns its resources with the challenges it faces.

The budget review in 2008 should make a major shift in resources away from maintaining food security and towards seeking climate and energy security. European structural programmes should focus on promoting intelligent infrastructure and climate proofing in the poorer member states, and to managing the risks to stability on European borders through the Neighbourhood Policy.

An intelligently-focussed EU budget should set the standard for member state public spending to pursue. It should be designed to open up new business opportunities and leverage private investment from around the world in the fields of clean energy, resource efficiency and intelligent infrastructure. The contribution such a budget would make to the attainment of Europe's goals would provide a concrete example of the benefits of cooperative EU action, creating positive public pressure for sustained investment.

7 Making those choices

For political choices to be made, they must be put to voters. Only marginal changes can be pursued without a popular mandate. Europe will be unable to make the scale of choices it needs to secure its future prosperity and stability, unless it can find a way of placing them before the European public.

In modern European democracies political choices are made by choosing parties on the basis of the programmes for government that they offer. It is rare for candidates who do not belong to a political party to get elected. Rarer still does anyone who is not a member of a political party get to hold government office. Thus the only political choices that voters can actually make are those that the political parties choose to put to them.

Europe's political parties are not what they once were. In Britain, at the end of the Second World War, about 6% of the population were members of one or other of the political parties. Today it is less than 2%, in France it is closer to 1%. Political party membership is now dwarfed by the membership of environmental or conservation organisations.

A similar picture has emerged across Europe since the nineties. In each of the long established democracies in Europe party membership is in freefall. These declines have seen the major political parties in Europe lose over a third of their membership in a decade. Many factors have contributed to this extraordinary hollowing out of representative democracy. With the end of the Cold War party identity has become more diffuse. The pressures on time of modern living have left people with far less time for active party membership.

Modern communications have blurred the boundary between news and entertainment, degrading the level of public discourse on politics.

These and other factors have disconnected the political parties from the base of society. Party leaders have thus lost both a source of accurate intelligence on the electorate's priorities and a powerful means of communicating with it. A smaller and more passive party membership has left the leadership more reliant on polling and focus groups to guide their priorities and the print and broadcast media to communicate their message. These structural changes in the machinery of democracy have institutionalised political appeals to short term populism and diminished both the desire and capability of the political parties to address strategic issues effectively.

There is little likelihood that the 21st Century will see a return to mass membership of the political parties. Nor will increasingly marginal traditional parties be able to offer European electorates the kind of political choices, outlined above, that will secure their long term prosperity and security. Political institutions are subject to an iron law of entropy. If they do not renew themselves, they decay.

The continuing decline of parties and the decaying public trust in political institutions has created a dangerous vacuum. If European citizens do not find new ways of supplementing the role of parties with new forms of engagement, their future security will depend on the political will of individual national leaders. This is a very uncertain base on which to build a sustainable future. Europe's history warns us against dependence on charismatic figures who offer easy sounding solutions to complex problems.

Renewing Europe's democracy is therefore an integral part

of meeting the challenges of the 21st Century. Despite their failings, political parties will remain the principal instrument for legitimising governments and their decisions. The discontents of contemporary democracy are not an argument for abandoning it. But they are an argument for looking for new and innovative ways to complement its strengths and compensate for some of its weaknesses.

The reinvigoration of democratic decision-making in Europe must proceed in ways that actively engages its citizens. New mechanisms must be embedded within the existing system of political decision-making in ways which enable choices to be made, strengthening legitimacy and accountability in the process.

The development of European institutions came at the price of public acceptance. Increasingly accomplished as an elite-driven and technocratic project, the process of European integration and enlargement generated tensions. In recent years, younger generations of citizens have increasingly sought new answers to the question of what Europe is for. The failure of the constitutional treaty is a watershed, for it demonstrates that the consent of Europe's citizens can no longer be assumed; it must be earned.

Investing in democratic innovation

In the light of the French and Dutch referendum decisions in 2005, and as part of the EU 'period of reflection', the European Commission's 'Plan D' (for Democracy, Dialogue and Debate) has created a major new opportunity to explore fresh ways of engaging European citizens with the outcomes that Europe must now achieve. 'Plan D' has provided funding for a range of deliberative experiments which span member state boundaries, bringing together citizens in innovative

processes. These experiments offer an initial insight into how public opinion on a European level can contribute to decision-making. But unless these techniques can be rooted into European institutions they run the risk of being seen as a means of promoting only the appearance of participation.

Serious thought must now be applied to working out how to embed the best of these new approaches into future EU decision-making. They have the potential to play a role which supplements that of political parties, helping to shape the context in which European institutions and decision-makers operate.

The EU should not just imitate its member states' democratic processes, pursuing a transnational "democracy-lite" approach. Instead it must open new ground in thinking about how transnational decision-making can engage with, and generate mandates from, its citizens.

Significant investment of financial resources and political capital will be required to make this a reality, and it is the European Parliament which is best placed to move this new agenda forward.

As a first step, the massive savings to be made by abandoning the monthly European Parliament commute between Brussels and Strasbourg should be invested in the development and application of the best of the deliberative and participatory processes currently being undertaken across Europe. If done in ways that embed these approaches in institutional processes, the return on this investment in terms of improved legitimacy and citizen engagement would be huge. The European Parliament itself would see its connection to citizens strengthened.

A democratic European budget

Yet the political challenge is deeper than simply facilitating improved citizen engagement in the traditional consultation mode. The context of European decision-making needs to reconnect to the changed circumstances wrought by global interdependence.

There is no greater demonstration of the seriousness of an institution than the way in which it raises and spends its money. The current EU budget fails on both counts – the different EU institutions are not directly accountable for how money is raised, nor have the outcomes of previous budget setting exercises actually reflected the priorities of citizens. All too often, budget setting has been an exercise in the defence of historical political trade-offs between the different vested interests of member states, rather than a division of resources according to the challenges facing Europe. The budget is truly a reflection of past political horse-trading, not future political priorities.

If this continued betrayal of citizens' interests is to be avoided, citizens themselves must be able to shape the political context of future EU budgets. The spending review due to be undertaken in 2008-09 should therefore incorporate a European-wide participative budgeting process.

This citizen input should begin during 2007 with a series of pan-European deliberative activities. These should identify citizen priorities for EU spending, providing policy makers with an initial indication of levels of public support for different EU actions. The European Commission should incorporate these views into its review of the EU budget and seek further deliberative input on specific citizen concerns.

Then, on the day of the elections to the European Parliament

in June 2009, all voters should be enabled to contribute their perspective on the budget review proposals by ranking their preferences for EU spending. This should be for issues which have direct financial impacts for their region and member state, and also for those policies related to the EU's role in the world. Results should be reported by electoral region and member state as well as a European average.

MEPs elected on that day should then take responsibility for engaging their constituents with the subsequent discussions in the EU institutions as to the future shape of the EU budget. Member state officials and political leaders will also have to justify their negotiating positions in the light of these citizen preferences. The European Parliament should act on behalf of citizens to ensure that Europe's budget review reflects their wishes and provides added value to European cooperation; serving in this role as facilitators between institutions and citizens in all future EU budget exercises.

Engaging European citizens directly in the budget review would be the most concrete and meaningful extension of citizen participation in European democracy. It would provide a real demonstration that European institutions are accountable to the views of citizens.

8 Conclusion

The message of this pamphlet is that if Europe cannot maintain the momentum of its evolution it will not be able to meet the needs of its citizens for security and prosperity in the 21st Century. What has been a virtuous circle of increasing success and capability will all too quickly become a vicious circle of failure and decline. We can see ourselves and our destiny in the mirror of an increasingly interdependent world and organise to play our full part in shaping its future. Alternatively, we can turn away from the challenges that the 21st century brings and enjoy the illusory comforts of nationalist populism.

But this is not inevitable. Europe has the economic resources, social cohesion and political alignment to lead the world in making the necessary transition to sustainable development, without which security and prosperity will be impossible.

Europe needs a modern prospectus for its citizens built around a clear vision of its place in the world. Europe must become a pathfinder for the global transition to sustainable development. This must be reflected in our policies; laws; in the way we raise and spend money; and, over time, in our notion of who we are as Europeans. We need to show how a modified European project of this kind can open new political ground in the debate about competitiveness, reform, and the European social model, and thereby address the immediate concerns of Europe's voters and taxpayers.

It is time for Europe to take control of its own destiny. This will require a very different set of political choices than those currently on offer. We must open up new democratic avenues for Europe's citizens to lead the way.



E3G

Europe is failing to make the political choices necessary to ensure the security and prosperity of its citizens in an interdependent world. It must cultivate a rejuvenated sense of purpose if it is to rise to the challenges of the coming years. The 'Europe in the World' pamphlet outlines how this might be done.

A new vision for Europe in the World

The biggest global problems that will dominate the 21st Century, from terrorism to climate change, from mass migrations to organised crime, cannot be solved by nations acting alone. They can only be tackled successfully by deploying exactly the soft power that Europe has built over the last half century.

Europe has the economic resources, social cohesion and political alignment to do this, but needs a modern prospectus for its citizens built around a clear vision of its place in the world. This should instil renewed confidence in Europe's citizens and employ Europe's unique assets in meeting the challenges of interdependence. This will require a very different set of political choices than those currently on offer.

The political choices we must now make will define Europe's future; its purpose; and its identity. The 'Europe in the World' pamphlet sets out five critical choices:

- Redefining success
- Building intergenerational cooperation
- Achieving energy security and climate security
- Investing in a successful China
- A European budget for the future.