

THE BROOKINGS INSTITUTION

THE CENTER ON THE UNITED STATES AND EUROPE
ANNUAL CONFERENCE

"EUROPE'S GLOBAL ROLE"

Wednesday, May 11, 2005

8:30 a.m. - 3:00 p.m.

The Falk Auditorium
1775 Massachusetts Avenue, N.W.
Washington, D.C.

[TRANSCRIPT PREPARED FROM A TAPE RECORDING.]

MILLER REPORTING CO., INC.
735 8th STREET, S.E.
WASHINGTON, D.C. 20003-2802
(202) 546-6666

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P R O C E E D I N G S

MR. GORDON: Thank you all very much, and good morning. I'm Phil Gordon, Director of the Center on the United States and Europe here at Brookings. It's a great pleasure to welcome you all here this morning for this year's annual conference. We have a really great program and great set of participants, not least those of you in the auditorium.

Let me just say one word about the context and the agenda before we open it up with the first panel this morning. It's always true that there are interesting things going on in Europe and in transatlantic relations, so that any time would be good for a conference like this. But I have to say I think the timing of this year's conference is particularly interesting in a number of ways, but just to mention a couple of them.

First of all, since President Bush's election, he has already been to Europe twice. It was his first foreign trip of the second term, and that first trip seemed to be an effort to emphasize a new desire to reach out, to put the Iraq conflict behind us, and to restart the transatlantic dialogue, and it was fairly successful, it seems to me.

The second trip from which the President and his team just returned last night was a little bit more tricky. It was designed to celebrate the common victory with the Soviet Union/Russia in World War II, but it got caught up in some difficulties of the President trying on one hand to stress the freedom, democracy and independence of some smaller countries like Latvia

and Georgia, and at the same time trying to strengthen the relationship with Russia, and, indeed, that turned out to be tricky, and it's something that our second panel today in particular I'm sure will want to address.

On top of that set of transatlantic challenges, we have the internal questions going on in Europe, and, again, the timing here couldn't be more interesting. We have a draft E.U. Constitution that is up in the air, to say the least. On May 28th the French will vote. Yesterday's polls say that it's fifty-fifty. A few days after that, the Dutch will vote, and today's polls I saw said actually 54 percent against in the Netherlands, so it's not just the French. Then of course, in the fall, Denmark, Poland, Portugal, and then the U.K. after that.

So this huge set of internal questions raising questions about the future of European integration and also the degree to which the United States should support European integration, and that's another set of topics that I think this first panel and all of our panels will address.

On top of all of that, we have the global agenda, which is to say, there seems to be at least in the short-term a transatlantic truce on some of these big questions like Iraq, the E.U.-China arms embargo, Iran, Israel, Palestine, for now it looks okay, but one has the sense that right around the corner could be some difficulties that will test the proposition that transatlantic relations are getting to be in better shape.

So all of that is to say I think it's an excellent time to talk about some of these issues, and we have really terrific panels to do so. The first

which I'll introduce in a moment is called Britain Between America and the E.U., and the idea there was to get at this age-old question of how Britain juggles its atlanticism with its Europeanism, but the fact that the British just had an election and are debating the constitution, I think, and one of the looming issues in that election was relations with the United States, the Iraq war I think adds particular interest to the panel that I will introduce in a moment.

The second panel is called Where Does Europe End. The original idea there is actually something that we have a research project on for next year, how does the E.U. now that the countries to its east are becoming more and more anxious to get in, Ukraine after the revolution, the Caucasus, Turkey, the Balkans, how does the E.U. and NATO grapple with this issue that there are so many people knocking on the door when it's facing all it's challenges? That's something we're looking at, and that is the focus of the second panel which, again, is a really terrific group of people that Strobe Talbott will introduce at 11 o'clock.

I said that that was what it was designed to address, and it will. It seems to me with the looming constitutional challenge, inevitably they will also talk a lot about the internal questions in Europe. One of us said that instead of where does Europe end, the panel should be called, when does Europe end, and the answer might be on May 29th or June 1st. We'll see if the panelists are that pessimistic, but at least the question needs to be addressed.

Then finally, on the global challenges, we're delighted to have two top policy officials this afternoon, Under Secretary of State for Policy Nick Burns who was our Ambassador to NATO recently, and the French Ambassador Jean-David Levitte who was also France's U.N. Ambassador and a diplomatic adviser to Jacques Chirac. So that's the day ahead of us, so I think it should be very stimulating and fun.

Let me before turning to the first panel thank some of those who made this possible, the German Marshall Fund, the DaimlerChrysler Corporation, the Gould Foundation, the Luso American Foundation and the U.S.-Italy Council are among those who have supported our work in general and made this conference possible, and all of those corporations do a lot to promote the transatlantic dialogue that we look forward to having here today.

A final word which is just one of publicity, the transcript of this conference will eventually find its way onto our website which is also a place that you can find a lot of other analyses and work that we're doing, and it's also the place where you can sign up to receive the analyses and information about what we're doing. So if you want us to inflict upon you our writing and other work, sign up for that and we would be happy to do it.

With that, let me introduce the first panel, and then I will sit down among them and I think they can just stay in their seats so that we can have a friendly, informal conversation. But just to tell you who they are, I

think you already know them, and they're all in fact old friends and colleagues of mine.

Gerard Baker will begin. He's the U.S. editor of The Times and a regular columnist on U.S. affairs, British affairs and global affairs. He has been in America for 8 years now, previously with The Financial Times, and he also writes regularly as a contributing editor for The Weekly Standard.

Charles Grant is the Director of the Centre for European Reform in London, really one of Europe's top think tanks. The CER covers a whole range of things, but it's particularly focused on the European Union. It really is the best place for analysis of what's going on in Europe and the E.U.

Charles himself just wrote a really good pamphlet on what if Britain says no, analyzing all the possible outcome of that, and I hope we can entice him to talk about that. It's also in Foreign Affairs, this issue.

Then finally, Anatol Lieven who is a Senior Associate next door at the Carnegie Endowment for International Peace. Anatol has done a million different things. We were colleagues at the IISS in London a number of years ago. He is an expert on the former Soviet Union, South Asia, but also Britain and the U.S., and his latest book is about the United States, America Right or Wrong, I believe it's called, An Anatomy of American Nationalism.

As you can see, this is a great group. There is a great group in the hall. We'll do it informally, and I'll ask Gerry, if he would, to kick it off.

MR. BAKER: Thanks very much indeed, Phil, and thank you very much to Brookings for inviting me here and letting me share my views with you, and thank you all for coming.

I've just got back as it happens, I just back on Sunday night, from spending the last 3 weeks in Britain covering the British general election. I spent a little bit of time with the Prime Minister as he still currently is at this moment, Tony Blair, and I spent rather more time, actual;y, with the Prime Minister as he will very soon be, I think as I'll point out, Gordon Brown, the current Chancellor of the Exchequer. And as well, I traveled a little bit around the country trying to get a sense of how Britain was developing particularly on these issues that we're talking about this morning, Britain's relationship with the E.U., and Britain's relationship with the United States.

So what I'm going to do in my brief remarks is try and do things. One, offer a very quick interpretation of the election results because I think it was a fascinating election and not easily fathomable in terms of actually what its implications are.

Secondly, I think what happens, because I think they do usher in a period in which there will be some quite substantial change in Britain both in terms of the personnel, and I'm fairly certain in terms of policy over the next 2 or 3 years. And then ask a little bit longer-term about where this leaves Britain in its relations with the United States and with the European Union, where it

leaves Britain in relation to the argument about European integration and about the transatlantic relationship.

Just on the election, the spin, if you like, from the Labour Party from Tony Blair in particular was that this an historic victory for Labour. It was, indeed, the first time that Labour has ever one three general elections in a row. It is only the second time in the last 175 years that a Prime Minister has been elected for three full terms with a solid majority in the House of Commons. It is a remarkably long way from where Labour were 20 years ago when people thought that the Labour Party was more or less finished. So it would be curmudgeonly I think to dismiss this as an irrelevance. It is clearly an important and extraordinary in historic terms election for Tony Blair, and a very successful one.

But I really do think that that would be to miss the point of the election, quite frankly. It is true that Tony Blair got back with a majority of 66 in the House of Commons, but the statistics of failure for Labour are rather more striking than the statistics of success. Labour got back with 35 percent of the U.K. vote, 36 of the vote in Great Britain. As you know, Northern Ireland votes for a separate set of parties, so it was 35 percent in the U.K., 32 percent for the Conservatives, 22 percent to the third party, the Liberal Democrats.

That is the lowest share of the vote by any winning party in an election in Britain since the 1832 Reform Act introduced a period in which we moved after the towards Universal Suffrage. In the democratic era, that is the

lowest proportion of the vote that any governing party has ever had. It was, therefore, extraordinary. Because of the distortions in the electoral system, Labour was able to translate that into a sizable majority in the House of Commons. But in terms of any kind of popular mandate or popular support for the Prime Minister and for the Labour Party, it really wasn't there. As I say, that statistical failure was more striking than the statistics of success.

Having spent a little time in the U.K., as I say, the last 3 weeks, let me tell you what I think was the reason for that. I have to say this, I went there not absolutely clear to what extent on what issues the election would turn, but I came away surprised by the extent of hostility to the Prime Minister himself. I don't think I can ever recall, and I've covered elections in Britain certainly for the last 25 years, an election in which the Prime Minister was so widely despised, widely distrusted, widely disliked. It was quite remarkable. Margaret Thatcher who was a polarizing figure never, ever I think had to face the kind of sullen hostility that the British electorate showed towards Tony Blair.

Blair's success over the last 10 years, and I speak personally as one who has admired him enormously and what he's done to the Labour Party and for the country in the last 15 years, Blair has always been despised by the left who regard him essentially as an unreconstructed conservative, and he's been despised by the right because he's been so successful at turning the Labour Party into the party of government.

But his great success was that the great middle ground of British public opinion admired him, liked him, thought he was one of them, thought he was on their side. It was very striking in this election that he was despised more than ever by the left of his party, he was despised more than ever by the right in the Conservative Party, and he's despised by the great middle ground of the British people.

[Laughter.]

MR. GORDON: Other than that, he's doing okay.

MR. BAKER: Yes, exactly. I'm afraid to say, again, as someone who believes that Tony Blair did an extraordinarily brave thing in supporting the United States in Iraq, but there is no question that the principal reason for this is because of what he did on Iraq. He is believed by the British people genuinely to have lied about the threat from weapons of mass destruction that has taken Britain into that war on the basis of a deceit, and that he is, therefore, simply untrustworthy.

One of the most striking things about Tony Blair is when he was elected in 1997, his great strength was, and he used to say this, that the British people may not agree with me, but at least they know that I'm a kind of straight-talking kind of guy, and it is literally true that he cannot say that now without producing guffaws of laughter and derision. He is not regarded as straight, he is regarded, unfortunately, as deceptive. Again, as I say, personally, I think it's wrong. I think it's a misreading of what he did, but I

don't think there's any question that for the British people there was not a vote of confidence in Tony Blair, it was a sort of sullen and hostile vote for all kinds of other parties with the Labour Party getting a relatively low share of the vote as it turns out.

I think there is no question what this means. I think Tony Blair will be gone in a relatively short period of time. This brings me on to the second point, what happens next? This is where I think the question of the relationship particularly with the E.U. comes into play quite strongly.

The E.U. didn't figure very much at all in the British campaign for obvious reasons. The government had done a very effective job essentially of taking it off the agenda by having promised a referendum on the European Constitution which is expected to take place sometime in the first half of next year, and also, of course, having promised the referendum, should that ever come about, on the euro. Although I have to say, again, opinion on the euro certainly has hardened so much in Britain that even Tony Blair himself who is an enthusiastic proponent of the euro was forced to say in the middle of the campaign that Britain's membership with the euro is unlikely in the foreseeable future, and certainly very unlikely in the next Parliament. So you can get a sense, I think, of the British mood towards Europe, particularly on the economic front towards the euro from that.

Europe is crucial to Blair's future now because Blair is committed, as I say, to holding this referendum on the constitution sometime in the first half of next year. It's expected, if it happens, to be in about a year's time.

The problem is, of course, as I said, Blair is very unpopular at the moment. It would be extremely difficult for him even in the best of circumstances, even if the country were enthusiastically committed to towards European integration and in which there was enthusiasm for the European Union, it would be extremely difficult for Tony Blair to win that referendum in a year's time because so many people will vote in that referendum knowing that this will be their chance to kick Tony Blair out of office once and for all. That's clear what is already being said in Britain, If you really don't like Tony Blair, this will finish off his long-standing goal and ambition of putting Britain at the heart of Europe, this would be the perfect way to do it whether you were inclined to vote yes or no on the referendum anyway. It's very, very hard to imagine how Tony Blair can take his party and take the country into a referendum in a year's time and win it.

Bizarrely, and we're in this wonderful irony at the moment where I think on Downing Street, prayers are being offered up daily that the French will reject the European Constitution on May 29th so that Blair doesn't actually have to confront this terrible--the argument in Britain is that if the French reject it, and I think it's a fairly persuasive one, the European Constitution

simply then fails and we have to start again and that Blair's previous promise to hold a referendum is null and void, it doesn't have to happen.

I'll be very interested to hear people's views here. My sense is that, although as Phil said, the vote suggests it's fifty-fifty in France, I think now the planning in London is that it will go through in France and that Britain at some point in the first half of next year will be confronted with having to hold this referendum.

Where does that leave Tony Blair? The intriguing thing is that, as I say, most of the Labour Party I think now, certainly a sizable minority in the Labour Party, would move to get rid of Tony Blair in the next 6 months if they could.

However, of course, the prospect of having a referendum on Europe makes that almost impossible because Tony Blair's successor who will be Gordon Brown, the current Chancellor, the finance minister, is in absolutely no mood to take over the country, to take over his party and lead the country straight into a referendum which most people believe at this point would be lost. The last thing Gordon Brown wants to do is to lead a campaign into a E.U. referendum. Or let me put it another way, the first thing Gordon Brown does not want to do is to lead Britain into a referendum campaign.

So this makes this whole issue of Britain and Europe central to Blair's survival and the length of time that he survives. Currently, the expectation, therefore, would be that Blair will stay on this rather tragic kind

of Captain Ahab role leading the country and leading his party to what looks, as I say, like almost certain defeat in the referendum next year which will be the occasion of his departure. As I say, having conducted that referendum and leading the government into that, it wouldn't be possible for him to stay, so that will be the natural time for him to go.

Of course, there are all kinds of possibilities, and we will maybe go into some of this, where that may not happen and it's not impossible I think that Britain will vote yes in the referendum, although I'd say at this point it seems extremely unlikely, the hostility that one picks up in Britain towards Europe as well, I'd have to say, towards the United States is quite palpable.

Just on passing on that, I do think one of the most powerful forces in the British election we've seen, and, again, I say this with some regret, was a very powerful antforeigner sentiment in Britain at the moment. It was reflected in all of the debates about immigration. There's real concern about the implications of immigration for the British economy. Although the British economy, as we know, has been the most successful in Western Europe now for some time, there is real nervousness about the influx of immigrants and what it means for people's jobs. There's real anger and irritation about the number of people who have applied for political asylum in Britain and have been denied political asylum and then simply gone missing. These may number in the hundreds of thousands.

There is quite palpable sense of, xenophobia would be too strong, but certainly a sense that Britishness is being undermined, that the country is being undermined by the foreigners, and whether it's European bureaucrats in Brussels, whether it's the other countries of the European Union and their plans for the constitution, whether it's immigrants to some extent from Eastern Europe or from countries where they are coming to Britain to seek political asylum, or whether it's a right-wing American President who's taken the country into a war that the country doesn't support, there is a strong sense, I think, of the British island spirit coming out in a sense of siege to some extent, and I do think that was reflected to some extent in the election results.

Let me just quickly move on to, because I'm running out of time, the longer-term implications I think of the election, and the most important is the role of Gordon Brown. I do think this is absolutely central. What kind of Prime Minister will Gordon Brown be? What will he do for relations between the United States and Britain and for relations with the European Union?

I spent a lot of time with Gordon Brown, as I said, on the campaign and I had some very interesting conversations with him. I think it's fair to say that he's a fascinating character, Gordon Brown. He's clearly very well read. He's very much an intellectual which is quite rare in British politics.

[Laughter.]

MR. BAKER: He's a man who is seriously interested in ideas and has written widely and actually speaks well. And one of the more interesting

things he did during the campaign which was not picked at all in the inevitable attention that was given to Iraq and to immigration and those other issues, was he gave a very interesting speech about Britishness and what it means to be British in the modern world.

Brown is fascinating because on the one hand he is regarded by the left of his party as much in tune with the old-fashioned Labour Party, the tax and spend Labour Party, the left party which actually in the end nearly finished Labour off in the 1980s and early 1990s. He is regarded as being more of an old-fashioned socialist. I think that's wrong, actually. I think that's quite wrong. He was actually with Tony Blair very much the co-founders of New Labour and the repositioning of Labour towards the center in British politics. But the left certainly regards him as their champion and their hero and that much more attractive Prime Minister in Gordon Brown is about to take over from their point of view than Tony Blair.

I think, however, this poses Brown a particularly interesting set of problems. I think he, I wouldn't say instinctively because I don't think he's an instinctive politician, but I think he is intellectually deeply euroskeptic. I had a long conversation with him, and his speech on Britishness was fascinating in this respect. He has been Chancellor of the Exchequer for 8 years in Britain. He has presided over obviously what has been a very successful economy relative to the rest of Europe. And he has become really convinced, and you talk to him at length and you read his speeches, that the reason for this success

is Britain's Anglo-Saxon model, that a broadly liberal economic approach, deregulated markets, flexible labor markets, have created in Britain a remarkable economic success. Again, I wouldn't want to overstate it, but relative to what's been going on in Europe, that's true.

Brown, I think who started off probably being more favorably inclined towards Europe, seeing the social market dimension, the social market model, if you like, rather, in some ways in line with what he was trying to get the Labour Party to do, I think Brown has moved significantly in the last 8 years towards a position in which he regards the European model as essentially a dysfunctional one.

He gave this very interesting speech in which he talks a lot about the challenges of globalization, how Britain and the rest of the world deal with the emerging power of China and India in the world, and he said very clearly only those countries that have deregulated, that have followed flexible markets like Britain and the United States are going to be in a position to meet that challenge, and he said very explicitly Europe on its current track without any serious sign of real radical reform is not showing any signs of being able to do that.

So I think Brown is intellectually very skeptical about the way Europe has developed economically. He is very hostile to the euro. We know that. He doesn't like the way the euro works. He doesn't like the way the ECB works.

I think he's likely to be a much more euroskeptic Prime Minister than Tony Blair clearly has been. The big question mark about Brown in the minds of the British public is whether or not he, as I say, is an old-fashioned Labourite, whether it's on the left, and I think that will put an additional pressure on him to move away from Europe. If Brown suddenly decides that he's in favor of the euro and in favor of further European integration in the European Social Market, it would be easy for his opponents in the center who will be fighting for the center ground in British politics to say this is the old-fashioned socialist, the one who wants to turn Britain into the sort of economy you have in Europe where unemployment is 12 and 13 percent and that doesn't work, we don't want that. So Brown will be under, I think, to avoid that very much.

As far as relationships with the United States are concerned, they're obviously going to be difficult. There is, as I say, a deep hostility to what the United States did in Iraq and to Britain's support for it. I don't see that going away any time soon, and I certainly don't see any Prime Minister in Britain being able to support the United States in any sort of aggressive diplomatic or even conceivably military stance with regard to any other issues in the world at the moment.

However, I do think, again, there is an irony there. I think for Blair, that is literally impossible. Blair simply is so distrusted by the British public that it would be impossible for him to go to the British people and say

we need to support the United States over Iran or over North Korea. I think people would say, no, we're not going to do that. We've been down that route before. We don't want to do it.

Ironically, I think Gordon Brown with a fresh mandate, a new Prime Minister not tainted by the Iraq war, would actually find it a lot easier to establish quite quickly quite good relations with the United States. Again, I wouldn't go so far as to say he would be able to take Britain into that kind of aggressive action, but I do think this goes against the grain of thinking at the moment because, as I say, Brown is seen as a more traditional Labourite, that Brown would be much more capable of doing that. Brown is also, as well as being euroskeptic, a profound enthusiast for the United States and for its economic model and for its system generally.

Just to sum up, Blair is finished. The election finished him off. The only question is how quickly he goes, whether it's sometime after a French no vote, should that happen, or whether it is straight after a British vote in the referendum next year. He will be replaced by Brown. The British people I think, as I say, are in a rather surly mood, a rather antiforeigner mood, and Brown I suspect both instinctively and intellectually and by political pressures is likely to be pushed into a more euroskeptic but certainly not necessary very atlanticist, but certainly a euroskeptic approach when he becomes Prime Minister.

MR. GORDON: Gerry, thanks. That was terrific. I should have warned you that Gerry tends to pull his punches at these events, and we'll try to get him to speak a bit more frankly in the next round.

[Laughter.]

MR. GORDON: That was terrific. We want to come back to all of those issues, but maybe now we can turn to Charles for his take on these.

MR. GRANT: Thanks. I generally disagree with everything Gerry says about Europe, but on British politics and his analysis of the situation here, I agree with a lot of it. I think it's not certain that Blair is finished. If the French vote no, then I think Blair could go on for another couple of years. It's hard to differentiate between the kind of media froth and what's going on in reality.

The unusual position in Britain is that during the election campaign and now the right-wing press attacked Blair viciously saying he's a liar because he's Labour, and the left-wing press attacked Blair viciously and says he's a liar because of Iraq. So there was a lot of hostility during the election to him and it's continuing now, but people outside Britain really don't, I think, appreciate how powerfully influential the press are. But he may ride this out and people may get bored of calling him a liar, and he could go on for a while if the French vote no.

If the French vote yes, there will be a referendum in Britain in a year's time, and I agree with Gerry, it's likely though not certain that the British will vote down the constitution.

I want to discuss Britain's position between America and Europe. You actually have to look a little bit at the European Union, so I want to start off my remarks by saying a big about how Europe is changing.

One of the clear trends if you take a bird's eye view of Europe in the last few years is the decline of France and Germany's influence even before enlargement happened a year ago. One example of this decline of this influence is who is the President of the European Commission? Chirac and Schroder wanted Guy Verhofstadt, the Belgian. It's not Guy Verhofstadt, it's Borroso who is an atlanticist whose speeches sound like they'd been written on 10 Downing Street.

Another example. The arms embargo on China, I don't want to get into the detail of that, though I have just written a pamphlet on that subject, but France and Germany wanted to lift the arms embargo and it hasn't lifted and it's not going to be lifted, at least not unless China gives something to the E.U. of significance as a kind of quid pro quo.

In the negotiations on the constitution, a lot of the French priorities such as qualified majority voting on tax so they could move towards tax harmonization, cooperation on justice and home affairs such as establishing

a European public prosecutor. A lot of these ideas were defeated, so France no longer does dominate Europe.

Of course, the thing that has really changed that though not exclusively is enlargement. We've had it for a year now and we're seeing the influence on the European economy. Flat taxes, I'm not going to express my envy on that, but the idea of flat taxes originated in the Baltic countries, a single rate of tax for all incomes and perhaps corporate profits, too, it's now spread to Slovakia, it probably will Poland. It spread to Austria, and now the Germans are having to reduce their corporation taxes. That's just one example of the impact of enlargement. This is all, of course, a nightmare for the French who like to have high corporate taxes.

If you look at foreign policy towards Russia, as the Russian Ambassador or Chargé d'Affaires to the E.U. said to me last week, it's outrageous the Latvians running your European Union foreign policy towards Russia. European foreign policy towards Russia has gotten stronger and tougher, quite against the wishes of Schroder and Chirac. Economically, the Anglo-Saxon social model is now seen to be the dominant model in Europe, and the French model is seen to be a failed model.

So what I'm saying is that the British have actually under Blair's leadership become much more influential. Unfortunately for the Brits, Iraq messed up a lot of that. It wasn't just an old Europe, so-called, that people thought Britain was too sycophantically supportive of Bush, it was in many

countries in Europe, probably the majority of countries. Blair did lose influence because he was seen to be too much the creature of the Americans and he did lose some ground.

I think he's gained a bit of it back since because of the continuing success of the British economy and because of, as I said, the impact of enlargement and countries coming into the E.U. who share Britain's broadly atlanticist view of where E.U. foreign policy should be. So I think overall Britain is pretty influential despite Iraq.

Speaking as a patriotic Brit who thinks that Britain should be influential in Europe, I have to say that the bad news to me is that this European Constitution business is going to really destroy Britain's position of strength within the European Union, I believe.

What happens if Britain votes no? Let's just assume for the sake of argument that the French, the Dutch and other people vote yes which is probably more likely than not, though I agree far from certain. Let's make that assumption. I think one option that's not plausible is no change, the other 24 saying let's just live with the Nice Treaty. It wasn't so bad. We'll just chug along with that. I don't think that's likely because other people don't like the Nice Treaty, they think it's a bad treaty, and they want something better and they've worked hard on this constitution and they're going to try and save some of the forward momentum of the constitution.

I don't think there will be a renegotiation of the existing constitution. It's a very finely balanced compromise and you don't want to reopen Pandora's Box. And I don't think there will be a second referendum in Britain. If the British vote no unless it's very narrow, you can't really give them a package of the constitution with opt outs because there's to opt out of as the Danes could out of bits of the Maastricht Treaty because there's no new significant policy areas in this except in justice and home affairs where the E.U. does give new powers, but Britain is actually allowed to opt out of just about everything that the E.U. does in that area. So you can't really have a second go.

What will happen? I think there are three interesting possibilities. They may try and kick the Brits out. There are certainly people in several European countries who are talking about this, who are planning for this. There is a legal mechanism available potentially if the other 24 countries withdraw from treaties, renounce the E.U. treaties, create a new E.U. treaty without the Brits. It could be done legally, but it would require every other member state to go along with this, and the Brits do have some friends. The Estonians love us, the Danes quite like us, and the Poles on a good day support us, and I don't think there would be a consensus among the other 24. Even the Irish possibly like us some of the time, John, but I don't think there would be a consensus amongst the 24 to kick us out.

A second possibility is Core Europe. Certainly, Chirac does muse about this possibility of setting up a new inner sanctum for the E.U. for the true believers of integration. People close to Chancellor Schroder claim that they have blueprints for a Core Europe; not inconceivable, but very difficult politically because it would divide Europe, difficult legally because the things that the Core did could clash with E.U. law. It would be difficult institutionally. How would the E.U. institutions function? How would they mesh with the Core? So I think it's not that plausible, but I wouldn't rule it out.

What I think is likely is what I call in my little pamphlet *What Happens if Britain Votes No?* is what I call a messy core. That is that the integrationist countries would move forward in certain areas. They'd use enhanced corporation provisions of the treaties to go forward in certain policy areas, perhaps tax harmonization, a European public prosecutor, a European border guard. They would do other sorts of avant garde groups outside of the treaties. Remember, the Schengen agreement to establish a passport free zone was initially established as an intergovernmental arrangement outside the treaties. There would be a series of avant garde groups going forward. The countries which were in all these groups would over time merge as the de facto core. As the leadership group, they would have their own dinners, perhaps their own secretariat, they will coordinate their positions, there would be a caucus at the heart of the E.U., so it would be a kind of Core Europe, but what I

call a messy core whether than a new, pristine organization established as a kind of rival to the E.U.

What are the strategic consequences of all this for the United States? I think there are two sets of consequences which the U.S. should worry about.

Firstly, whether it's the messy core or whether the Brits kicked out or a hard core or whatever, it's going to be chaotic and confusing. The European political classes will be obsessed with their own navels, with institutions and constitutions, and I think this will be truly tragic because there are so many really important things the E.U. has to be doing and should be doing right now.

On the economic side, making priority of the Lisbon Economic Reform Process. On the foreign policy side, working out a coherent strategy on Russia and China and Arab reform, for example. There are all sorts of challenges out there which the E.U. will need to think about, and it will take its eye off the ball if it's worried about how to save the constitution or do something else.

The second consequence there is enlargement. It's not impossible that the E.U. could start negotiations with Turkey on October 3 if the French vote no. It's not impossible, but overall, the cause of enlargement would be very seriously hit because you can't really have countries negotiating to join the E.U. if the E.U. doesn't know what its own rules are. It would certainly

delay enlargement, I believe, which is bad news for the Turks, the Croats. The whole Western Balkans could be destabilized if you take away the carrot of enlargement. And it's bad news for Ukraine and others such as who knows in the future in the mold of Belarus or the Caucasus, others who perhaps don't want to join the E.U. but at least want to get closer to it.

If I'm right about the core, and there is a kind of Core Europe, this is particularly bad for the U.S. because the core would be led by France and Germany. They would have their own foreign policy which would be a relatively anti-American foreign policy, relatively, and you'd have a periphery with Britain and Poland in it which would be a much more atlanticist foreign policy. Essentially, this would greatly weaken E.U. foreign policy. It would probably keep Rumsfeld and Gerry happy, but I actually believe that the U.S. needs a stronger European foreign policy because there are a whole lot of really serious challenges out there and unless you have a more vigorous, active, capable E.U., it's going to be harder for the U.S. to sort those out.

Economically, again, it's damaging if the Core of Europe is run by countries with slow growth and high unemployment. That's not good. And of course, British influence is much, much weaker. If the Core Europe is the leadership group, Britain is on the margins and America's best friend in Europe will be much less able to influence what's going on there.

So I think we wouldn't be able to get a balanced transatlantic relationship, and I believe we need a more balanced transatlantic relationship, to have a successful transatlantic relationship.

My last question to answer Phil's question, where should Britain stand between Europe and America, I think the British foreign policy has to be less uncritical of the U.S. It's fine for the British to be atlanticist. That's what we expect of them. But if they are as uncritical as they have been in recent years, they lose credibility in Europe and they become less influential in Europe.

Equally, the French have to be less instinctively critical of the Americans than they are. And if only the French and the British could kind of find a middle way whereby they were in favor of an E.U. foreign policy that was independent and autonomous and was normally supported and friendly to the U.S. but some of the time was capable of opposing the U.S. when the Europeans really think at the U.S. gets things wrong, if only the British and French could find a middle way, they would find everybody else in Europe very, very happy to follow them, the Germans, the Italians, the East Europeans and all the others.

I think that unless we get that kind of middle way, we won't easily get a stronger E.U. foreign policy, and that's actually quite bad for the U.S.

MR. GORDON: Thank you, Charles. That was another great contribution. Anatol?

MR. LIEVEN: Thank you so much. I must say it's nice to be on a panel in Washington where there's actually a reason for all the participants to be British.

[Laughter.]

MR. LIEVEN: I seem to have achieved the remarkable feat of agreeing very largely with both Charles and Gerry. That's something which is really not easy to do.

On the sentiments of the majority of the British people towards the whole question of what ought to be Britain's predominant international alliance, it's often said that the British are very confused and ambiguous on this subject. I'm not sure that this is actually true in their hearts. I think the Brits have a very clear emotional idea of what Britain's international alliance should be in an ideal world. It's called the British Empire. The only problem is, of course, that it's no longer what you might call a rational proposition.

But in many ways, and Gerry hinted at this, the competition between the E.U. and America within Britain is in some ways less a competition between which is the more attractive force, and more a competition between which alliance the British dislike more.

There is deep concern which really spreads across the conservatives, but many Labour people as well, over Europe, questions of the loss of sovereignty, the loss of identity, rational questions very often as with Gordon Brown as Gerry has said, with regard to British economic policy, the

fact that Britain has done very well compared to Western Europe in recent years, the fear that will certainly not be the case if the British system becomes more like the European.

And then more irrational fears that by joining Europe by joining one space it will be easier for non-Europeans to move into Britain, wider fears of a loss of identity, fears over immigration which, of course, curiously enough, are shared throughout Western Europe. So the anti-European sentiment is pretty widespread and that is reflected in many opinion polls.

On the other hand, clearly, as a result of the Bush administration and especially the Iraq war, sentiments in Britain which used to be not entirely but very largely confined to the old left and a few minority sentiments within Britain, have become much more widespread. And this is not just concerns about American policies and feelings of deeper differences concerning political and economic culture to which I'll return, but also a feeling of profound affronts to British national pride, the feeling that Britain went a very long way in sacrificing its own interests to support the Bush administration and America over Iraq and basically has not got anything significant in return, the feeling that as many people say, this is the position of a vassal and not actually of an ally. So this question of British national pride, of British nationalism, if you like, cuts both ways.

When it comes to Gordon Brown as Gerry has said, is a very interesting figure. I think he is a more ambiguous one, however, than Gerry

has made out, and ambiguous in a very British way, because on the one hand it's quite true, he is deeply skeptical of what you might call the West European or at least the French and the German economic model. He is roundly convinced not just that the British model, his model as he no doubt sees it, in recent years has been much more successful, but also that its success depends not on Britain being completely out of Europe, certainly not, but certainly on Britain being economically much more autonomous from Europe than the European Constitution or the dreams of much greater European integration would allow.

That is tremendously important. Its importance cannot be exaggerated when it comes to the skepticism not just of the British masses, but even the British economic elites with regard to Europe, something which makes them very, very different from the French and the Germans and many other West European elites as well. In this sense, you don't see the elite masses clash that you do in so much of Western Europe.

On the other hand, if you look at Blair's social and economic and, indeed, political philosophy, his idea of the state and society, it is radically different from that of the Bush administration.

MR. GORDON: Brown. Brown.

MR. LIEVEN: Brown. I'm sorry. Brown, yes. I basically just got off the plane. Forgive me if I stumble.

It is radically different. It's radically different when it comes to issues of redistributism, for example. It's certainly prepared to support much higher rates of taxation with that in mind.

Brown does have a very interesting philosophy, but it is one in which the free market does in the end work for the sake of certain ideas of social solidarity and redistribution. Nothing like, of course, the old Labour state-ownership model, but equally very different from dominant sentiments in the Republican Party today.

If you look at the British electorate and how they voted in these elections, it's also true of the electorate as a whole I believe that they support a range of policies when it comes to redistribution, the environment, which are very different from those of the Republican Party and even to a great extent the Democrats as well. And this, of course, has become a very important factor under Bush because it's been strengthened by other issues as well which suggest or at least seem to suggest deep differences in political culture and culture more widely, the role of religion being a very important one, the far greater strength of conservative religion in the United States than in Britain, for example, but then the whole range of other things as well, attitudes to the death penalty, wider attitudes to international law, once again weaker in Britain than in Western Europe, but certainly stronger than in the United States.

So from that point of view, it does seem to me that Britain will indeed go on, as so often has been said, being somewhere between the West

Europeans at least and the United States, but, yes, with many opportunities within Europe for Britain to exercise its own form of influence and leadership.

But I very much doubt that in future given the results of these elections that Britain will be able to do anything to support the U.S. if the U.S. takes a very radical line as it did over Iraq, for example. In a more limited way, Britain will be able to help the U.S. as it has done, for example, over the whole Iranian nuclear program, but, frankly, only if the United States allows it to do so, and over Iran there is a real question.

On the Middle East more widely, the perception that Britain's interests and views have not been really taken into account by the U.S. has gone down a bit thanks to the new Bush support for Israeli-Palestinian peace, but is in very serious danger of once again being radically undermined if in fact the Bush administration, and still more the U.S. Congress, do not in fact continue to push strongly both sides in the Palestinian-Israeli dispute for a concrete set of goals when it comes to peace.

This is just about Britain, but something to keep in mind because it could change in future and if it did it might have a very serious effect on the British-American relationship, is British's electoral system. Gerry alluded to the fact that the government had the lowest majority in public opinion since 1832. It's also true that since 1832 the British electoral system has improved, but not by that much some of us would say.

It is pretty striking that the Labour Party could win only 36 percent of the votes and yet have what is still a very substantial overall majority of seats. It's even more striking that the conservatives could go up in the popular vote barely at all by a fraction of a percentage point and yet should win dozens of more seats, and, of course, it's striking that the liberals should have 23 percent of the popular vote, but less than half that when it comes to seats in Parliament.

If we had a P.R. system, we would long ago have had a Labour-Liberal coalition running the country with a very different set of attitudes and behavior in international affairs. It must be said, by the way, perhaps a set of attitudes to Europe which in many ways would not actually represent a majority of British feelings, that you might have majority opinion disenfranchised in another way.

This I think is worth keeping in mind because if things go on as they are, if as I think is extremely likely Brown becomes leader pretty soon and Labour goes on with this tremendously successful policy of basically stealing everybody's clothes electorally which would, as Gerry has said, be much easier under Brown because of the lack of this Iraqi albatross which hangs around Blair's neck, the conservatives will go on losing and losing and losing forever because, as we've seen in the last elections, the only way that they can really distinguish themselves from a Brownite or Blairite Labour Party is by becoming more and more radical or trying to, issues like immigration, for example, at

which point they become unelectable because the majority of the British people will not go for that.

That does raise the interesting question of whether the Tories at some stage might themselves turn against the existing electoral system. That has seemed inconceivable up to now because they have regarded themselves as the natural party of government, and of course, they've benefited tremendously from the existing electoral system, not least under Thatcher who had also been defeated, of course, by a majority of Brits under the P.R. system. But will any party stick indefinitely with an electoral system which ensures it's own continuing defeat? I wonder. So it could be that at some stage one might see a move to a different electoral system in Britain, and that as I say, might actually end by ensuring much more pro-European policies than we've seen really ever in the past or at least since the Heath government, more so than a majority of Brits would actually want.

To come from Britain to Europe more widely and the U.S.-European Alliance, outside Europe, outside the European continent, I think basically we have to pray in the old Spanish farewell, I don't speak Spanish, "May nothing new happen. The less that happens the better. Above all, the less radically that happens the better." I don't think that either Britain or Europe in its existing form and given the existing political conjuncture can do anything very serious from now on to support America if it comes to radically new policies. Equally, I don't think for reasons that have been set out that

Britain or Europe as a whole can do--certainly Britain wouldn't, but Europe as a whole could do anything serious to block America. If it came, God forbid, to another crisis like the Iraq war or with China, probably the response of a very divided Europe would be essentially to try to step aside, to keep out of the way, not to do anything strong on either side.

No doubt this is very depressing given what under different leaderships or in a different world the U.S. and Europe could do to help each other and to solve some very pressing world problems. One must say, however, one must point out, that except to some degree in the field of economic management, this is not new. The U.S.-European Alliance was not created to solve problems outside the European continent and it very rarely has.

If you look at American wars outside Europe, Europe has not participated in most of them. A majority of European public opinion has opposed many of them. Of course, Britain and France participated in the first Iraq war, but that was very much an anomaly. Anti-American feeling on a consistent, year by year basis in such of Europe was higher during Vietnam than it was today.

Of course, to come back to the British Empire, when it came to what was still until the late-1950s the predominant concern of Britain in international affairs, America did not support Britain, and not surprisingly in consequence, Britain did not support America.

So maybe we're hoping for much too much when we think that NATO, for example, can somehow be expanded outside Europe to do serious things in the Middle East. By getting it involved in Afghanistan, that is already a new, and by the way, in terms of Afghanistan, very, very important departure. NATO is playing a critical role there. That is not nothing. It's very important.

On the Continent of Europe where, as I've said, the Transatlantic Alliance was created and where it was always meant to work, it's not doing too badly. Obviously, there are potential serious problems in the Balkans over Kosovo, the future of Kosovo independence, but at the moment the E.U., NATO and America are working together not too badly, actually, to try to maintain stability there.

In the former Soviet Union where, of course, the potential problems in future are very much greater, it must be said that in Ukraine with all the differences of nuance between West European countries and the United States, in the end, the U.S. administration and the West Europeans and Britain ended up being more or less on the same page, actually, supporting democracy in Ukraine, deterring a heavy-handed Russian attempt to influence that country. But equally, if you see the policies in London, in Paris, in Germany, but also in Washington, trying to do this in a way which will not radically alienate the Russians, which will not go out of its way to provoke a crisis with Russia,

clearly that is less than many radical voices in the United States and Western Europe would wish.

But it is not nothing that have been able to cooperate in this way, and if we can go on cooperating in this way on the Continent of Europe, then the Transatlantic Alliance will go on basically fulfilling the mission for which it's created, and I think that's actually quite a lot in historical terms. Thank you.

MR. GORDON: Anatol, thank you, and thanks to all of you.

Those were all great ways to get us started.

I want to open it up for discussion. Let me if I might come back to one of the points that you raised first myself. The first one is sort of where Anatol left off, and maybe Gerry or Charles wants to respond. It's the concept of Blair as a spent asset for the United States. Gerry, you mentioned that as well. I think that's what people here are thinking about or wondering. His support was so unwavering on the Iraq war and on other things, people here are wondering whether he has used all of that political capital already and so looking backwards on other issues, whether it's the China arms embargo, Iran, European defense, have we already seen Blair repositioning himself towards Europe in a way that the United States if it needs to count on him again in the future just can't, and as we move forward, just won't be able to.

Gerry also raised the possibility that Gordon Brown perversely might be more Atlanticist in the future. It has been said for almost 50 years

that since Suez, the British took the fundamental decision just never to be on the opposite side of a major strategic issue from the United States for all the reasons that we know, they would rather be close and have access in Washington and all that.

Are you saying, because you sort of hinted at it, that that may be a little bit up in the air now and that it's no longer impossible to imagine a Britain being on the other side of a major strategic question from the United States?

MR. BAKER: I don't think so. In answering, that that could be best understood in terms of, as I say, the fact that Blair I think will leave fairly quickly. I think it is true that as of this moment, Blair is so weakened and so distrusted and so undermined by what happened over Iraq that should there be a crisis tomorrow while Blair was still Prime Minister which required Britain to make that fateful choice, then I think it would be extremely difficult. Interestingly, I'm still not absolutely convinced it would be impossible because I think you're absolutely right, and in fact, one of my views, while I think this is quite a widespread view in the foreign policy establishment in Britain, is that actually for all Blair's personal commitment over Iraq, I think it is actually the case that any British Prime Minister faced with the choice they had to face in 2002-2003--

[End of tape 1A, begin tape 1B.]

MR. BAKER: [In progress] --would have actually taken the choice that Tony Blair took. So that remains very much central to the British foreign policy way of thinking, but I do think Blair will be much weakened. As I say, that is why when Brown takes over I think it will be much easier for Britain, once again, I agree with everything, and it's unfortunate I find myself with the others have said here, all I would say to Charles is that his final plea that if only Britain and France could find a way of working together, well, what is it, about 650 years since the Hundred Years War? Don't hold your breath is what I would say.

[Laughter.]

MR. BAKER: Sure, that may be admirable, but it's not going to happen any time soon.

That's why I think Blair is weakened, but I think Britain would under Gordon Brown it will be much easier for Britain, much, much more difficult still than it was for Blair in 2002, but still much easier than it is currently for Britain to take a supportive role with the United States.

MR. GORDON: Charles, before you go to the Hundred Years War, Blair is a spent asset?

MR. GRANT: Blair is a conviction politician, and if he believes that supporting America is the right thing to do, he will do that if he can, and if he can't, he will resign. He's not going to trim his policies to keep the right and left happy or the French happy or whatever. So if supposing there's

another war in another part of the world, I'm quite sure he would feel that Britain should support America in that war. He wouldn't send troops, though, because he can't do that now. There's a kind of constitutional change in Britain over the Iraq war. There was a motion before Parliament to support sending troops, and I think that creates a precedent the way the British system works, and so now you can't commit troops in a future war without Parliament passing a vote which it wouldn't do to send troops, to say, Iran. So I think he would support America, but probably not send troops.

Brown's foreign policy is really unknown. Nobody knows what it is because although he's been at the top of government for 8 years, he has expressed absolutely no interest in any aspect of foreign policy whatsoever except for debt relief and some development issues and the international finance facility and so on.

He has never opened his mouth as far as I'm aware on Israel-Palestine, on Iran, on Russia, though he did go to China recently. So really nobody knows what he's going to have as his foreign policy.

What I would say is that I think he's not a neocon in the way that Blair is. He doesn't, like Blair, think that the U.S. is right to try and push the whole unfree world towards being a free world. Blair has clearly bought this from Bush and other people in this town. Blair is a moderate neocon. I don't think Brown would have done the Kosovo intervention, and I'm not sure about that. He's never suggested that he believes in humanitarian intervention as a

good thing in itself in the way that Blair has really championed; Blair has championed the cause of humanitarian intervention. I'm afraid that cause has been rather damaged in Britain by Iraq.

Again, I don't know what Brown's foreign policy would be, but basically he doesn't as far as I'm aware at this time have a real foreign policy.

MR. GORDON: Anatol?

MR. LIEVEN: I think we're talking not whether Blair is a spent asset which he very probably is, but whether Britain is a spent asset as far as helping America.

MR. GORDON: Yes.

MR. LIEVEN: From that point of view, Europe, too, to some degree, always on these occasions reminds people of McMillan's famous phrase when asked about planning future foreign policy what his greatest challenge was, you may remember he looked at the questioner with amazement and replied, "Events, dear boy." So much will depend on what happens in the world in the years to come.

An American attack on Iran, a bombing attack, or an Israeli one, could push Britain and indeed Europe in one direction. A Chinese attack on Taiwan could push them in the opposite direction in the sense that it would strengthen the idea of America as an essential guarantor of peace and stability in critical parts of the world. Of course, it would depend on the whole genesis of such a conflict, God forbid.

In the Middle East and in terms of supporting American policy there, one cannot exaggerate the importance of the Israeli-Palestinian conflict as far as much of British and European public opinion is concerned because this tends to shape attitudes to the American strategy in the region and to the rationality of that strategy.

Then, of course, there's the whole question of further terrorist attacks, God forbid, but we must keep this dreadful possibility in mind, whether in the United States or in Britain or in Western Europe and which way that would push public opinion. Clearly, much will depend on what American policy had been during leading up to that. But as we saw in the Spanish elections, it could have one result in terms of actually strengthening anti-American feeling, or it could have exactly the opposite result in terms of strengthening support for America.

I personally just do not know on that, but I think we always have a tendency on these occasions to try to map out the future, but as 9/11 demonstrated, contingent events can be incredibly important, and I don't think that anything is firmly decided in this world.

MR. GORDON: I see a few people already who want to ask questions and comments.

MR. Haltzel : Mike Haltzel, Senate Foreign Relations Committee.
Those were three superb presentations.

I'd like to pick up where Anatol just left off with events and focus on Charles's prognostications about what would happen if the other 24 members of the E.U. would vote yes or say yes and Britain would say no, and I share his bottom line that it would cause difficulties for the United States, but I guess I'm not nearly as pessimistic as he is or even sure of how great the difficulties would be. Let me just explain why very, very briefly.

It seems to me that what you said about a core or a messy core as the most likely outcome and how it would impact on the United States is predicted upon sort of a static view of those countries. I guess my biggest question is, isn't it true that there's at least a fifty-fifty chance that there will be a CDU-led government in Germany after the elections next year which would have a very, very different view of transatlantic relations and certainly view of Germany's relations with Russia?

Secondly, even though the E.U. would certainly, as you put it, contemplate its navel or something like that, my guess is it would still be forced by the events that Anatol has alluded to, to still confront issues, problems and especially within Europe, and in that regard you mentioned the Balkans and enlargement.

I think the consequences for Turkey's accession would be severe. You didn't mention Bulgaria and Romania. I assume you think that would go ahead as planned. But it seems to me, with the exception of Croatia, all the other prospective candidates are so far down the line that in practice the whole

thing internally would be sorted out by the E.U. they got into the queue. With Croatia, once General--if he's ever served up is served up, then I think Croatia's application would move along rather speedily if for no other reason that the Germans would push it hard.

All I'm saying is that, yes, I think there would be problems, but don't you think that there are going to be internal changes within governments in Europe that would make the outcome a whole lot less sure than what you originally posited?

MR. GORDON: Let's gather up a few questions. A lot of people want to speak and we want to make sure we have time for that.

MR. Merlini: Cesare Merlini, Council for the United States and Italy. There was reference to the both the French referendum and the British referendum on the constitutional treaty, but there was no reference to something that happens in between, and that is the U.K. presidency of E.U. There was no reference it's thought to be irrelevant? Usually capitals prepare in advance a road map for running the E.U. presidency. I guess that in London at the moment there are two different road maps, one under the title, If There Is a French No, and the other one under the title, If There Is a French Yes--which is an answer that will come very late before the presidency starts.

Will Blair make use of this presidency, and how much in the two cases? During the presidency there will be a E.U.-U.S. summit. Will Blair make use of it? This is my question to the speakers.

MR. : [Inaudible] I'm a Ph.D. candidate across the street at CSIS in European studies.

All three panelists have really quite praised the U.K.'s economic model and it's hard to argue that and it's been quite successful in reducing unemployment and fast growth, but there are obvious vulnerabilities, of course, to that. There's 130 percent of GDP household debt, the highest income inequality since the mid-1970s.

If you look really at growth, it's not been a healthy investment-based growth, it's been household spending and government spending that have pushed that growth. We all know that the U.K. growth path started in 1992 after the devaluation of the pound and Kenneth Clarke's very sensible fiscal policies.

My question is which nobody has mentioned, we all agree Gordon Brown is going to be Prime Minister in the not so far future, but what happens in the inevitable recession and unemployment goes up from 4 to 7 or 8 percent and suddenly Gordon Brown's prudence is gone and he's lost his credibility? Since we're predicting the future here, that would be my question.

MR. BIRNBAUM: I'm Norman Birnbaum from Georgetown University. Departing a big from current events, it would really be great if all three eminent panelists could say more about what is this Britishness that we've heard to much about?

MR. GORDON: What is this Britishness?

MR. BIRNBAUM: Yes, because for all the few years of association between our own country and the United Kingdom, it still remains a mystery to many of us, 1066 is a long way back, Philip II, Napoleon and Hitler never managed to clear customs at Dover. Even Mitterand when he started his fast trains through the tunnel at first had to run slowly on Her Majesty's decrepit rail track.

[Laughter.]

MR. BIRNBAUM: What is this Britishness? I remember in the late-1950s when the first wave of the nuclear disarmament movement started in Britain with Bertrand Russell and a handful of trade unionists and a determined phalanx of bishops, it was felt that Britain should give a moral example to the world and nobody thought that perhaps the world was quite indifferent to this.

One could go on like this, but one would really like to know what Britishness is. It's clearly more than a certain model of the economy or even parliamentary sovereignty.

MR. GORDON: Do you want to go in reverse order? Anatol, you used the word.

MR. LIEVEN: Norman, it's very simple. What is British? "British is Best!" as the advertisement used to say.

[Laughter.]

MR. LIEVEN: To some extent, this kind of nationalism, if you like, attaches itself to ideas, it attaches itself to principles and stances in

international affairs. But ultimately, a lot of what it's about is simply about the idea of independence, of British independence, of British national pride, and at the same time of a British role in the world.

In today's world, that of course does pull even the same British person in different directions because undoubtedly there is a sentiment and it's not just a sentiment, it's also backed up by individual opportunities as well as national opportunities as perhaps two of us on this panel demonstrate, that some of Britain's former power in the world can be maintained by piggybacking on the American empire, basically.

As I say, it's strengthened by the fact that many people can come to work in America in a way that is certainly more difficult for people from France, Germany and other places.

The problem is as the whole experience of Blair demonstrates, the price of this can also be extremely offensive to British national pride. As I say, the perception that Blair went along with America and didn't get in return what an ally could have expected in terms of consideration for British national interests and wishes on a range of critical issues I think in the context of the Iraq war, and in the Middle East, the Israeli-Palestinian conflict being probably the single most important one.

But this feeling also that Britain has a kind of moral and ideological role in the world, if you like. I vividly remember under Thatcher how British economic strategies which were certainly individual but which

were not as individual as were made out were being trumpeted by much of the British media in the late-1980s as if Thatcher were almost a new capitalist Lenin who had invented a radically different way of approaching the world. There is some of that in the thinking today in the Labour Party and in support for Gordon Brown. This has been a highly intelligent way of managing certain things, but that we discovered the Holy Grail in economic terms which is not the case.

So I think this inflated no doubt but very strong idea of Britain having a special role in the world is very important and it leads us, this is also something about Britain, us, it leads a Baltic-German-Irishman whose parents fought in the British Army in World War II to speak of us. That's also part of Britain today, but it leads "us" in very different directions at different times.

On economics, I think Mateus made a very, very important point, and that was something that I forgot to mention and should have when it comes to events. Clearly, one of the most important potential events in the years to come could be or will be if it happens if there are radical changes in the world economy and how that comes about, whether it's a dollar collapse, whether it's a new oil shock, because that could change attitudes radically. But once again, not in directions that one can clearly predict, but it's certainly easy to imagine how that could lead to a much stronger feeling of differentiation from the U.S. and of greater closeness to Europe.

On the other hand, one can well see forms of very dangerous populism emerging which would point rather towards isolationism or would certainly have a very strong anti-European component as well. That's a critically important point which would alter many things very deeply. But once again, we can't be exactly sure how that will turn out.

MR. GORDON: So now we understand Britishness, Gerry.

MR. BAKER: Yes, and I want to talk about the economy, but the Britishness I think needs to be understood actually in two different ways. A very important part, this is a very parochial sounding issue to Americans and indeed to the rest of the Europe, but a large part of the debate about Britishness at the moment in Britain is about the role of Britain as a unified nation.

There has been over the last, as you know, 30 or 40 years growing independence movements in Scotland, obviously the position of Northern Ireland remains highly uncertain, and to a lesser extent there's been a nationalist movement in Wales, too. Increasingly, one of the most striking things I find when I go back to Britain now is that people don't think of themselves as British. They think of themselves as English, Scottish or Welch. And particularly English; English nationalism has disappeared more or less from the scene in the last 50 years or so, but it's actually making something of a comeback, that people will refer to themselves as English rather than British now I think.

So that part of that is part of the issue, and this is part of the issue particularly for Labour which depends so heavily on its support in Scotland and Wales in order to win majorities in Parliament. It's very important for them that they maintain the notion that there is a Britishness, so there is an internal Britishness.

I agree with Anatol on the external Britishness and I would put it this way. What's unique in Britain is, I think, a sense of engrained historical pride about Britain's role in the world for maybe 1,000 years.

MR. LIEVEN: Maybe 2,000.

MR. BAKER: Maybe 2,000

[Laughter.]

MR. BAKER: 55 B.C. was maybe the last time that Britain really was seriously undermined by foreigners, and they were Italians, by the way.

[Laughter.]

MR. BAKER: There is a very, very, very important point in understanding the way the debate about Europe is conducted in Britain. Britain has, let's say at least since 1688 anyway, had a system that has been evolving into a democratic model, an effective, sustainable, viable democratic model which has suffered neither domestic revolution nor external invasion, and that is certainly in Europe, outside North America and the world pretty-well unique, and there is a strong sense, an engrained sense in the British mentality, the British psyche that it's there, it's been there for a long time now.

It's very interesting the way the debate in Britain has changed over the last 30 years. Thirty years ago when I was growing up in the early stages of the debate about Europe, the debate about Europe was dominated then about this sense of British decline, that Britain was finished. Britain was the sick man of Europe, Britain was stagnating, the economy was slow. We needed to get on board the European train which was the great metaphor because the European train was leaving the station with all these wonderfully sleek German and, indeed, French trains that put our own pathetic economic achievements to shame and that whatever we thought of our history, that was all bunk because it was all in the past, our future lay in this dynamic European economy.

The truth is that has changed dramatically in the last 30 years. The British economy is no longer stagnant, it is no longer the sick man of Europe, and that brings me on to this point here. I don't share your pessimism. Sure there are imbalances in the British economy, sure much of the growth has been driven by domestic consumption, but what else would you expect? There has been a little bit of an increase in investment, not a dramatic increase in investment, but consumption has certainly increased and improved.

What's remarkable and much more importantly I would say is, again, the viability of the British economic expansion, faced with extraordinary threats. The combination of war, 9/11, the decline of the stock market, the collapse of the equity market bubble which has been as big in Britain as it has in the United States, in fact, by some measures bigger because, actually the

British equity markets are still roughly on average 25 to 30 percent or more, actually, by some measures, below where there were at the peak of the bubble in 2000.

That elimination of wealth in the U.K. economy has been extraordinary, and any combination of these events would normally be expected to produce a very severe downturn, and it hasn't. The British economy has continued to grow at roughly 2-3/4 to 3 percent a year since then.

Gordon Brown boasts of the longest period of expansion since the Industrial Revolution. You can see how historically we tend to view ourselves, but that's true. There has not been a continuous period of expansion of the U.K. economy like that in the last 200 years, and that I think has to do with long-term changes in the global economy, the decline of inflation which has clearly been significantly reduced over the last 30 years by very good monetary policy and by things like deregulation and other things. And it is there very strikingly again how the British economy has been much closer to the U.S. economy in terms of the path it's followed, deregulation, broadly speaking somewhat lower taxes, and certainly a very, very good monetary policy that has helped to crush inflation, and Britain has been one of the principal beneficiaries of that change and of the globalization as well that's come with it.

I don't share your pessimism. Sure there are threats out there. There could be a downturn in the British economy, but I don't think it's

inevitable that Britain is headed for some sort of spectacular 1931-style crash at any point in the next 10 years.

MR. GORDON: Charles?

MR. GRANT: Just briefly on the economy, I agree with much of Gerard's comments. I think the fundamental strengths are pretty good.

Britain is a place where you can set up a company, do business, be a foreign investor very easily. There's pretty good infrastructure. I think the fundamentals are good. Of course there are imbalances. It's not true, as Gerard said, that Britain is the most successful economy in Europe. It's the most successful large economy in Europe.

If you look at most lead tables of competitiveness, the Nordic economies and Ireland outperform Britain and have done better than Britain, but Britain has overall done pretty well.

I don't think there will be a recession. You talked about the inevitable recession. Actually, I think Gordon Brown has abolished recessions.

MR. BAKER: No. Even I wouldn't go that far.

MR. GRANT: I may live to regret saying that, but I actually think an independent Bank of England makes it quite hard to have a recession in the true sense of negative growth for four quarters running. I think that kind of recession we're not going to see in the near future.

On Britishness, I don't clear to have the answer what it means, but I do think Gordon Brown has got it a bit wrong. Gordon Brown keeps on

making speeches saying that British values are fair play, tolerance, creativity and enterprise. I think that very many people find that offensive if you live in other countries. It's not true that those are qualities unique to the British race at all.

My own view is that there are two positive things and two negative things. I think that Britain is probably an unusually tolerant country, and I think it's got an unusually strong and vibrant civil society. Those are the two positive things I'd say.

On the negative side, I think it's an unusually insular country with an extraordinary smugness towards the rest of the world. The other negative thing I'd say is the British press which is quite unique. Some of the tabloids are the most inaccurate newspapers in the world. They are the smuttiest, they are the most salacious, and they destroy people's private lives in the most hypocritical way. They attack people for sexual sins, but, of course, the journalists who write the articles, nobody ever exposes their sexual sins. The British press is quite despicable. As well as being also some of the best newspapers in the world, sadly, we produce the worst.

Finally, in Mike Hatzel's point, I agree that if we have a Merkle-Sarkozy combination, core Europe is a bit less likely, but not at all impossible. Before Schroder became Chancellor, he talked about a new triangular relationship between Britain, France and Germany. He was against the Franco-German alliance. But the structural reasons, and people know much more about

this, like Ulrike who is in the audience, but the structural reasons for Franco-German cooperation are quite deep-rooted and quite intense. If Britain goes on opting out of everything, Schroder said we have to get back into bed with the French because where are the British? They're not in the euro, they're not in Schengen. So I wouldn't say it's completely impossible, that even with a personnel change that there could be some sort of core.

MR. GORDON: Thanks. We have time for one more round from the floor, if people will agree to be brief, and the next couple are Reggie Dale, Barry Jakobs and Sam Pisar. Reggie?

MR. DALE: I'm Reggie Dale of European Affairs magazine. I can't resist a quick comment about Britishness before I ask my question.

I think one of the essentials about it is that the British think they're different from everyone else which comes from being an island and that what's good enough for the Continent is not always good enough for Britain, and you see that with the euro, Schengen and the constitution probably.

I've just been reading a book about ancient Medieval British sports which is still played today, one of which involves rolling a huge Gloucester cheese down a cliff, and then there's a race to try and catch it.

[Laughter.]

MR. DALE: It's somewhat dangerous, and the authorities recently tried to ban it, at which point one of the participants said, "If you can't get drunk and chase a cheese down a hill, what's the point in being British?"

[Laughter.]

MR. DALE: To me, that got to the core of the matter.

The question is to Charles about his messy core. You somehow envisaged, maybe you were oversimplifying, but the core would be Franco-German lead somewhat anti-American and that I think you said with the U.K. and the Poles on the periphery, but surely wouldn't there be much more overlap in British participation in many of these things?

You have a messy core at the moment with the E.U.-3, the U.K. part of the initiative on Iran which would not necessarily go away. If the French and Germans want to do anything about defense, have a core group on defense and the British would surely have to be in it or they would want the British to be in it. You're still going to have the common commercial policy and the Doha negotiations in which Britain will play a big role. Britain will still be a member of the G8 and perform a common position or seek to with the other E.U. countries there.

At the same time, apart from the Schengen, euro and constitutional issues, there is still this huge amount of practical cooperation between the E.U. and the United States on the antiterrorism front which is actually very constructive, positive and going on despite these political differences. Maybe what you're getting is more a sort of Gaullist directoire with varying membership rather than a messy core and an outer core.

MR. GORDON: Thank you, Reggie. Barry Jacobs I think I saw.

MR. JACOBS: Barry Jacobs with the American Jewish Committee.

I want to go back to the comment of McMillan's events. There seems to be an undercurrent that Prime Minister Blair's unpopularity is related to Iraq, and there's an assumption that Iraq is going to continue to go if not terribly, not very well. Again, I'm not going to swear that Iraq will get better, but there certainly are signs with a coalition government. Yes, the security situation in the last week has been absolutely dreadful, but if there is a turnaround in Iraq, if the government does pull itself together, is it possible that there will be a reevaluation of British participation in Iraq and that perhaps the Bush administration's desire to change the Middle East might actually be extremely significant?

The other question in Britishness, this is snide and I apologize, but when I was at the London School of Economics we Americans all knew what being British was, bad teeth and bad food.

[Laughter.]

MR. GORDON: Samuel Pizar?

MR. PISAR: Samuel Pizar. I practice international law in America and in Europe.

I would like this panel's perception on the following position. I remain naively fond of the idea that at this moment in history with all the geopolitical and geoeconomic challenges, that Europe and Britain need America

and need America badly and that America needs a strong and coherent Europe and Britain.

Is this proposition true? What is your feeling? Is America now in phase or it is so obsessed that Europe may become a counterweight or a dead weight that it would rather have a Europe that is a little messy?

MR. GORDON: Thanks, Sam. Counterweight or dead weight is an interesting concept. Rodrick Braithwaite?

MR. BRAITHWAITE: Rodrick Braithwaite. I'm a visiting scholar at the Wilson Center.

I wanted to make a point about Britishness which I think is important and which hasn't quite been touched on, but it follows from what you were saying about Englishness.

Football hooligans now don't paint Union Jacks on their faces, they paint the Cross of St. George, and if you happen to be a third-generation Britain, but you're in fact an Indian, the only unifying concept now in what's an increasingly multicultural country is the idea of Britishness. Britishness for 300 years was the British Empire. That's what Britishness meant, and this is a sort of post-imperial requirement that it's the only thing which gives everybody equal citizenship in a country where these little nationalisms are actually getting stronger, and I think it's not warm beer and village cricket and it's not the magnificent journey of the working class, the old concepts of Britishness, but it is very important, I think, for this new reason.

MR. GORDON: Thank you. We'll try to squeeze in two final questions. Sunjin Choi just here, and Loick--in the back.

MS. CHOI: My question is for Gerry. You mentioned Gordon Brown, and two issues.

You mentioned about Gordon Brown intellectually, instinctively not necessarily--but you mentioned about economic issues. And Charles, you mentioned about Gordon Brown--foreign press, I agree.

My question is to Gerry. What are your views on Gordon Brown's policy on both issues? When I look at 8 years--he has not been masterly helpful on defense issues. The second question is to Charles. You mentioned the arms embargo issues--I agree, but also there is a problem with European Union, disagreement about the European Parliament, disagreement in the national Parliament in Germany. Schroder does not necessarily--but also my question to you is dealing with the arms embargo issue, the U.S. and Europe both addressed the strategic relationship on how to deal with a rising China, A. And B, focusing too much on trade issues. In 2003--40 billion euro trade deficit--U.S. we had \$160 billion.

Could you offer any views on how can you constructively engage in strategic views on dealing with China?

MR. GORDON: Thank you.

MR. LOICK BERROU: I want to throw a bit of Frenchness in this. I'm a correspondent with the French TV.

I wanted to mention a sport that the Brits also invented which is not related to cheese, but rugby, and about the five-nation tournament. I could witness the France-England matches in front of various audiences, and it always struck me that the Irish and the Scots would always favor France versus England, and the Welch would be sort of neutral--could there be among these minorities a feeling like it's better to be European than British?

MR. GORDON: Gentlemen, you need not answer all of those questions, but take a final round.

MR. BAKER: I'll give a very quick stab at some of them.

The U.K. presidency of the E.U. which wasn't mentioned I think entirely depends on the French referendum there. If the French vote no, then the U.K. presidency becomes a very, very important 6 months, and obviously Tony Blair will still be there I'm sure for the 6 months. I don't think he's much of an opportunity to shape the debate, but he will at least obviously clearly be centrally involved in the debate about what you do post the French no.

If the French vote yes, quite frankly, the British presidency is irrelevant because we all know that Britain will be headed towards this date with destiny with its own referendum next year and it just becomes that Blair will focus on these issues as he is with the presidency of the G8 of third-world debt and the environment and that kind of stuff, so not really directly involved in the European political debate.

Very quickly, your question about Gordon Brown on defense policy. He's been Chancellor of the Exchequer you have to remember for the last 8 years, the head of the Treasury, and he's taken I think, therefore, a completely sort of green eye shade approach to defense issues, i.e., cut it as much as I possibly can, rein in spending.

I agree with people here that we don't know. Gordon Brown has not spelled out a unified kind of foreign policy, although I do think I disagree slightly here, he is more euroskeptic and I do think--than Tony Blair, and I do think there are quite strong indications that he would be more atlanticist. I'd agree with Charles that Blair is a neocon and Brown wouldn't be like that, but I do think Brown would be much more on the traditional mold of British Prime Ministers as tending towards an atlanticist viewpoint.

I'm sure others can address the other issues, but let me finish by this combination of Britishness. It gives me an opportunity to respond to the wicked attack on the British press here from my left.

There are lots of excesses in the British press and I wouldn't want to defend them, but the British press is extremely competitive, the most competitive national press anywhere in the world and I think that's almost certain. There are 12 daily national newspapers who are at each other's throats the entire time. What they have which is absolutely magnificent is a complete disrespect and disregard for authority which, I would say, is absolutely engrained in the British character.

To me, probably the ultimate joy and the ultimate expression of Britishness was watching election night coverage, this was a very, very British event, through the night and that extraordinary spectacle which I don't think I see in any other country in the world of watching the British political leadership have to stand there while the results are declared while they're being shouted at and jeered at, while their opponents are given opportunity to say incredibly rude things about them. The most extraordinary thing to me was watching Tony Blair on election night at his count in the Northeast when he had faced a campaign from the father is a soldier who'd died in Iraq in which this man, this classic sort of ordinary English citizen who had got several-thousand votes, stood there in front of however many people were watching at that time of night in front of his own Prime Minister and the assembled political classes and coruscatingly berated the Prime Minister, and I've never seen the Prime Minister look so uncomfortable and so miserable in his entire life.

That ability to challenge authority, that disrespect for authority, is a very, very, very, very valuable part of what it means to British, and I certainly for one am very proud of it.

MR. GORDON: Anatol?

MR. LIEVEN: Perhaps I would add a lesson that we could teach to other countries.

Very briefly, I'm sure that Scotland and Wales would opt for Europeans over Britishness if Britishness remained as it has in the past, but I

think you made a very good point. One of the reasons why it would be very difficult for Britain to radically pull away from Europe unless Europe had really internally already collapsed is that there is much higher support on average for the E.U. in Scotland and to a lesser extent in Wales than there is in England. I do think that at that point, very serious questions of British national unity would arise.

Rodrick made the excellent point that this is still from the point of view of integrating immigrants, my own parents be it said to a degree, Britishness still a very powerful force in a way that Englishness could not be, or at least it would be much more ambiguous and dangerous.

On the Iraq war, I made a very rash promise recently which I then qualified. I said that if the whole American program as presently conceived, of creating stable pro-American and economically successful democracies in the Middle East succeeded, I would eat the introduction to my book.

[Laughter.]

MR. LIEVEN: I then added a qualification, which is to say that for I would say at least 50 years it will be too early to tell.

What we have to remember about democracies is, America, heavens, has enough experience of this in its own back yard in Latin America, democracies also fail, and they don't just fail, but they often fail catastrophically. The fascist dictatorships in Europe in the 1920s and 1930s

emerged not from failed dictatorships, they emerged from failed democracies and constitutional systems.

In other words, we can go through many cycles of history before, pray God, in future this area will in fact generate stable and successful democracies, and I would say most probably that by the time this happens, if it does happen, it will be very difficult, very difficult indeed, to disentangle what were the most important factors in bringing this about. After all, we have no clear idea, really, ultimately, at least there is no consensus, on what has brought about stable democracy in the world more widely if one looks at the radical differences between the genesis of democracy in different parts of the world.

The other reason why I set the 50 years line is precisely that in 50 years in the unlikely even that I'm still around, I certainly won't have any teeth so I won't be able to eat that book anyway.

[Laughter.]

MR. LIEVEN: On U.S. dependence on a united Europe, I think that for me at least will depend in future or depends already on the degree of threat either of internal instability or of war in the former Soviet Union in particular and the rest of the former Soviet Union.

Frankly, whether the CDU wins or whoever wins in Europe, given European public opinion and given underlying radical differences in attitudes to the outside world, I don't see Europe being able to play a decisively pro-

American role in crises outside Europe, frankly, whatever happens from now on.

Inside Europe, of course, that's one reason why the Poles are still so relatively pro-American. They see a very real threat from Russia. I have always tried to diminish that fear because I think given Russian policy over the past 15 years, it's grossly exaggerated. At the same time, it's not difficult to see how we could stumble into some serious crises in that part of the world.

If so, that would pose radical challenges for everybody, obviously, for a united European policy, whether we'd be able to copy with this, for a European defense policy. It could easily throw Europe back on greater dependence on America, but that also, of course, raises the question of whether America, given its commitments elsewhere is just manifested by the latest congressional vote on money would actually be able to secure Europe and European interests and European stability in that part of the world in future given the challenges to America elsewhere.

In other words, I think we should keep in mind that although I went out of my way to suggest that Europe and America where they always worked relatively well together are still working well together, there is a real question now about whether America actually has the means that it did in the past to come to Europe's aid if Europe really needs that aid on the European continent. Of course, the problem is that Europe might not be able to come to its own aid either which raises the depressing possibility, to go back to the

whole events idea, that there may be events which happen in future, I hope not, but there could be such events, which Europe and America would not be able to cope with either separately or together.

MR. GORDON: Thank you, Anatol. Charles?

MR. GRANT: Sunjin asked about the China arms embargo, and if anyone is interested in what I think about that, on our website at cer.org.uk you can find our new pamphlet. Just in one sentence, I think the E.U. should lift the arms embargo if and when China delivers to the E.U. certain things on human rights like Red Cross inspections of prisons, releasing Tiananmen Square protestors; if and when China also agrees to set up a stronger regime for controlling the export of military technology; if and when we can agree on a stronger code of conduct to apply to arms exports to all the world from Europe; and if and when the U.S. and the E.U. can agree together on a common list of sensitive technologies that shouldn't leave the E.U. and the U.S. If we can do all those things, we should lift the embargo.

Core Europe. Yes, I agree. If there's a defense core, the British have to be in it or it won't be very effective. Chirac, to be fair to him, has recognized that on a number of occasions. Possibly some of the foreign policy cores like Iran and Britain could be involved, too, but if Britain votes no to the constitution, I can tell you, many countries will set up I think cores and they won't particularly want the British part of them and the British won't want to be

part of them either. Tax harmonization, I would be very alarmed if Britain tired to join that, and of course it won't.

The presidency, that's been answered by others. Does America need a strong Europe counterweight? I'm afraid I'm just an old-fashioned atlanticist here. I think that if Europe does become stronger and more effective as I hope it does, that will be in America's interests because a number of issues on which we already oppose America will be very, very few and far between. We can probably think of some where we might, but on most of the issues, are values are quite similar, our interests are pretty similar, and I think, frankly, there's no way that either Europe or America can work out a coherent strategy on China, Russia or Arab reform without working together.

Very finally, and I'm glad I got the last word on Gerry, and he's not allowed to answer me now, on the press. I did not criticize, Gerry, the truculence of the British press, I did not criticize their disrespect for authority, I criticized the disrespect for facts.

[Laughter.]

MR. GRANT: Anybody who reads the Sun or the Daily Mail in particular on a regular basis will understand that journalists who get their facts wrong face no sanction. I used to work on The Economist. If I made a factual mistake as all journalists do occasionally, I got really clobbered and I was, therefore, very frightened of making factual mistakes. On certain British newspapers, if you write, for example, that the European Constitution will take

away Britain's seat at the U.N. Security Council or it will take away Britain's right to decide who enters the country, it'll give command of the British armed forces to Brussels bureaucrats, if you write that kind of rubbish in British newspapers, you don't get sanctioned, you get congratulated by your editors.

And there's another thing. Forget Europe. Europe is not that important, really, but the real thing about the British press is the way they go for character assassinations. George Orwell's 1984 has a thing about collective hate sessions and the British picks on certain individuals and really ghosts like Cherie Blair, and they go through their dust bins and they talk to your ex-boyfriend's nanny, and they get a whole dossier of very unpleasant personal things which they print, some of which are true and some of which are untrue.

I have no love of David Beckham because I'm not very interested in football, but you just see that if you are a celebrity you are game and anybody is allowed to write whatever they want about you. We have a very, very weak system of regulating the press.

I'm not attacking the Times. The Times is a bit biased in its reporting of the E.U., but it doesn't actually write things that are untrue, so I'm not attacking the Times. The Times has some excellent columnists, including Gerry.

[Laughter.]

MR. GRANT: I'm attacking the tabloids, one of which is owned by the Murdoch Group, namely, the Sun.

MR. GORDON: Thanks, thank you. I'm sure the audience will agree, I think the panelists were brilliant and provocative as we expected them to be. I personally look forward to reading the transcript and learning more from this discussion.

We have coffee next door, and I'll ask you to assemble back here at 11 o'clock.

[Applause.]

[Pause.]

MR. TALBOTT: Welcome back. I'm Strobe Talbott, and delighted to have a chance to join you in what I know is going to be a good discussion, a continuation of the one that already started this morning.

When Phil Gordon first presented me with the topic of this panel, Where Does Europe End?, I may have misheard him or I may have been so anxiety-ridden I chose to mishear him. I thought maybe he said, When Does Europe End?, and I know there are some who are concerned that the answer to that question is somewhere around May 30, and if that happens, of course we'll do what Washingtonians often do, and that is blame the French.

But that is not the topic for this panel. I know that you did have some discussion of that during the previous session, and our topic is both--

[End of tape 1B, begin tape 2A.]

MR. TALBOTT: [In progress] --exactly the right people to speak of it.

Obviously, in addition to the question of the constitutional broadening and deepening of Europe, there is the geographical question. Ukraine, Turkey and the Balkans are very much front and center in this regard. But I would suggest that the itinerary of President Bush's recent trip from which he returned yesterday highlights the relevance and the aspirations and the anxieties of the Caucasuses and, of course, of Russia itself.

The order in which our panelists will speak each for about 7 minutes in order to give maximum time for interaction among themselves and with all of you is Ambassador Bruton will go first, then Sylvie and then Andy, and then Vladimir.

Mr. Ambassador, if you'd be good enough to get started.

MR. BRUTON: Thanks very much. I think the question really as I understand it is where does the European Union end, not where does Europe end. Europe is a geographic reality the boundaries of which were set thousands of years ago, and I don't think anybody is really suggesting that we reopen that.

What is at stake is how far can the European Union expand and at what pace, and that's not a geographic question, it's an institutional question. It's a question of what weight, if you like, can the European Union increasingly bear and at what pace.

I think the first place to start in attempting to answer that question is to ask is why do people want to join the European Union in the first place? I think one of the reasons countries want to join is that the European

Union provides a sort of industrial standard, an ISO 9000, a guarantee, an external guarantee, that the country that is joining or that is even considered to be eligible to be a candidate to join has achieved what are known as the Copenhagen Criteria, in other words, that it is democratic internally, that it applies the rule of law in a far way internally, and that it is a functioning free market which is capable of competing with the other countries that are already in the European Union.

That guarantee for a country that is joining is underpinned by somewhere in the region of 80,000 pages of legislation that countries are required to adopt or to commit to adopting in order to be members of the European Union. So the European Union is attractive to people because it provides a guarantee to investors all over the world that this is not just a functioning democracy, but it applies the rule of law and it applies it in a market where people can compete freely with the rest of the European Union. I think that it's important to understand that that's the motivation for many people wanting to join.

However, the truth of the matter is that that is only held together by the fact that people have in the existing European Union a sense of allegiance, a political and emotional allegiance to what is a sharing of sacrifices that is required of those who are members of the European Union; a willingness to accept a majority decision against one's own national interest if

that decision has been taken in the European Union in an area where the European Union rather than your own state has the competence to legislate.

For some, that's not always easy, and I think it's important to recognize that if the European Union is not something that you can simply walk into if you meet the criteria. There has to be buy-in also emotionally towards a willingness to be sometimes in a minority and have to accept the majority view overriding your own country's interest.

I think, therefore, the question that has to be asked about the extension of the European Union is not simply is a country eligible to join, but is there a political willingness to negotiate for membership, and they're not the same thing. It is not automatic that just because a country is eligible to join that the existing members at this particular point in time will necessarily want to bring that country in at this particular point in time.

There are two decisions involved, not just one. It's not simply a question of being eligible and meeting the criteria. There has to be a political willingness on both sides, on the side of the existing members just as on the side of the would-be candidate that that country should join at this particular time, and there has a command a measure of popular acceptance at least, if not enthusiastic support. I think the question that is arising increasingly in the debates which we were discussing earlier today is does the level of popular acceptance of particular candidates joining reach a sufficiently high level, is the tolerance sufficient to allow the agreement to go ahead.

There is in this context then a debate which to my thinking is a slightly false debate about should Europe be widening or deepening, as if this were a simple choice. The truth of the matter is that deepening by those who advocate it isn't always the same thing in the minds of every one of those who advocate it. There are examples where people would say that they are in favor of deepening the European Union, but not in the matter of services, or who would say that they're in favor of deepening integration into the European Union, but not in the matter of culture.

Equally, there are countries who would say that they are in favor of widening and not deepening, but they do want deepening in the matter of preventing cruelty to animals, or they do want deepening in the matter of cross-border murders. I'm not mentioning any country in these cases, of course. But you will see that deepening and widening mean different things to different people and unless you analyze what exactly one is talking about, I think we shouldn't necessarily be using the terms because they tend to confuse rather than enlighten.

I think that the current problem in the European Union countries about the pace of enlargement is due to a number of factors. One of these is I think a perfectly understandable view that political institutions time to grow. They need to get used to changes in that context. We have just undertaken a major enlargement, 10 new members coming in soon, to be 12 new members

coming into the European Union. That has changed the whole internal dynamics of the European Union.

It is, I think, fair to say that a political institution needs time to digest an enlargement just as people need to digest a new addition to the family or whatever, and I think it's important that we should not see this as some sort of automatic process, but there is need to take time in accommodating new members. These processes of adopting new members within the European Union is something that takes time. What may seem very, very difficult to do this year might be relatively easy to do 5 years from now or 10 years from now. I think, therefore, it's a question of doing the enlargement, setting the ambitious goals, but be willing to adjust the pace in a pragmatic way looking not just at the readiness of the country that wants to join, but also at the readiness of existing members to be able to work with an additional member or members at a given particular time. I think that's not something to be set in stone in the form of a target set, set now by politicians who probably won't be in office when the target date is reached, it's rather something I think to be negotiated about on a programmatic basis moving towards the target of the particular enlargement in question, but looking at both the effect that that is having internally in the European Union and the willingness of the country wishing to join to commit to the disciplines of the European Union.

What effect would a particular decision on the E.U. constitution have on enlargement? I think if either Britain or France were to vote no,

undoubtedly that would have a major confidence-defeating effect psychologically in the European Union and that might have some effect in making people hesitate about everything that they are doing, including enlargement.

But legally it doesn't make much difference because the E.U. constitution in large measure is a consolidation of existing treaties or some additional elements in it, more democratization, more consultation of national parliaments, majority voting in regards to justice and home affairs, some reorganization of the foreign policy institutions of the European Union, but nothing as radical as the Maastricht Treaty, nothing as radical as the Single European Act, nothing particularly radical other than a consolidation and a simplification of the way the European Union works.

We just continue on with the existing treaties which may no work perfectly, which may not be purely symmetrical, but they work and I think will work, and when the dust would clear if this is what happens, people would realize that they still have Nice and that they still are in a situation where most of the things that they're doing at the European level they can do much better at the European level than if one were to do them individually as France, individually as Ireland, individually as Britain, individually as any other one country could do them from on their own. And that the pragmatic reasons that led the European statesmen to put these issues into the competence of the European Union still remains and that the pragmatic arguments for enlarging

the European Union that led people to enlarge it in the past would also still remain.

So I think we should, therefore, distinguish between the short-term effect which could be quite dramatic psychologically and the longer-term effect of the decision.

If, on the other hand, all the countries vote yes, I think it would be also wrong to say that that would solve all the problems that are currently causing hesitations about enlargement, which wouldn't. Those problems will still be there, and they will still have to be tackled. So I think we should leave the constitutional question aside.

Certainly, I would say to Strobe that a decision in France to vote no by a narrow majority will not mean that the European Union will stop operating. We'll all be turning up at the office the following week. We'll all have plenty to do. There is a large program of legislation that has to be enacted, and the institutions are there to enact them and that will continue. I think there will be a lot of sound and fury and things like that, but I'm not making any mention of plan B's because there isn't a plan B, to my knowledge anyway, and I don't think there ought to be at this stage anyway. We have solid institutions in place and they will continue.

I would make one passing reference to the constitution, one of the issues that isn't in the constitution that might have been, and that was the proposal to introduce majority voting on tax rates. If that had succeeded and

were included, then I think you might see a number of countries deciding that they didn't want to join the European Union after all, that they wanted to be free to set their own tax rates. But I think that that isn't in the constitution means that more countries would be willing to join the European Union than what might otherwise be the case.

Finally, I'll conclude my remarks, I probably have gone beyond the 7 minutes, but I'll conclude at this point by coming back to a comment that Anatol made in the earlier session where he drew attention to the fact that perhaps the United States has extended itself and is in the process of extending itself militarily and on security terms so widely in the world that it may not be as able as it was in the past or, indeed, as concerned as it was in the past, to commit very largely to the security of Europe.

If that happens, I think that what we're going to see will be a major impulse towards further European integration driven by necessity because the idea that each one of the 25 or 27 countries would on their own be able to replace individually the security that the United States currently provides for Europe is naive in the extreme. Economics will drive them to it together. The economics of security will require a European sharing of the burden in that matter.

Therefore, I am optimistic, but even in the less-optimistic scenarios that we might have, that the underlying pragmatic forces are and will continue to drive the European Union which is, after all, the world's first

supranational directly elected democracy. There is none other in world history based on voluntary adhesion, nothing of its kind has been created anywhere else in world history. We've had empires before which were created by force, we've had states that were democratic that were created by force. This is a voluntary multinational democracy without precedent in world history. It's now over 50 years old and growing, and I think I would be very optimistic about its future regardless of what decision may be made on this particular constitution or any particular issue over the next 5 to 10 years.

MR. TALBOTT: Thank you, John. When you said that no matter what the outcome in France, you would be coming to the office the following day and the following week, I noticed that Phil Gordon was nodding his head, and I think in doing so was saying the same will be true for American friends of this process, Phil being one of the best. Sylvie, that's a good segue, I think, for your observations.

MS. GOULARD: Thank you. I'm very happy because your conclusion, John, was my starting point. I would really like to make clear that we can only answer the question of where does the European Union end if we take the European Union seriously and if we keep in mind that this is not only an international organization, but a union of states and a union of citizens. If you take it seriously, the only answer is that the European Union ends where citizens' support for it stops.

It's very difficult to tackle very sensitive issues in 7 minutes. I've written a book last year on this issue on the European Union toward Turkey, and it's fascinating because one year ago when I was feeling in Brussels, I was at the Commission at this time, that something is not working well as far as enlargement is concerned, all my friends in Brussels, all the editors, were saying, enlargement is done with the 10 new members and Turkey is in the pipeline.

I think it's not so simple, and if we can already draw a lesson from the French referendum whatever the outcome is, is that enlargement was in the middle of the discussion. The previous enlargement because of all the social consequences or the perception at least of the French of these consequences and the future possible enlargements, and not only Turkey, but the Balkans, Ukraine, the Caucuses, where is it going to end? I think this is a legitimate question.

I would like to make clear right now that when I've tried to open a debate on this issue, it was not against Turkey, it is not against any state which would like to join the E.U., it's for the European Union in order to make sure that it still exists, that it's still functioning and that it still has the support of its citizens.

I would like to tackle three points very briefly. First of all, the lack of democracy in the enlargement process is something we cannot avoid to think of. Second, the fact that at least at this stage we are promising without

having a clear idea of how it can work. If we want to keep the European Union efficient, we need to have institutional solutions, we need to have the money to spread stability, and at this stage it's not the case. My last point will be on religion, and I do it on purpose because I think that as far as Turkey is concerned, religion should not be the first argument.

On democracy, first of all, of course, John, as you said, time is very important, and no one can exactly foresee what is going to happen in 12 or 15 years. But the logic of the enlargement process is not something which helps time to produce more confidence or more convergence. On one hand, we have the heads of state and government taking very important decisions at the highest level within the European Council and I can't understand why the Turks consider that it was a firm promise in the 1999 stage of candidacy to 2004 to open the negotiations. But on the other hand, the citizens have never heard what did happen in Helsinki in 1999. I never have a government or minister coming and explaining the reason why, and there are good reasons, strategic, economic, whatever, what are the reasons why we should open the door to such a country.

So we have an increasing gap between the elite and the normal citizen who simply does not know. Now it's a little bit different. Fortunately, we have had a debate in France, we have had a debate in autumn, but last year it was absolutely fascinating the difference between the perception of the Turks

over the decision of 1999 and the perception of the ordinary man was something that was not sustainable.

The worst-case scenario from my point of view will be to go like this, to open negotiations, to negotiate to ask the Turks to make efforts or other countries to make efforts and at the end to have a referendum. As you know, it's exactly the way the French President has chosen because he has made in the future referendum for any enlargement compulsory. We have changed the French National Constitution and this is something which is not very positive for the future, and I would really like to stress the fact that the main issue is not the reserve of this referendum at the end of May. The most important thing for Turkey is to know what might happen in the future. Frankly speaking, I make a very active campaign for the yes in France. I am each day in a meeting or I see no way to sell an accession treaty to the population because it's a very, very technical, difficult text. Furthermore, there is the religious argument, but I leave it them.

The reason why I really feel that we need more democracy, that we need more debate, is that we have never had a debate on the borders of Europe. We have never discussed in public where we want to put the borders. When you have someone in front of you in Toulouse or in Ren (ph) and then saying but with Turkey we are going to have a common border with Iraq and Iran. Is that Europe? It's very difficult to sell it in a referendum.

Of course, there is another approach, a strategic one, and not only based on geography, but keep it in mind. The fact that we are not going to adopt the text in the parliament can change a lot.

I have a doubt on the criteria we have used for even the previous enlargement. If you look at the so-called Copenhagen Criteria adopted in 1993, you have four criteria, three for the coming states and one was for the European Union. The first criteria were human rights and democracy, the functioning market economy, and third, the fact that the country is capable of facing the *acquis communautaire*, and only one condition related to the European Union, to keep the momentum of integration. As you said, John, it's very difficult to know what it is. This idea of deepening is not clear, and even the idea of keeping the momentum when there are divergences between the member states.

At least this fourth criteria that had completely disappeared last year, it was not on the website of the commission, it was no more mentioned anywhere, came again in the report of the commission in October and came again in the decision of the council. I think this is very important for the European citizens that we take all the promises seriously. The promises we've made to the Turks, of course, but also the promises we have made to the European citizens that enlargement would not mean weakening the European Union.

If I can draw a lesson of the current discussion in France, I would say that we would need two more criteria. The first one is something on the

supranational character of the union because the amazing thing is that, as John said, sometimes we don't know exactly why some countries to join the European Union and what they want to join. Do they want to join a business club, do they want to join a customs union, do they want to join a political body and a political entity? The fact that there is not the word supranational in the Copenhagen Criteria seems for me something we should think about.

The second thing which is missing is something that is not easy, but something related to the social model, to the solidarity we want to have between us, to the kind of society we want to build. Of course, we all want to have a market economy even if sometimes in a French debate or even in German debate you can ask yourself if everybody agrees with a market economy.

Let's assume we want to build on the market economy, but a society is much more than just a market economy. Here we have not discussed enough, and I know for many people it's a kind of F-word, but if we do not discuss and face it before in the negotiations, then the problems come back after, and this is exactly what we are experiencing.

If we would have had more discussion with Poland and with the Baltic States, it would probably have helped even in the old member states to make clear that we are not living on a planet where everyone can dream one kind of Europe, but we are in the real world, but this discussion did not take place.

My second point is until now I have never seen a blueprint for Turkey in the European Union and institutions which still function. If anyone has an idea here at Brookings or anywhere, I'm ready to look at it. I have spent 10 years from Amsterdam to Nice to the convention, I was with the commission for the convention, to check all the issues of the relationship between small and big member states. Now we are supposed to integrate one member state that will be bigger than the biggest one and at the same time the poorest, and it seems not to be a problem for anyone.

This is foolish. This is foolish. You cannot say that we will sell to our population and that we will have a functioning institution with the latest member state, the poorest one being the biggest one. Or if there is a solution, we should try to develop a little bit on this.

On the financial aspects, I have met a German politician even in favor of Turkey accession who would be ready to pay the bill, and I've never met a French, and I've never met a British, and they all use the argument of we have spread stability for Spain, Portugal and Greece, but my God, we have spent a lot of money in Greece, Portugal and Spain, and here there is a big difference.

If you look at the decision of the European Council on December 17, actually they do not propose accession, they propose a privileged partnership because at least they say we might have permanent safeguard close on three issues, CAP, structural funds and the freedom of movement. Without

the freedom of movement which is part of European citizenship, there is no accession, and without a structural fund there is no stability.

The last point is religion. We should be very, very careful in using the religious argument. For me, the fact that the Turkish population is Muslim or that some countries in the Balkans are Muslim should never be a reason to refuse the accession. The European Union is not based on religion, it's not Christian, and if I may even say, we do not have to prove anything. We are not a Christian club and we don't need to take a decision in order to prove that we not a Christian club.

If you look at the text, if you look at the way Europe functions, if you look at the number of Muslims, of Jews, of whatever we have in the European Union, we are not a Christian club. So that's the reason why we don't need to prove anything.

For that reason, it's not a reason to include. I think, first of all, the relationship between different religions is something very sensitive and I'm not quite sure that an accession treaty is the right tool in order to create bridges between human beings as far as their beliefs are concerned. I would even say that even if I liked the commission very much, I would not trust any institution, European or national, any bureaucratic institution, in order to cope with religion.

Second, I do not believe that it will be a model for other Muslim countries. I think this is an illusion, this is a complete illusion. Islam is not

Turkey, and Turkey is not Islam. I was in Morocco last week. If you use the argument that we do accept Turkey mainly because we have to show that we are not a Christian club and that we have to help democracy or a country going the way toward democracy and at the same time being a Muslim society, then why shouldn't we take Morocco into the European Union? Why shouldn't we take Tunisia? What the King of Morocco has done for the women is very, very impressive and was not easy, and for the French or for the Spanish, you cannot explain that Anatolia is closer to them than Morocco or Tunisia.

Then we begin to use arguments which might make the European Union go in a direction we do not control anymore, and this is not very reasonable. It was fascinating that very often in Berlin, because I'm very often in Berlin, this argument was completely underestimated--this is something very important. We do have in Belgium, in France, in Spain and in Italy communities coming from these countries. As soon as we really discuss with the Turks on the basis of religion, then we will have demands coming from these countries and it will be very difficult for our governments to say no.

To conclude, we need more debate. We should be very careful, whatever the result of the French referendum is, to open negotiations with Turkey in October because what we are feeling right now, and it's not only the case in France, it's the case in the Netherlands, it's the case in Germany, it's the case in the U.K., that we have difficulties in our societies to integrate Muslims. We should take it seriously, not as the first argument, but as a very serious

argument, because if the moderate parties do not take it seriously, then it will be a beautiful instrument in the end of the extreme right and this is something I would not like. And I hope, and I'm quite sure it's going to be the case, that further enlargement, relationships within our neighborhood and Turkey above all will be in the middle of the French presidential campaign in 2007. I know at least one politician, Nicolas Sarkozy, who has firmly decided to play this card against Chirac, and I can assure you he will do it, and I'm quite sure that even in the German election in 2006 it might be one of the arguments of the CDU.

So we should be very frank, and even if it seems negative towards Turkey, we should be very frank that we will face huge difficulty if we underestimate that there is not a big support in our societies for Turkish accession and for an open-ended conception of the European Union. Thank you.

MR. TALBOTT: Thank you, Sylvie. Andy?

MR. MORAVCSIK: What John and Sylvie described is a system enduring a constitutional crisis, and this constitutional crisis is paradoxical.

As John pointed out, it's a paradox why a conservative consulting constitution without a great deal of substantive content is so controversial. As Sylvie pointed out, to answer that question you need to look beyond the text or the content of the constitution of which most Europeans are completely ignorant and look at the underlying issues about the future of Europe which any

vote on a constitution raises. You have to pose the question of the accession and what is Europe's end not just in the sense of what is its geographical frontier, but in the sense of what is its constitutional goal.

I think when one does that, obviously, we won't know the answer for sure for 20 or 30 years, or maybe if we're to believe Gerry Baker's view of British nationhood, for 1,000 years or 2,000 years, but we can say some things on the basis of the experience that European countries have gone through in the last 10 years debating their constitution. I think there are four lessons we can draw from it.

The first is the E.U. is successful, extraordinarily successful. I think Ambassador Bruton was very eloquent on this, it really is one of the great political achievements of the 20th century, it's the only new institutional forum to be introduced since the rise of the social welfare state 100 years ago and to prosper, communism and fascism rose and then they fell. It's had its most successful decade ever, the introduction of a currency, the enlargement to 10 new countries, expansion of regulatory capacity, just ask Jack Welch, and expansion now into internal security. In the process of constitution-making, almost no one called this into question. So I think we have to stipulate that the European Union is stable, it's not about to collapse.

The second point is just as there is no big downside, I think the constitutional process might suggest there is no big upside either. Instead, the E.U. has reached a kind of constitutional plateau, a moment of stability for the

medium term. It used to be people talked always of an ever closer union in the language of the preamble of the original Treaty of Rome. But now what we see is more of a constitutional compromise or constitutional settlement it would be called in the U.K. where certain issues remain national, certain issues become international.

Brussels now has a broad mandate to handle trade policy, monetary policy, a lot of economic regulation, some foreign policy coordination, more than we think. The nation-states retain more or less unchallenged control over taxing and spending, whatever the outcome of the debate over tax organization, the disposition of that money remains national. Social welfare, education, pensions, health, transport, infrastructure, and there are a few issues that hover in between under intergovernmental but not fully communitarized control, like immigration and defense.

This I would submit is a stable compromise. If you poll European citizens, they like it. They express some desire for more defense cooperation, but they also express no desire to pay for it, so that's unlikely to happen. It makes technocratic and pragmatic sense because there isn't a really good argument for centralizing social policy or taxing and spending in Europe.

And it suggests that the E.U. is now a mature polity where it's no longer necessary, as one used to call it, the Bicycle Theory, to keep going in order to stop from falling off. It can remain in a steady state, the economists refer to this as Tricycle Theory, and it will be stable.

[Laughter.]

MR. MORAVCSIK: The third point, further constitutionalization and democratization of the E.U. was an unnecessary mistake. Here I'll be both optimistic and politically incorrect.

The constitution is a good and sensible document, but it was not based on a good and sensible premise which is what the E.U. most, is more democracy and more constitutional structure. I say it doesn't need further constitutionalization or further democracy because let's not forget at the Ambassador pointed out, that it is a democracy. Sixty or seventy percent of democratically elected heads of government or ministers have to vote for any legislation, there are direct elections through a European Parliament that has to pass any piece of legislation. There is domestic implementation of most of what the E.U. does, that is to say, by national governments that are democratically elected. And it is an extraordinarily Madisonian polity full of checks and balances, so it's almost to do anything unless almost everybody signs on.

But the stated purpose of the new constitution, the most compelling purpose, was to assert that this was not good enough. The highfalutin language of constitutionalism, the language of redressing the democratic deficit, the statements of the Laeken Council and so on, the notion was in order to legitimate the E.U., in order to move further, it's necessary to get people more involved in politics, and this was true in two senses. They

wanted to get people involved in the constitution-writing process itself, publicize what the E.U. does, solicit their input, even get them to come to Brussels and get them to participate in the convention. Educate the public, and introduce more elections, education, open transparency and Internet websites and all that good stuff into the European Union.

Arguing against democracy in the modern world is like arguing against mom and apple pie, and it is very common in Europe as Sylvie argued to say the solution to the difficulties of democracy is always more democracy, and the solution to the difficulties in debates is more debate.

But we might also want to entertain the possibility that this is an unrealistic aspiration for an institution like the E.U. because none of this happened in this constitution. It neither inspired Europeans to participate, nor does it create structures for them to participate in the future.

This is true for a number of reasons, the first of which is, Europeans stubbornly continue to view participation as participation in national processes of democracy, and so when they approve a constitution, they're entirely uninterested in the Euro-federalist proposal to have a joint common European referendum in which all countries votes are thrown in the same pile. Somebody in Ireland says I want to have an Irish veto on this and I want to vote as part of an Irish polity, and you can't get politicians to get rid of that because it would be political suicide.

Secondly, the process of referenda that we're going through now shows how chaotic democratizing an institution like the E.U. can be. With the exception of opposition to Turkish membership, something that's not in the constitution, is only likely to happen in 10 or 20 years and probably is going to be done in a very limited form, there are almost no European issues in the debates about the constitution, no concrete issues. In fact, there has never been a European referendum or an election to the European Parliament in which European issues, which is to say, E.U. policies, played an important role at all. No matter how much opportunity you give European citizens, the empirical record is you can't get them to debate what the European Union does. They will debate the future of globalization or they will debate ideological issues connected with the European Union, but you can't get them to debate the concrete policies of the European Union. No amount of education gets them to be the kind of citizens that those who thought of this constitutional process were inspired by.

Why is that? The most fundamental reason is that the issues that voters keep in their minds, and let's remember my buddies who do voting behavior in the academy will tell us, voters can only keep a relatively small number of issues in their minds at a time and those tend to be relatively stable. What are they? Taxes and spending, social welfare, health care, pensions, sometimes defense issues, sometimes not, sometimes environmental issues, sometimes not, which is to say, almost nothing that the European Union does.

When you as a European citizen to cast a vote on the European Union, you're asking them to cast a vote about a bundle of issues about which they have no fixed opinions. They also have no coherent historical tradition, no political parties that are organized in the same way. What do you get? You get chaos. I think that is a fundamental constraint on European integration and European democratization, not the failure of institutional opportunities.

There might be a silver lining there. The silver lining would be having gone through this extremely politically costly process of constitutional ratification, the E.U. would go back to its more technocratic, muddle through style, pull back its ambitious goals a little bit, tone down the rhetoric of constitutionalism and after a couple of navel gazing you'd go back to the successful political activities of the past decade.

The final question is, what does this mean for the United States? With the constitution struggling, debates everywhere, you can almost hear the sighs of relief from the right wing of the American political spectrum because Europe can't get its act together once again and now we can divide Europe and conquer Iran. And the U.S.'s right-wing attitude toward this is really very much like Anthony Eden's attitude toward the European Union in the 1950s where he said in a Cabinet meeting, "Do we kill it or do we let it die on its own?" So it's the same outsider's view of it. It appears to our image of the United States as the decisive player in the international system, we're calling the shots, things are going our way.

Well, not so. Here's a case for why the Europeans are actually in the driver's seat. First, they're going to be a lot more cohesive even without common institutions than we think or than the experience of Iraq would lead us to suggest. The first panel I think was very clear on that, that the U.K. cannot be counted on being a participant in any operation like Iraq going forward, any operation that has that little international legal support or is that ambitious. As Charles Grant, but nobody contradicted him on this said, read my lips, no troops. And the British do not want to be involved in this sort of thing. Jeremy Greenstock, none other than the U.N. Ambassador for Britain while still in office, came to Harvard in a public setting and somebody asked him about this question and he said, "Mark my words, we will never do this again," and who can blame him? Because the British didn't get anything as a quid pro quo for what they did.

The Europeans of course will be smart about this in the future. The British will be smarter. They'll sit on their hands rather than getting in our face, but you're not going to be able to count on a lot of aid. Countries like Poland I think will stop being sentimental at some point and go with their material relations. There will be some defense consolidation in Europe, not a lot of activity.

The second point is the Europeans are hardly powerless and they don't think of themselves as powerless, it's just they wield different sorts of tools than the Americans, not a high-intensity military force, but everything

else. And in every other category of global power projection, the Europeans are equal to or superior to the United States.

There is trade where nobody doubts this claim, the WTO. There is enlargement of the Europe, the single most effective policy at democracy promotion and stabilization pursued by the West in the last 15 years. There is trade. The Europeans now trade more with China than we do. There's foreign aid. There's the ideological attractiveness of Europe. If you look at polls across the globe, there is almost no aspect of the American political or economic system, not its markets, not its constitution, not its foreign policy, is as popular as this of Europe. There are its contributions to soft security issues, homeland security, peacekeeping. In all these ways, Europe is a quiet superpower as it stands, able to balance or cooperate with the United States, and Europe will continue in an incremental, muddled way to refine those tools in a way that it does best.

So that leaves us with the following question for transatlantic relations, it's not when will the E.U. recognize the importance of American military power. I think most Europeans recognize that. It's when Americans will recognize the importance of European power. Thank you.

MR. TALBOTT: Thank you, Andy. We'll hear after the break, of course, from Nick Burns when he and Jean-David Levitte conduct the next panel. One thing we can safely anticipate in what we will hear from Nick Burns is that the United States is not going to be an applicant for membership

in the E.U. It'll be interesting to hear the nuances of Bush administration policy towards the E.U.

There's another large country that at least part of it is very much on the geographical map of Europe, and that of course is Russia. Vladimir, if you could share with us your thoughts about what's going on to your West. Vladimir, by the way, represents in the Russian Parliament a constituency that is on the far side of the Urals, Siberia, but he spends a good deal of time in European Russia. And anything you could tell us about the implications of topic A in today's conference for what is happening internally in Russia.

Also I know you to be very knowledgeable about what is happening in Ukraine, and of course, one of the strong arguments for enlargement of the E.U. is that the prospect of entrance has had a democratizing, uplifting and encouraging effect on applicant countries of which Ukraine is clearly one. Over to you, Vladimir.

MR. RYZHKOV: I think, Strobe, that I have a little bit of strange position on this panel because, firstly, I am Siberian, my constituency is in-- region, but I feel myself as 100 percent European.

Secondly, because as President Putin said recently, I represent the biggest European nation. You know that?

[Laughter.]

MR. RYZHKOV: Thirdly, it's controversial because it's interesting, I participate sometimes in different European and about European

conferences together with Charles Grant and others, and I always hear about the European Union is inefficient, lack of democracy, frustration of the people, institutions do not work, constitution is very bad, French will vote against the constitution, but from outside, from Eastern Europe, the European Union is enormously attractive.

I can say that pro-European will and pro-European enthusiasm was the main political engine in Eastern Europe during the last 20 years. Moreover, the Orange Revolution in Ukraine would never have happened without European Union direction. So it's a paradox, Europe becoming more and more euroskeptical, I mean Old Europe, but New Europe becoming more and more euroenthusiastic.

One more paradox. Sylvie, you said that European elites is still enthusiastic, but the public in France and Germany and the other countries is more and more euroskeptical. We have a paradoxical situation. We have a skeptical elite, but a very much enthusiastic public. Even in Russia it's true. Even in Russia when the public is asked, what do you think about Russia to be a member of the European Union, 70 percent is saying yes. But no one Russia official will say yes because Russian experts and officials are talking about eurobureaucracy, eurocrats, *acquis communautaire* and so on.

So it's a paradox that from outside of the European Union, from Eastern Europe, the European Union is very much attractive and not because of money, Sylvie. Believe me that for Ukrainians, money is nothing when they are

thinking about the European Union. When they are thinking about the European Union, they think about not perspective, but security, human rights, democracy, open space, the Schengen visa, of course, the euro, of course, but not about subsidies from Brussels to Ukrainian agricultural sector.

They're thinking about the most directive model in the history which the European Union is. In this sense it's imperative that we have to discuss that. If the European Union is in so many deep troubles as we heard, how do we deal with Ukraine, Bulgaria, Romania and others who are very much optimistic, enthusiastic, and want to be in the European Union? It's a big issue both for the so-called New Europeans and Old Europeans.

The second question is, where does Europe end? It's a good question. Geographically, all of us we know that it's the Ural Range and the Caucuses Range. Culturally, Europe is bigger because my constituency is Europe and even Vladivostok on the Pacific Ocean is Europe, too, and if you switch on weather forecast, it's very a very humorous picture because you can see the Eastern European weather forecast, Novosibirsk-Vladivostok.

[Laughter.]

MR. RYZHKOV: So for your news, Vladivostok is now an Eastern European town. It's amazing, as is Novosibirsk, too.

Culturally think about Georgia. It's a Christian country and Saakashvili I think is a great European poet as--was, for instance, who belongs both to French culture and Armenian culture. Culturally, Christian Georgia and

Christian Armenia, both these countries are European, but not Turkey maybe. I don't know.

Economically, Europe is wider geographically and culturally because economically, Turkey, of course, is part of Europe, as well as Siberia, for instance. If you ask me, Strobe, where is the finished border of Europe, I can say that it's the Russian-Japanese border, Russian-Korean, Chinese-Russian-Mongolian, Russian-Azerbaijani border, Georgian-Azerbaijani-Armenian-Azerbaijani border, Turkish-Iranian-Iraqi-Syrian-Lebanese border--this is maximum Europe.

But about Ukraine, if you already invite Turkey, how can you say no to the Ukrainians? If Romania will join the E.U. in 2007, how can you say no to the Ukrainians? You can say Ukraine is a poor country, Romania, too. You can say Ukraine is an Orthodox country, Romania, too. You can say Ukraine has some troubles with democracy, Romania, too. You can say Ukraine has some troubles with national minorities, but Romania has many more troubles with gypsies, for instance.

Or take Bulgaria, Orthodox, poor, minorities. It's absolutely the same, and if the Ukrainians won't be in the European Union and they want to it, Yushchenko wants it, Domashenko wants it, and 90 percent of the population wants to be in the European Union. How can you say no? What are the arguments?

My point is that all of these countries, Moldavia; by the way, in the last Moldavian elections were not possible without the direction of the European Union. For the Belarussian opposition, the pro-European idea is the engine of Belarussian democracy and democratic opposition. Even for the Russian opposition, the European idea is one of the crucial ideas in our agenda.

So in this sense, I think that there are two criteria, Sylvie, to be in the European Union. The first criteria is to divide European values. The second criteria is to have the political will to be European both for the political elites and for the public. If Ukrainians, the Moldavians, the Belarussians and in the future, I hope, the Russians, we'll divide European values and we'll have the political will to be European. Europe, this is my point, has to be open for these new nations to be members of Europe and to be members of the European Union.

By the way, Mr. Ambassador, you said that there's division between Europe and the European Union. It was when the European Union was six nations. But now it's equal because it's 25. Switzerland is coming to the Schengen zone, as you know. Norway has a special agreement with the European Union, one visa regime, common economic space, and they use *acquis communautaire* inside Norway. So what is Europe without the European Union?

So I think that there are only two nations now, two European nations, who are still outside European values and political will to be

European. It's Belarussia with Lukashenko, and Russia with Putin.

Unfortunately for me, both of these countries are authoritarian. Russia is becoming more and more authoritarian, less and less European in this sense, and it's a real problem for Russia. When Putin is saying that we are Europeans, he means Europeans in the 19th century sense as a great European nation, as a great European empire, but not a contemporary European democratic state with respect to human rights, property rights and so on. This is a problem. But if sometime in the future Lukashenko will go out from the office, if sometime in the future power in Russia will proclaim a pro-European orientation and will build a European Constitution, democracy, an open society, an open liberal economy, Russia culturally, economically, geographically and politically will be part of Europe and part of the European Union.

There's a question of efficiency of European institutions. I think it's important, but I think it's a technical question. If we want to have efficient European institutions, I think it's a technical question and we can decide it.

My last point is I know where the borders of Europe could be, on a Pacific Ocean beach near Vladivostok.

[Laughter.]

MR. RYZHKOV: It could be, but they will be where European values and the will to be European will end. Thank you.

[Applause.]

MR. TALBOTT: Brookings suffers from its own democracy deficit. I'm not going to put the following proposition to a vote in the room, I'm going to take instructions from our leader, Phil, and let this discussion run until quarter of 1:00 so that we can have a half an hour of good back and forth here.

I would ask anyone who does want to put a question to the panel to identify himself or herself and target the question to one of the panelists.

MR. CALINGAERT: Michael Calingaert, Council for the U.S. and Italy and Brookings.

Vladimir made very clear the answer to the question, where does Europe end? I'd like to hear from the others specifically, is it conceivable that in the foreseeable future that decisions will be taken by the E.U. that there is a particular border that you cannot conceive of going beyond? I believe that only in the case of Morocco that the E.U. said you are not eligible to become a member. Is it conceivable that there will be some decision where some country is told that they cannot join? And is it desirable for the E.U. and for Europe for them to do that?

MR. BRUTON: I think not. That was succinct.

[Laughter.]

MS. GOULARD: So do I. That's the reason why we are going to have a problem.

MR. MORAVCSIK: I think it's a pragmatic question of how many countries are in because it's a very deep pragmatic relationship within the European Union between countries. I'm reminded of Joschka Fischer's answer when he was asked this question when he came to Princeton to speak. It was the end of a long thing and he was being very diplomatic all the way through. Finally somebody said, what about Russia? He started on the diplomatic tack, our friends in Moscow and so on.

Then he just stopped and he said, Russia? Are you crazy?

[Laughter.]

MR. MORAVCSIK: There is a kind of essential logic, it's very, very big, and so at some point you have to draw a pragmatic line and how it gets justified ideologically will be a different issue.

MR. BRUTON: Could I just say that that's an impossible and metaphysical question for political institutions like the European Council and the European Parliament.

[End of tape 2A, begin tape 2B.]

MR. BRUTON: [In progress] --it would send them off in all sorts of imaginings and hypothetical situations that are just beyond the capacity of institutions like these to actually encompass properly. So I think the question will not be posed and will not be answered.

I think that in practice, however, the European Union model is one that is capable of ultimately encompassing the entirety of all countries that are

present in Europe, but the question really is going to be one not of metaphysics but of time and the--capacity of the institutions.

The European Union is half a century old. I suggest it will exist 100 years from now. Within 100 years from now there is nothing that is impossible. Within 50 years from now there's little that's impossible. But I think within 20 years from now there is much that's impossible and it's simply a question really of being patient and taking the long view and not being unduly in a hurry to answer every question theoretically, allow events to help us to determine the best outcome as we go forward with institutions and formulae that have been proven to be very robust over the past 50 years.

MR. TALBOTT: John, I am going to make a comment which I intend neither as a riposte nor a wisecrack. Twenty years ago I deluded myself into thinking I knew something about a country that no longer exists of which Vladimir was a citizen. I never ever imagined 20 years ago that that country would not exist or that somebody like Putin would be--and that Vladimir would be part of the discussion of the kind we're having today, even though he struck some fairly somber notes.

Omer Taspinar who is Director of our Turkey Program at the Europe Center.

MR. TASPINAR: Sylvie, a question for you. Surprise, surprise. Good news and bad news from Turkey. The bad news is 75 percent of Turks want to be part of the European Union. The good news is that 75 percent of

Turks believe that they will never see it in their lifetimes. Therefore, there is no sense of illusion in Turkey that Turkey will sneak into Europe without any noticing. People that in a way what's happening in France is an honest debate. It is a debate which needs to take place because on December 17th, the Brussels Summit was in a way too good to be true. No one really believes that we will become a member very easily.

Yet it is crucial for Europe not to give the impression that Turkey is being discriminated against, and any kind of technical argument saying that Turkey will be too big, too large, too poor, or that the voting system will not work, these kinds of technical arguments will simply not carry weight because you need to really convince the Turks that there is a major problem in Europe.

In many ways I think the British know that the constitutional referendum will give maybe Europe the opportunity to have really a hard core and then a periphery that Ukraine, Turkey and other members will be part of.

What is the French debate about now? Are we talking about really a possibility for Europe having Turkey in but in the periphery, or are we talking about really marginalizing Turkey? Because that would give the impression of a Christian Europe. You may think that Europe has nothing to prove, but in a post-9/11 world, the Islamic world and Turkey, most Turks, will see a French no as the clash of civilizations again.

Therefore, there is a cultural element in this and the perception in the Islamic world and in Turkey, especially with the current government, is that

a French no will be mostly a no to Turkey. So in that sense, how can we go on with Europe at two speeds or with variable geometry? I would like to get your viewpoint on that.

MS. GOULARD: First of all, I do not believe that the way we decide within the European Union is a technical question. It is not a technical question. It might look technical from outside. From inside, it's very important we adopt together 60 percent of the legislations of all countries, and you cannot force people to take a political decision in the framework they don't feel familiar with, they don't feel at ease with. That is exactly what I want to say.

We are in a very critical situation and I do not have a satisfactory answer. Why? Because we have spent 40 years being ambiguous, and you can never come out of such a situation with nobody hurt, and I really respect your point of view.

What I believe is that it might change. I do not want a clash of civilizations, and this is exactly the reason why I prefer to have an open discussion now than just let the things go on and discover after 15 years that we are on two separate planets.

The last point is I don't like the fact that you put religion again because I really believe there is room for discussion on political issues, on financial issues, on institutional issues, without immediately putting religion again on the top of the arguments, because if you do this, you are not going to

help. You do not have to have an objective vision of what is feasible and what is not feasible.

MR. MORAVCSIK: I wanted to say one thing. It is surprising in the E.U. debate as it was in the debate about Partnership for Peace in NATO that these kinds of solutions which seem to make good policy sense of having concentric circles, a kind of secondary form of membership for states around the E.U., never seemed to be politically stable. People don't like being relegated to that position. It doesn't have the same symbolic appeal. It has some political disadvantages, but not as many as it has opponents.

So it seems to me that the debate very much gets cast in this you're in or you're out language. It would be nice to find a political or symbolic language to get around that, but it hasn't been developed yet.

MR. BRUTON: Could I just add to that I think this issue also relates back to the idea that there might be a series of or a mess of different cores in Europe.

The key question about membership to the European Union is having a vote. Norway isn't a member. It has to adopt all the E.U. legislation, but it has no vote in--if you go for a lot of different core Europes within the European Union structure, you're going to have a situation where some MEPs would be able to vote on some issues and other MEPs would not be able to vote on other issues. Some people in the Council of Ministers will sit in at meetings but won't vote or they may have different weighting for their vote on particular

questions depending on the extent to which an issue is part of the core or the noncore--it will be quite impossible to operate on that basis.

In my view, something much simpler than a succession of cores is going to be necessary if it is to work democratically at all, and democratic involvement is the key question. If people are going to have rules made in Brussels which they have to apply or which they have no say other than as some coming and making representations, that's going to make them unhappy. I think Europeans who are in the European Union are going to have to take some account of that: how long can we go on making rules for the market which apply to other people who we're not willing to give a vote to in our decision-making structures?

MR. TALBOTT: Sam Pizar, and then, Sam, if you'll pass the mike back to Bill Drozdiak behind you, and then we'll go to the lady over there.

MR. PISAR: I wonder if someone on the panel would take a stab at the question of how Jean Monet would have answered the question that is now before you. On this I would like to offer a piece of what is perhaps historic testimony. Last night at a very lively debate that Phil Gordon presided over, he said that I had worked with Jean Monet. That was a little bit of an exaggeration, but I would like you to hear because I think it would interest everybody what actually happened on this issue.

I was part of a very famous Harvard postgraduate seminar at that time which was presided over by three legendary professors, Carl Friedrich,

Paul Freund, and Bob Bowie. The name of the seminar as I revealed last night was Federalism, Mature and Emergent. John Monet would come occasionally to speak with us with his advisers, and at that time they were writing the Treaty of Rome and they would consult with us.

In fact, I remember one of the question was, why do you want to complicate it with 345 articles? Why don't you use a document like the American Constitution? There's hardly a dozen.

This is very relevant for today because we told them, how will the public ever understand? Leave most of it to the courts. Just do a skeleton.

I continued the dialogue with him. I was very young and I was writing a thesis on East-West relations, and now in Paris I remember saying to him sitting at his feet, Maitre, you are now five in Europe. What will happen with Britain? What will you do? He said, "As soon as possible." Later I remember saying to him, maybe the time has come to try to wean away, from the Soviet Union some of the East European countries, Hungary which was advancing in that direction and a few others, because we will never be able to do it militarily or politically, but perhaps with trade, with culture, with human contacts, that may be possible. He said, absolutely not. And these were his words, "We must first exist ourselves. Then we will see about letting in some others." He was totally intractable on it.

So I wonder if someone would speculate for a second and say what would he be saying today. I apologize for the length of it.

MR. TALBOTT: Not at all. John or Sylvie?

MR. BRUTON: I don't know Jean Monet as well as you, obviously, but I feel from what I've read that he was a pragmatist. He was a man who believed in progress by means of small steps and achieving large objectives by small steps. Therefore, I think he would be quite comfortable with progressive enlargement of the European Union, but at a pace that was digestible. He wouldn't be against it, I believe.

MR. TALBOTT: Bill Drozdiak?

MR. DROZDIAK: One factor I did not hear addressed by the panel was the demographic implosion in Europe and what the impact of low birth rates could mean in terms of pensions and living standards.

A couple of years ago the German government did a report saying that in order to sustain current living standards they would need 400,000 immigrants a year for the next 25 years, and that's obviously politically difficult to manage.

I wonder, given the current debate about enlargement, if we could hear particularly from Sylvie whether the fear and resentment mass immigration or expansion to embrace countries the size of Turkey with 80 million, Ukraine with 48 million people, is such that people are willing to accept lower living standards, less money in terms of pensions and all that, in order to keep it a more exclusive club.

MS. GOULARD: That's a very difficult question because on one hand, of course, no one can deny that we are living in aging societies and that we will need some forces coming from abroad. But when I observe the situation in many European countries, I see unfortunately less openness than perhaps 20 years ago.

Just look at the Netherlands. If there is a no in the Netherlands, it will be mainly because of the murder of Theo Van Gogh. The Dutch society is under shock. After years of tolerance and openness, they are really leading something which is a kind of revolution. In France we have had Le Pen in the second term of the presidential election. Look at the campaign in the U.K. for the last elections around immigration.

Personally, I have no solution. The only thing I know is that when I look at what our governments are doing, on one hand, they admit that we are aging societies and that, for example, in the decision of December they have put a permanent safeguard clause for freedom of movement, and the freedom of movement is part of the citizenship of the Union, so from a symbolic point of view it was very difficult, but they decided this way because they believe it's not feasible to sell to the population that we open the borders.

If you go to Austria or if you go to Germany, it's not only a French problem, it will be very, very difficult to make clear that we need some more working forces, and my conviction is that we should try to anchor the

families within Europe. We should have a very proactive policy in terms of demography.

We have huge differences between some member states. For example, in France and in the Nordic countries, we manage to keep more or less 2 percent birth rate, a little bit less in France, a little bit more in Ireland, also. In some other countries like Germany, Spain and Italy we are in a dreadful situation, and I'm quite sure this might be one of the future-oriented policies of the European Union and not only say we need some working forces coming from abroad without having found the solution for it.

If you look at the solidarity. Here we have tricky things. We decide on a strategic level in Brussels that we open the borders or that we have new members, but the problems have to be solved at the national or the regional level. Here the solidarity is not something very easy to handle.

MR. TALBOTT: Mark, is it specifically on this point? Go ahead.

MR. MARC LELAND : It's very interesting because it really is in response to something Sam said. What nobody ever brings up during the debate here, I don't know how much in Europe, and none of you mentioned it, is the judiciary. The people on our court here who look at this say that they'll have much more power than our Supreme Court has in kind of a strange system, and enlargement affects that. One from each country, they don't speak each other's languages, and you've got a Part III of a constitution that says right to a job, leaving it to some court to maybe make a determination to what a right is.

It goes to your point, Sylvie, but I'm wondering if in the debate both of enlargement and of the constitution is there some concern about this very undemocratic side of this constitution or is what you're saying that nobody is getting into the substance of the constitution at all and could end up making things very much more undemocratic.

MS. GOULARD: I don't understand what you mean by undemocratic.

MR. LELAND: If a judge decides something, in our system we have a congress that can change it. Ninety-five percent of what the court decides is interpretation of laws, and they can all be changed by a process. Whereas in the process of the way it works in Europe, you need virtually unanimity to change anything, so if you get an interpretation of it, unless you have a whole new treaty, we won't get into the argument here of whether you call it a treaty or not, but you need unanimity. So you're giving an enormous power to a judiciary.

Obviously, from your answer the debate is not going on.

MS. GOULARD: No, no, I would not say that. I just wanted to say a word on what Andrew has said. I do not exactly agree with you not only because it's not politically correct. My book is not politically correct at all, so I have no problem with this.

No, it's really because I see no reason to be pessimistic on the further developments of democracy in Europe in the European Union as a

framework. It's a process which is going on. We're in the middle of the road, of course it's not satisfactory.

But going back to technocracy, it seems to me not an option. It's no more an option. No one will accept to say we're adopting this constitution and we'll keep the commission as it is. No. It's not anymore feasible. To a certain extent, I think that the debate in France is a very positive one, and I want to stress it. You can go everywhere right now, on the train or you're in a restaurant, and people discuss what the future of the European Union should be. Sometimes it is chaotic, but what do you call chaotic? I would simply say, Andrew, it's life. Each political debate is lively, and people are mixed in many kinds of arguments.

But it's a very lively debate with sometimes very stupid arguments, with some very good arguments, but this is democracy and this is what I like. Of course, I'm not in favor of a referendum as the best way of making democracy, but nevertheless, for the first time we have a debate on substance.

Of course, what you mentioned is a very good point because what we have created in the European Union is a union based on rule, laws and common legislation and a supranational Court of Justice. This was what we have achieved, and now we are entering a new phase in which we have to find new instruments to manage crises, to make foreign policy, to decide in fields where you cannot be satisfied by producing rules. Of course, there the role of

the courts might become a problem, but the number of fields in which we have unanimity is constantly reducing. Now if you look at the constitution, it's rather an exception than the rule; the common rule is that we decide with qualified majority voting with some exceptions, sometimes very important like accession or social, but there are exceptions if you look at all fields.

MR. TALBOTT: This lady has been very patient over here, and then we'll go to Charles Grant.

MS. : I have a question for the E.U. Ambassador to the U.S.--you pointed out and rightly that the constitution did not offer radical changes. The only thing that it offered was determining the number of commissions, seats of the Parliament, and also the shift to a qualified majority in order to simplify policy-making in an enlarged E.U.

Yet it seems that the European public is really convinced about the advantages of the constitution. In fact, it seems that some of the people of Europe and especially in France are not really familiar with the provisions of the constitution. Opinion polls show that most people who oppose the constitution in France argue that they are against the accession of Turkey to the European Union. At the same time, the constitution did not even talk about the accession of Turkey.

Some experts also argue that it's very much related to domestic politics in France, the fact that many people are very unhappy--government and

some even suggested that if Chirac resigns, probably the constitution will be ratified.

My question is, what kind of lessons can the E.U. draw from these experiences? Is it possible to say that maybe Brussels did not do a good job in delivering the message and explaining the advantages of the E.U. constitution, or maybe that important decisions are still subject to domestic politics and at the end of the day, the most important question is whether I like or I don't like my national representative?

MR. BURTON: I think the process of determining the fate of a complicated European document is something that is difficult to do in 25 separate referenda in 25 separate countries. It is inevitable that it will become drawn into national debates in this countries.

People don't understand the European Union, but they've had a number of votes on it in referenda in recent times. Most people don't understand the system of local government in the locality in which they live. If you ask them to explain the structure of the city council or the powers of the city council, they wouldn't know those either, yet they don't have to have a referendum on that every 4 or 5 years.

Part of the problem is that the European Union has been subjected to a level of negative scrutiny because of the referendum process that other political institutions in which people are quite comfortable to live under have

not been subjected to. Inevitably, that has led to a sort of existential angst in the European Union.

I won't comment on the factors that are influencing French public opinion in any detail because we have someone on the platform better qualified than I do do that.

But I would like to take the opportunity to come back to the question that was asked about the judiciary. I think it's important to make the point that, first of all, Part II of the constitution which does say that people have a right to work, what that means is that the European Union should not use its powers to prevent people from working if they want to work. It does not say the European Union is required to provide them with a job. Furthermore, it is made very clear in the constitution that the European Court will only be able to interpret that aspect of the constitution in respect of the exercise of E.U. competencies. It will not be able to infer a right to work in regard to matters that are not within the explicit competence of the European Union.

So that all this is doing is introducing in fact the sort of normal human-rights provisions that already apply to nation-states under the European Convention On Human Rights but which don't apply to the European Union because it isn't a state, and that was a gap in our arrangements. That gap is now being filled by importing almost word for word the jurisprudence of the Strasbourg Court into our constitution and saying that will apply to the European Union in the work that the European Union does, but it does not

supersede the powers of member states in the member state competencies which remain with those member states and which, I may say, are much more explicitly set out in terms of states' rights in our constitution than they are in the American Constitution.

People complain about the European Constitution being long. Well, the longer it is, the less discretion there is for judges. I would contend that arguably there is more discretion for judges in the federal system in this country than there is in Europe because we have such a long and complicated constitution. I think there is merit in it because at least that constitution will have been approved democratically and will not constrain the judges in a way that judges are not constrained in the interpretation of your constitution.

To come to the demographic issue, what does a demographic issue mean as far as Europe is concerned? It means a scarcity of labor. There would be smaller numbers of people in the active working age population, and that's going to have I think the effect of pushing up wages. In fact, it will make enlargement easier because it will mean that there will be in Europe demand for labor. I think the preference will be, people won't realize it until the baby boomers actually come to retire, which they will in about 10 years' time, but in 10 years' time, Europeans in Western Europe will face a labor shortage and they will say, is it better to get that labor from a country that's a member of the European Union where we have some control over what they do, or should we

be getting the labor from some countries that are not members of the European Union where we have no control?

In fact, I think the demographic situation may actually ease the path towards enlargement, but it's too soon for that to come into effect because we haven't actually hit the crisis yet and won't hit it for a while. I also think one should not exclude the possibility that the birth rate will eventually rise in Europe. European social policies have been very antinatalist up until now. The emphasis has been always in participation in paid work as if that were the only work that deserved to be counted as work, whereas in fact, nonpaid family care is something that I think Europeans in due course, not yet, but maybe 5 years from now, will begin to value more highly, and I can see an evolution in European policy in a more pronatalist direction in reaction to the crisis we are now facing.

But all of these things will take time. We're learning on the job in the European Union. We don't know it all yet, and we won't know it all for quite some time, but we're learning and we have instruments that enable us to adapt and move forward to learn these new lessons.

MR. TALBOTT: Charles, a last short question from you which will elicit a last short answer from the panel.

MR. GRANT: The E.U. is quite good at transforming countries that want to join it and very successfully that's what it's done in much of Eastern Europe, but it's not very good at transforming countries to which it

doesn't offer membership. It keeps on trying right back to when Delors invented the European Economic Area as a way of stopping certain countries joining 15 years ago.

We've spent billions on the Barcelona Process promoting Arab reform. What have we achieved? I don't know, but probably very little. We now see the Ukraine mold of a Belarus, the Americans, not the Europeans, actually being actively engaged in promoting democracy.

My question to John or Sylvie is, is there a way that the E.U. can develop its new neighborhood policy that would really allow it to influence events in its periphery without actually offering membership? Is there a combination of sticks and carrots that would allow it to create a true eurosphere which doesn't go as far as membership?

MR. TALBOTT: Sylvie?

MS. GOULARD: Yes, and I will publish a book in October that is a corrective work.

[Laughter.]

MS. GOULARD: I really believe we have to find a solution in this direction at least because our purpose must be to keep all the countries around as close as possible. Simply, we have to find a solution, and if we really want and if the countries outside consider the difficulties we have within the European Union whether on public opinion as Vladimir stressed, then we might have something more efficient. But as long as you offer someone, do you

want full membership or do you want something less attractive, if you offer both, they will always take membership.

MR. TALBOTT: We'll count on you, Charles, to bring it out in one of your excellent pamphlets in English.

Sylvie mentioned at one point one of the many positive notes struck during this conversation which is the intensity and healthiness of the discussion and debate in her country and elsewhere in Europe on this whole subject. I'm afraid we on this side of the Atlantic have had nowhere near enough of that, but I think this panel and this conference have gone quite a distance in beginning to correct that, and I want to thank the panelists and thank all of you.

[Applause]

[END OF RECORDED SEGMENT.]

A F T E R N O O N S E S S I O N

[Begin tape 3A.]

MR. STEINBERG: Ladies and gentlemen, if we could take our seats and we'll get started and take advantage of this very distinguished duo that we have up here for our final panel today.

Let me join my colleagues in welcoming you here today for what has been a really stimulating set of discussions, and what I particularly appreciate is that there has been a real candid and in-depth look at some of the more difficult issues people have been willing to really delve in and not behind the niceties.

We are honored here to have two very distinguished diplomats. I hope that they will also give us an insight into their own perspective of the issue on this afternoon's agenda which is the United States and the Global Agenda.

I think it's important though we have focused on Europe's own construction in Europe's neighborhood to look to the broader set of issues because particularly from an American perspective, how Europe begins to see its global role is of critical importance to the United States and it's obviously been an important debate in Europe's own evolution and its own identity.

I think it's fair to say, although any oversimplification is an oversimplification, that whatever the problems have been in transatlantic

relations about core issues that involve the Atlantic area, that that has been a relatively harmonious theater of engagement compared to the United States and Europe acting on the global stage.

We don't have to look too far back into our pasts to remember the fact that when it comes to what we would call out-of-area activities that there have been important and deep disagreements between the United States and Europe that didn't fit into that core compact that sustained the Transatlantic Alliance through the Cold War. From the Suez crisis, through Vietnam, Central America and the like, there have been important differences between the United States and Europe over events outside of the Atlantic region.

I think the question then becomes why has that been the case and is there now an opportunity for us to find a more effective partnership to deal with these challenges. I would argue that at least up until now there have been two important structural reasons why there has been difficulty in finding common ground on the global front.

First, Europe has not had a foreign policy. There have been the foreign policies of the individual countries, there have been some nascent efforts to develop a foreign policy through the Common Foreign Security Policy, but it has been a fledgling effort that has grown slowly over time.

Second, for most of the last 40 years, Europe has largely been a regional power rather than a global power. That is partly a function of the end of empire for the European countries, partially a function of the lack of

military capacity to project into the world. So at the same time the United States global role has expanded, Europe's global role at least until recently has declined. That led to the kind of imbalances that created the famous Kissinger Year of Europe and has been a problem for many years.

So the question then becomes, given that history, we added a new inflection point, is Europe now ready to take on a more active and more effective role on the global stage, and if it is, is that a good thing or a bad thing from the U.S. perspective; that is, will this represent a rival or a counterweight to the United States on the global stage, or a more effective partner.

To discuss this we have two people who have great insight into these questions who have played important roles for their respective governments in a variety of capacities dealing not only with the core transatlantic issues, but many of these global challenges. My good friend and former colleague Nick Burns now Under Secretary for Political Affairs has certainly a global look at these questions but comes from Europe and has been closely involved with Europeans in terms of trying to figure out where the opportunities are for collaboration. Of course, Jean-David Levitte, is not only the distinguished Ambassador in the United States, but a former conseiller to the President, and most importantly, a former sherpa on the G8.

There are a lot of issues we're going to have a chance to talk about, Europe's role in East Asia, China, the Middle East and the like. I'd like

to begin by turning to Jean-David to give his perspective about Europe and its developing global agenda and its conception of its global role.

MR. LEVITTE: Thank you, Jim. Let me say, first of all, that I am delighted to be again at the Brookings at the invitation of Phil Gordon and the Center on the United States and Europe. It's wonderful to have such a place to have a candid debate about where we are and where we want to go. And, Jim, I am delighted to have you as the moderator. You told me that you don't want to moderate, you want to tease us a little. I am ready for that, and I am delighted to do it with my friend Nick. He is a wonderful diplomat, he is a great diplomat, and believe me, he speaks beautiful French.

[Laughter.]

MR. LEVITTE: I'll do my best to express myself in English, and I'll start with one obvious at least for a European overview statement.

You said, Jim, that we don't have a common foreign policy. It depends. When we don't have a big disagreement with the United States, we have a common foreign policy because we have a transatlantic partnership. We agree on the essentials. The problem is when we don't agree with the United States, we are split in the European Union. That's exactly what happened with Iraq. When we are split, those who support the war, those are against the war, then we don't have a common foreign policy, we have a big problem in the transatlantic relations.

My starting point to launch the debate would be to note that after two very stormy years, suddenly in the transatlantic area we have the weather as beautiful, sunny, blue skies. Where are the storms? Where are the clouds? I ask this question for one good reason, President Bush has been reelected. He has been vindicated in his choices. He maintains his foreign policy. And you will not be surprised if I tell you that President Chirac has not changed his foreign policy, and the same is true for Gerhard Schroder and others. So how come the same substance in the foreign policies on the two sides of the Atlantic which led to such confrontation over the last 2 years today suddenly is compatible with sunny skies and spring in our foreign policies?

I would propose two answers to that. The first is time. If the substance has not changed, it seems to me that the style has changed. The moment President Bush was reelected, he extended the hand of friendship and cooperation to the leaders of Europe. That is to say, basically Old Europe, President Chirac and Chancellor Gerhard Schroder. This move was greeted warmly both in Paris and in Berlin, and you know that Condi Rice had a very successful visit in Europe in Paris that the visit of President Bush in Brussels and in Germany was really considered by all sides as a great success. Style has changed.

Why this new move from Washington? Maybe Nick will disagree with me, but it seems to me at least that one lesson of the first mandate of President Bush is that the allies are in Europe and nowhere else. When the

United States needs allies, needs troops on the ground, where do they come from?

There was the temptation after 9/11 to build for the 21st century a kind of new alliance with countries confronted with Islamist terror. Of course, you think of Israel, Russia, China and India, but then look at the realities on the ground. If you look at Afghanistan, even Iraq, the Balkans and Africa, when America needs troops on the ground, allies, the troops come from Europe, not from everywhere in Europe, certainly not in Iraq, but don't forget that the French were in charge of the NATO operation in Kabul until February, and so on and so forth. The allies, those who send troops, are the European allies. So the good alliance, the Transatlantic Alliance, seems to be back on the map.

The second reason why suddenly we have spring in our relations beyond style is probably circumstances, and then I go beyond the transatlantic relations. It seems to me that the very fact that in Iraq the elections were a success story going beyond the hopes of even the most optimistic in Washington helped a lot to turn the bitter page. When President Chirac and President Bush met in Brussels, together they decided to turn the bitter page to let the historians decide who was wrong and who was right about the necessity of the war and to together help the assembly just elected in Iraq and the incoming government to succeed.

The second new circumstance is the death of Arafat. If you look at the Middle East from the European perspective, that is certainly our number-

one preoccupation. For years we were complaining that the Bush administration was not doing enough to put back on track the peace process, and the answer was always the same, on the tracks there is a stumbling block, the name is Arafat and as long as Yasser Arafat is there, there is nothing we can do.

You know the story, President Arafat died, President Abu Mazen was democratically elected. It created a new momentum, and suddenly we were in a position to work again together, the U.S. and the Europeans, to help Prime Minister Sharon to succeed with the withdrawal of the settlers from Gaza to help to give a boost to the road map and so on.

The third and last example is Lebanon. We worked together to tell the Syrian leadership don't impose a second mandate to the leadership of Lebanon by imposing President Lahoud with a change of the constitution and so on, and we adopted with the sponsorship of the U.S. and France at the Security Council, Resolution 1559. We failed at the beginning because President Lahoud has been reelected, but after the huge emotional shock of the assassination of former Prime Minister Rafik Hariri, we were, you and us, together hand in hand in a position to support the will expressed by millions of Lebanese who see the implementation of Resolution of 1559 implemented totally with the withdrawal of all the Syrian troops, the Secret Services, and reorganization of free and fair elections which will take place at the end of this month.

So you see that this partnership because of a changed style and new circumstances is back and it leads, that's your point, to joint action in Iraq, in the Middle East peace process, in Lebanon and beyond. That was the message that I wanted to convey to launch the debate.

My last remark is that changed style can lead to a change in the substance. How come? Look at Iran and Sudan. On Iran, during this dinner in February between the two Presidents, there was a long conversation about what the three European countries wanted to achieve in Iran. President Bush told us, "I'm in the listening mode." He heard the same message from Tony Blair and Gerhard Schroder. Two weeks later it was announced that the United States, having better understood the determination of the European countries, was ready to support the membership of Iran to the WTO and the sales of spare parts for airplanes if there was a global deal on their nuclear program.

The same story on the ICC and Sudan, the International Criminal Court and Sudan, we had two very different positions, but because there was a will to find a way, we agreed on a compromise which at the same time takes into account the views and preoccupations of our American friends, but gives a prominent role to the ICC in Sudan which is a first, and the resolution was adopted.

So I wanted to give you these two examples to show where we are today.

MR. STEINBERG: That's what I come back to you on, but let me give Nick a chance to talk about how sunny he thinks the skies are.

[Laughter.]

MR. BURNS: Thank you very much. I think the skies are sunny indeed, and I thank you for the invitation, Jim, you and Phil Gordon, and Strobe Talbott, all former colleagues in the Clinton administration. It's good to see you all again, and it's good to be here with Jean-David who is one of the great Ambassadors here in Washington and a good friend of our country.

I want to make a few points to respond to what Jean-David has said and I will begin by saying I agree with him, that after the very tumultuous last 2 or 3 years and the transatlantic storms that buffeted all of us on both sides of the Atlantic, I think U.S.-European relations and specifically United States relations with France are in fairly good shape.

I say that from the perspective of someone who just returned to Washington 8 weeks ago from after 8 years in Europe. Having survived what we went through in 2002, 2003 and 2004, I think this relationship is solid between the United States and France and the United States and Europe for the following reasons.

It's a marriage with no possibility of separation or divorce, and for the following reason, if you look at our history going back 50 years starting with Suez, we have averaged one big transatlantic row per decade. Think of Suez in 1956, think of the Skybolt affair, the great differences between the

United States and the United Kingdom during the Kennedy administration, arguments over the Vietnam war, arguments over the stationing of the Pershing missiles in Germany in the early and mid-1980s, the very, very bitter disagreements that those of us in the Clinton administration had in the early 1990s with Europe over Bosnia before 1995, and then the Iraq conflict and the transatlantic disagreement, we shouldn't be surprised that in a democratic alliance like NATO with no ideological conformity running not on the rules of the Warsaw Pact, but of the Washington Treaty, that free countries have differences on important issues.

There were times in 2002 and 2003 when during the war of words we probably both said things which we now regret as in any good marriage, but we understand that our mutual interests and the multiplicity of those interests are going to keep us together not only because we have to finish the job that President George H.W. Bush, Francois Mitterand, Helmut Kohl, Margaret Thatcher, began in the late-1980s and the early 1990s, the construction of a single, free, stable, unified Europe, we have to finish that job mainly in the Balkans, but we also have to pivot from there to a larger partnership which is global, and that's I think the subject that Jim and Phil wanted us to discuss today.

But it's not just the history that's going to keep us together and the common values, it's the certainty that we have common interests, economic, political and military, that will keep Europe and America largely as partners

and as allies in the NATO Alliance, and I'm sure of that judgment based on my 4 years at NATO and 8 years in Europe.

If we go from there, I think we have to consider one other issue on the negative side, and Jim asked us to be slightly provocative. I'll try not to be provocative because diplomats shouldn't be provocative, but I'll try to be at least frank. If you look at this partnership between the United States and Europe and the great success we've had over the last 60 years, the one thing that worries a lot of us in the Bush administration and many others I think in Europe itself is the idea that some European politicians continue to talk about building the European Union in the future up essentially in opposition to the United States and to American power in the world, the so-called counterweight theory.

This is a real debate within Europe. There are real politicians in Europe pronouncing this as the way forward for the European Union. Speaking on behalf of our administration, I can tell you that we believe this would be a colossal historic misjudgment to think that Europe's future is in strategic opposition to the United States. We assume we're going to compete on the trade front. We assume that from time to time on important political issues like the International Criminal Court in The Hague or global climate change we're going to find ourselves on opposite sides of a debate.

We do not assume that when it comes to our military and security policy, the centrality of NATO and the fact that the NATO and the

European Union should be partners and not competitors, we do not assume that strategic competition is the wave of the future.

My view is that the vast majority of E.U. member states reject this philosophy and continue to believe that it's the United States relationship with Europe which is essential to the future security of Europe. But that's the last remaining hurdle I believe to a future of good, solid U.S.-European relations in the transatlantic sphere.

If you assume as I do that that argument will not gain ground and that most European countries will not go along with it, then I think the great question for the next generation is the question of this conference and the one that Jim has posed for us, having won the Cold War, having resolved the great threat from the Warsaw Pact and the Soviet Union, having stabilized the Balkans, what's the next great challenge for the U.S. in Europe, to have a strategic partnership in the rest of the world and to approach that as strategic partners and to believe that whether we're facing the transnational problems of global climate change, of international crime, of trafficking in women and children, of WMD and terrorism, that we the United States, you in Europe, cannot resolve those problems without a partnership between us.

Looking more broadly at the greater Middle East, whether it's the Middle East peace negotiations or the effort to stabilize Iraq and Afghanistan, or whether it's the longer-term effort to try to help nurture reform in the Muslim and Arab world, that should be a joint U.S.-European partnership.

In South Asia, a region that the United States and Secretary Rice have identified as one of increasing and vital importance to the United States, the stability of our relations with Pakistan, Pakistan's role in the war on terrorism, Pakistan's role in success in Afghanistan, India's rising power in the world, that ought to be a U.S.-European joint venture, that we approach that region with a single strategic focus.

And certainly in the area that's been in the news lately dividing Europe and the United States, how do we work with China? Should the European Union lift its arms ban on China? How does Europe help the United States in our 60-year mission to provide strategic stability since 1945 in Asia? It would seem to us that Europe ought to have a global view that it's in Europe's interests to join the United States perhaps not through troop deployments but certainly in terms of political and strategic support to assure peace and stability in the Asia region.

Jean-David is right. When we look for allies around the world for peacekeeping missions and for military deployments, we look to Europe. We also look to Australia, to Japan, to the Republic of Korea, to Thailand, to the Philippines, to Malaysia, and sometimes to Indonesia.

The United States as a global power increasingly is going to be looking towards East and South Asia because that's where many of the challenges will be and that's where United States power and our strategic position need to be assured and shored up and sustained. To take a quick tour

of the world of the great challenges ahead of us, we would like to think that Europe now has the capacity for a global vision and to join the United States in that endeavor.

I would say one last word, because I would like to get to a discussion, about the arms embargo. The European Union has managed to do what few other people have been able to do, and that is to unite liberal Democrats and conservative Republicans on Capitol Hill, and certainly to unite every branch of the United States government in believing that it would be a great strategic error to lift that arms embargo.

As President Bush said when he was in Brussels on February 22nd when he was asked about this at NATO, for the United States, the question of stability in the Taiwan Straits and the question of stability in East Asia in the Pacific, that has been our generational responsibility for the last two generations. We had held the responsibility to keep that region peaceful and we succeeded. Any attempt to in essence separate from the United States, and all of our Asian allies who are concerned about this and to proceed with some kind of resumption after 16 years of general arms sales to China we think would be mistaken. We've been happy to see that at least six or seven of the E.U. member states have now concluded that they will not join the consensus in Brussels to lift this embargo, and we hope very much that that will remain the case, that the embargo will remain in place.

It was imposed in June 1989 because of the putdown of the Tiananmen demonstrators. At least 250 of those demonstrators remain in Chinese jails, and President Bush has mentioned that as a preoccupation of the United States. But the larger strategic preoccupation is our ability to have a balanced strategic relationship with China and with a growing China with assured sense of itself in the world, and we need Europe to be a partner in that effort.

I have been impressed in coming back to Washington as I did the rounds on Capitol Hill before my confirmation to see the uniformity of views on Capitol Hill on this particular question, and that is also reflected in our administration.

I don't no with a negative note. I want to end where I began agreeing with Jean-David, these are better days for the U.S. and Europe, and we think there's a lot to be hopeful about for the future and I think we're back to the point where we can even disagree in a very calm and dispassionate way as friends and allies.

MR. STEINBERG: Jean-David, I want to give you a chance to respond on the issue of the arms embargo, and particularly ask you the question about whether or not Europeans or the French agree with the analysis of the United States whether it is in the essence of the partnership given the U.S.'s strategic stake and the military deployments there whether Europe ought to give special deference to the United States views on that question.

MR. LEVITTE: Jim, first of all, I listened very carefully to what Nick said, and Jean, our Ambassador, the Ambassador representing the Commission, the European Union is on the front seat, and it is a matter for the European Union, and as Nick said, there will be a decision by consensus. So I am speaking here only for France and not representing the views of the European Union. But what I do know, and it is in a text which has been put on the website of the European Commission, so if you want to have access to it, look at--of this meeting.

What we say basically is, first, we don't want to sell arms to China. Our leaders on December 17 last year at the highest level, presidents, heads of state, prime ministers, unanimously announced that if we were to lift the embargo, it would not mean an increase of sales of armaments to China either in quantitative or qualitative terms. That's very clear, and it's final.

You may argue, but then why do you want to lift this embargo? The reason why is very simple. We do consider that the situation today in China is not exactly what it was when the tanks were on Tiananmen Square shooting at the students demonstrating in 1989. Fifteen years later, a new generation of leaders is in charge. Of course, it's not a democratic state and Nick is right when he says that there are still demonstrators who are in jail, and many of us, but at the same time, it would be unfair to what China has accomplished not to recognize that the China of today is not exactly what it was 15 years ago.

The only way for us to do it is precisely to lift the arms embargo which has been imposed because of the tragedy of Tiananmen Square. Why do we want to lift the embargo? To acknowledge the fact that China has evolved and in a good direction. It's not perfect, but we want to treat China as a partner and we want to engage China in a positive way, and that's why we do think that it's time to lift the embargo.

We don't want to do it in a confrontation with the U.S., and we are ready to discuss quietly and with purpose a kind of strategic dialogue about the evolutions in East Asia to our American friends, and this dialogue has started and it's good.

All this evokes in my mind the big debate we had a few years ago about Galileo. You may say what is the link between the two. The link is that there was a huge fever in the U.S. at the time about Galileo. Galileo is a European GPS and the argument was don't do it. You don't need it. We'll provide anything, and if you do it, it will be war. Then the Europeans decided to do it and suddenly the debate was focusing on the military band how to have the two military bands compatible not to create a difficulty to our American friends, and it was solved in a reasonable way.

My hope is that on this issue which is very emotional in Washington we will go from a rather emotional mood to a more rational mood, understand what the Europeans want to achieve and what they will not do, and I repeat, we will not sell arms to China, that is not in our intention, but we want

to engage and build a positive dialogue with China, and that's the very purpose of this debate we have, and we'll see when and how the conclusion will be reached.

MR. STEINBERG: My question is, is there a lesson in this and a lesson which will be learned about how we act on these kinds of global issues? That is, consult before we have these disagreements rather than staking out the positions and then trying to have to find a way for each side to walk back off the confrontation?

MR. LEVITTE: I do think we have consultations. We were discussing. You may say it didn't start early enough, and there you are in the heart of the difficulty of the European foreign policy. Because we are 25 countries and when we start a debate among ourselves, we don't know where we are, but we don't want, contrary to what Nick said, to build Europe as a counterweight to America. This is I can say for President Chirac it is certainly not his intention.

But we want to build an autonomous European Union with the capacity to have a quiet discussion among ourselves, and when we are ready, because we are not far away from a consensus, a decision, then we can engage with our partners.

If you put the cart before the horse and you say, no, you cannot start a discussion among Europeans before you check if you are in agreement

with the United States of America, there we have a problem because this is a challenge to the very capacity of the European Union to exist.

MR. BURNS: I think a fair look at this would lead to the conclusion that there was inadequate strategic consultation before the E.U. made its decision at the head of government level, and to recognize that, Javier Solana encouraged us to begin a new strategic dialogue with the E.U. which we began 2 weeks ago. We're going to meet every month by video conference between the State Department, myself and our Under Secretary for Economic Affairs, with a variety of E.U. officials so that we get an early look at issues on the E.U. agenda, on the America agenda, that might cause problems for each other. We have also decided to send Chris Hill, our new Assistant Secretary of State for Asia, to Brussels in 10 days to have talks with NATO and the European Union about Asia.

I think what this whole experience had taught us in Washington is that we need to have a discussion about Asia, and I guess we would approach it, and this may sound unfair, from the position that we have been there for 60 years, we have strategic responsibility. Europe is free to conclude what it wants to conclude and free to do what it wants to do. It's not locked into a partnership with the United States, but we would hope that you would be our partner and we would hope that you would consider our views.

The fact is, there are at least three member states of the E.U. currently selling arms to China and there is no reason to believe if you lift the

arms embargo that they would stop selling arms to China. So we've got to have a discussion that is open and frank.

The last thing I'd say, it's also led us to conclude and President Bush announced this in Brussels during this trip in February, we need to use NATO more as a forum not just for the old transatlantic issues that we always used NATO for, but for Asia, for the Middle East, for Latin America, for Africa, for discussions on a global basis.

Why NATO and why not the E.U.? NATO is the institution to which we belong, we the United States. It's the institution where Europeans and Americans sit down together every day, so we'd like to use and are beginning to use NATO more for that purpose. And we have this singular channel to the E.U. that will on a monthly basis I hope erase some of the problems of communication.

MR. STEINBERG: A former French president once pointed out that NATO was not the Holy Roman Empire. Is France prepared to see NATO as the locus for these discussions?

MR. LEVITTE: First let me remind everybody that France is not against NATO. I was, as you said, Jim, the senior diplomatic adviser for President Chirac. His first initiative he took when he was elected, two initiatives, to transform our army into a professional army, the American way or the British way, to put an end to the draft and have only volunteers, and that's done.

The second decision taken at the same time was to try to have France back in the integrated structure of NATO, and we had 2 years of hard discussions with this guy and Sandy Berger and we failed, but we were an inch from a success. But the will was there at the Elysee to have France back in the integrated structure of NATO.

Now to answer your question, I do consider, and here I have a slight difference of view with Nick, that NATO will remain the cornerstone of our transatlantic partnership in terms of defense and security. But the dialogue we will develop, and you have, Nick, a perfect example on East Asia for instance, between E.U. and the U.S. will cover much more than that. We are by far the number-one partner for--do you know that 75 percent of the stocks of foreign direct investments in the U.S. is coming from Europe, and so on and so forth? So the economic dialogue cannot be in NATO.

The dialogue on a number of global issues which are so important in the 21st century, the environment, diseases, AIDS and so on and so forth, has to be between the E.U. and the U.S. And even on the monitoring of some crises, from time to time we'll decide because it's more convenient to have a partnership between the E.U. and the U.S. So we must be very flexible, very relaxed, about what is the best channel, and I would not try to put too much ideology, I would say, and it's strange for a French to ask for more pragmatism, but that's the best way. What is the best channel to engage in a dialogue, and we just started a necessary dialogue between the E.U. and the U.S. on East

Asia, on the future of East Asia. It's a big challenge for you and for us, and we want to understand better your views and your preoccupations, and this dialogue has been just started between the E.U. and the U.S.

MR. STEINBERG: I've got two more provocations, one for each of you, and then I'll turn it to the audience.

Our president has made democratization the centerpiece of his second term. It was a very clear clarion call in his inaugural address. Is France and Europe on board with both the vision and the strategy that the president is pursuing for spreading democracy?

MR. LEVITTE: Yes, of course. We, you and us, invented our democracies together. Your Proclamation of Independence, your Constitution, our Revolution, we were born together, and maybe it's part of our problem, we are separated by shared values.

[Laughter.]

MR. LEVITTE: Democracy is not instant coffee. We have 200 years of experience in France and we are still in the learning process, and we do think that even in the Arab countries it will take years and years, probably decades.

And of course, considered from Washington, the focus is more on the Middle East, what we call the Mashreq. Our focus because of history and geography is more on the Maghreb, and nobody speaks in Washington, but you should, about the evolutions of Morocco and Nigeria, for instance, and they are

very impressive, but it took years. It's a slow evolution, but in Morocco now, not only you have free and fair elections, but unanimously Morocco decided to change the status of women and it is a huge change away from the Koran and towards what we consider in our societies should be the status of women.

In Algeria you had a civil war and so on, President Bouteflika has been reelected through a really democratic election. But all this took years of painful process before it was accepted and implemented.

The European Union 10 years ago started what we call the Barcelona Process that in each year we transfer to our neighbors in the Southern Rim of the Mediterranean Sea \$4 billion to help them through little projects most of the time to develop more democracy in all possible forms in their countries and this is rather underestimated both in the U.S. and in the countries themselves because it's not very spectacular, but the addition is a lot of money, \$4 billion a year.

MR. STEINBERG: Nick, I won't to ask you whether your policy is Nescafe.

[Laughter.]

MR. STEINBERG: But I want to ask you about specifically on Iraq, you spent a lot of time in your last months at NATO--most people would say is an extraordinarily modest contribution by European allies to the training effort. We've got still well over 100,000 troops there. We've taking the casualties. Congress just voted another \$82 billion to carry on the effort there.

Is Europe doing what's necessary to reflect this turned page and have a shared partnership to have success in Iraq?

MR. BURNS: I think that's a good issue to discuss. We've had 16 allies in NATO with us from the very beginning of the peacekeeping mission in Iraq that began shortly after the war ended. It's only been five or six countries in NATO that have had a policy of staying out. So we're very grateful to the Baltic countries and to Romania, Bulgaria, Slovakia, the Netherlands, Italy and the U.K., of course, the countries that are in with us.

I think the question for France, Germany, Spain, Luxembourg and Greece, the five countries that took a principled position of difference, and we respected that, the question in 2005 at what point, at what event on the time line do you want to decide that you will now actively engage in supporting the new Iraqi government. We disagreed in 2003 which was legitimate to have that disagreement, but now you have a sovereign government, it's been elected. It's the first Shiia-dominated government in the history of Iraq. It faces these enormous challenges. And at some point we would hope that France and Germany would send their soldiers and their officers to join the NATO training mission.

It's a very modest mission because it doesn't take a lot of people to train an army. General Petraeus has designed a NATO mission that at its zenith will probably have 1,500 to 2,000 people training the senior levels of the

Iraqi armed forces. We've only managed to get 151 NATO offices there because six countries have decided they're not going to send their officers.

They've also decided that instead of just not sending their officers from their armies, they won't allow their officers to sign with the NATO commands in Norfolk, in Mons and in Naples from participating in Iraq which is the first time in NATO history that's happened. So I do think that in 2005 it's really time to put this 2-year-old disagreement behind us and have these countries join in the effort.

I want to get a word in edgewise on democracy because I think it's important. As we have presented, as President Bush and the rest of us have presented his vision of a transatlantic alliance out to promote democracy to Europe, we've received a lot of support for that in many European countries. We've also been accused in some quarters of being starry-eyed romantic idealists.

MR. STEINBERG: Instant coffee.

MR. BURNS: Versus a more sophisticated view that somehow people aren't ready for democracy.

I will take the starry-eyed idealists of 1946 and 1947 in this city who said that Japan which had never had a democratic tradition could have one, or that Germany which was recovering from 12 years of fascism could have a democratic future, or the starry-eyed idealists who in 1990 in this city said Germany can be united in NATO. That was President Bush and Secretary

Baker. Or certainly beyond that, the starry-eyed idealists in the Clinton and Bush administrations who said that Poles, Czechs, Hungarians, Estonians, Latvians and Lithuanians ought to come into NATO.

Sometimes as President Bush has been saying, great countries and great alliances can't be consumed by the status quo in a self-satisfied way, we have a self-interest in promoting democracy around the world, and we have an opportunity and we're under no illusions that it will not take a generation, it'll take more than a generation, to do it, but you have to start somewhere. And I think there is a residence for this in Europe, not in all parts of Europe, but in many parts of Europe.

MR. LEVITTE: One comment. We do support the spread of our values all over the world, and this is not new.

I was involved in the elections or the organization of the elections in Cambodia 10 years ago. It was a great success story. In Timor, in Namibia and elsewhere we are trying to organize free and fair elections, in the DRC and so on, so we do support this goal. What we do say is that it takes time, and I think we agree on that.

Just to give you the example of Algeria, in 1991 there were democratic elections in Algeria, and the Islamists won the first one and the immediate reaction of the army was to crush the Islamists and to stop the process. It took years of difficult discussions between the French, the

Algerians and so on to put back on track again the democratic process in Algeria and to show that there was a future for democracy in Algeria.

I mention this example because it's so important for us, but we are very much on board on the idea of seeing democracy as the regime accepted and implemented all over the world.

MR. STEINBERG: Let's go the audience. Charles?

MR. GRANT: I want to make one criticism of what Mr. Levitte said and one criticism of what Nick Burns said.

The criticism for Mr. Levitte, these are both about the China arms embargo, I understand why the E.U. might want to lift the embargo, but not why it wants to lift it and get nothing back in return from the Chinese. Why didn't you say we will lift it if we get this, that and the other on human rights?

I'm a great believer in E.U. foreign policy, but I have to say this episode has been quite embarrassing for those of us who wanted more a coherent and effective E.U. policy. The fact that the E.U. has changed its mind, in December it was going to lift the embargo, in March it was not going to lift the embargo, what this shows is a great lack of strategic thinking. Nick said let's have it across the Atlantic, how can we have it across the Atlantic when we don't have strategic thinking at the E.U. level? Why did the E.U. countries not foresee the problem? Even the British government did not have any idea about the reaction there was going to be on Capitol Hill. So I just

think there was a huge lack of forward thinking. Let's hope the External Action Service, if it comes, would help to solve that problem.

As for Nick, I understand that America perhaps in seeing the embargo not lifted, but the way you've handled this, not you personally, you keep on saying it's all about the balance of technology, technology transfer to China, Europe selling weapons, as Levitte said, it's not about selling weapons and when the Europeans explain that you just pretend not to hear.

It's not about selling weapons, it's about selling Airbus, it's about selling metro systems in Shanghai, that's what it's about. And you take an absolutist line of refusing really to discuss in what circumstances could the Europeans lift it in ways that didn't damage U.S. interests which is what you should have been doing. You should have been saying let's see the code of conduct: how can we get it to be the right sort of code of conduct to make sure that the wrong sort of technologies don't get to the Chinese? Why not talk about a consultation mechanism between the U.S. and the E.U. so that if a sensitive arms comes up you can talk to the Europeans about it? Why not agree on a list of dealing with these technologies that shouldn't get to the Chinese from either the Europeans or the Americans? I think the threats--

[End of tape 3A, begin tape 3B.]

MR. GRANT: [In progress] --for example in the U.S. are getting quite unpleasant, they've been counterproductive. The threats on technology

transfer have not been very helpful to the Atlantic Alliance. So I think neither the E.U. nor the U.S. comes out of this episode very well.

MR. STEINBERG: Do you want to start?

MR. LEVITTE: First, we are not at the end of the episode.

[Laughter.]

MR. LEVITTE: And by the way, about selling arms to China, just to give you one figure, 95 percent of the arms sold today to China comes from Russia. I say that because it doesn't create any emotion in the Congress, to my knowledge. Nobody cares. We don't sell arms to China. Everybody cares. So there is something mysterious for the Europeans: how come those who sell arms don't create emotions and those who don't create so much emotion simply because they consider not to sell arms but to lift an embargo which is not exactly the same thing?

Why don't we ask for a conversation or gestures. First conversation, no. You often in Washington when a decision is taken by the Europeans, especially the French, it is for commercial interest. When the same decision is taken by the U.S., it is because of great principles. I disagree strongly with this description at least from the French and European perspective. We don't want to negotiate the sale of Airbus against the lifting of the embargo.

You may argue, yes, but you could negotiate the human-rights situation. Here I am a bit hesitating. You negotiated a few weeks ago a deal

with China, that is, you decided not to table a draft resolution on China on the human-rights situation in China in the Human Rights Commission in Geneva because you obtained a deliberation of one detainee. I am a bit hesitant to consider it's a good idea because on one side you have the global situation of the human rights in China, and for one deliberation of two or three, you say this year we don't table a draft resolution on the human-rights situation on China.

This is the kind of give and take which is in my view maybe not the best, and I do consider that the situation of the human rights in China, though it's certainly not perfect, is evolving and fast not because of the regime, but because of the strong economic and very rapid economic transformation of this country because you cannot develop a market economy without giving the people the right to invest, to go on the Internet, to travel and so on and so forth, and this is also human rights.

More globally on the foreign policy of the European Union, you have to accept that we are at the beginning of a very slow transition. If the constitution is adopted we'll have a Foreign Minister, Javier Solana, and the President of the European Council, it will help to understand what's going on. And it will help also to move forward slowly, but it will take probably one or two generations before our capacity to act as one is there, and so accept the idea that with 2,000 years of very different traditions, histories, cultures, languages, we cannot invent in one goal a foreign policy. It is a very slow

process, and in the mean time, you still see the Europeans debating for months about what is the best decision because, yes, Nick is right, inside the 25 countries' family, you will have those in favor, those against so on, and it will continue like that for some more years before we are, if this happens, in a position to decide more expeditiously, more efficiently.

MR. BURNS: I have a brief thing to say and I would love to get to more questions. I was remiss in not recognizing the distinguished Ambassador to the E.U. and his presence here, Ambassador Bruton's presence, reminds me to draw a frame around this discussion because this discussion is taking on the coloration of 2003 when in fact Jean-David began by saying that there are still sunny skies outside. We have our disagreements which is not remarkable, but I think that the headline for me on 2005 and in our administration's views towards Europe are that we have a new partner in the European Union. President Bush was the first American president to visit the European Union and to meet not just with the presidency, but with the Commission, and that was meant to be a symbolic gesture to acknowledge the huge historic importance of the development of the E.U.

I agree with everything Jean-David said about the importance of the E.U. to the United States and the broad agenda that we now have, and I think we can certainly manage that with the focal point on NATO on the strategic security side and on trade and political issues with the E.U.

I should also say with France, I think one of the most remarkable developments of the last few months has been the French-American partnership on Lebanon as co-sponsors of U.N. Resolution 1559, the departure of the Syrian military forces, and our joint strategic view that the Lebanese ought to be free to vote. So there is a lot good happening. You may not know it from this discussion that we've had, but it is.

The last word I'll say on the arms embargo is I think Jean-David is right, this is an emotional issue for Americans, and I don't think that should diminish our side of the argument. I think both within the administration and on Capitol Hill there's a sense of shock or surprise that on such a big issue for the United States, our ability to be an effective strategic stabilizer in Asia, Europe has taken a decision which we believe is directly contrary to that. Thus the need for a dialogue, and thus the need to get back to Jim and Phil's original inspiration for this panel, we spent the last 50 years focused inside looking at Europe, Europe and the United States together, because we had to. Those challenges are gone, and now the big challenges are outside the transatlantic sphere. We need to pivot and face those challenges together, and thus the need for a strategic dialogue on the Middle East, South Asia, Africa, and East Asia.

That's why I think you received the reaction you had from the American side on the arms embargo question, we have real strategic interests there and we'd like to talk to you about them. It's been fun today.

MR. DROZDIAK: Bill Drozdiak, President of the American Council on Germany. I wanted to raise the issue of Iran and North Korea and what Europe and the United States could do to prevent those countries from acquiring nuclear weapons.

First for Ambassador Levitte, is France and Europe, for that matter, willing to acknowledge that force may be necessary in order to prevent Iran from breaking its obligations and pursuing nuclear weapons?

Secondly for Nick, is there a role for Europe to play in terms of in North Korea, and if there is this desire on the part of the administration to see Europe global role, why hasn't the administration reached out to Europe and try to get them to play a constructive role on the North Korea question?

MR. LEVITTE: On Iran, the three European countries which are now in these negotiations and at a difficult moment of these negotiations have always considered that inaction was not an option, and that's why we took the initiative together with Germany and the U.K., and it was and it is so far I would say a relative success.

First, if you compare with North Korea, Iran is still a member of the Nuclear Non-Proliferation Treaty. Second, contrary to North Korea, we have signed and are implementing the additional protocol. Third, contrary to North Korea, the inspectors of the IAEA are deployed. They've been expelled from Pyongyang, and they are deployed in a way which is going beyond what was or what existed with North Korea, and they are doing a good job.

Fourth, and maybe it's the most important achievement so far, the Iranians have accepted to suspend indefinitely and in a verifiable way the reprocessing and enrichment procedures.

What we want to reach is a global agreement with them and we are very grateful to the United States would support what we want to achieve, and we act in full transparency not only with the U.S., but also with Russia and with China. It's very important to build a global consensus around this initiative because we are conducting these negotiations eyes wide open, and we may be confronted in the coming weeks or days with big difficulties.

If the agreement which was reached in November last in Paris, and if the resolutions of the IAEA of last November are not respected anymore or violated, if the seals which are in front of the doors closing the doors of some buildings are broken and the doors are open and reprocessing or enrichment or conversion were to start, then we would be confronted with a crisis in our negotiating process. This would lead to a meeting of the board of the IAEA and then we'll see if and when it's time to go to visit the Security Council.

You used a very strong word. You used the word force, if I understand correctly your question. We don't consider that the use of military force, military might, is a realistic option, or at least it's always an option, the use of force is always an option, but certainly it would be the worst option because it would not be a silver bullet. It would be a huge operation with consequences well beyond Iran, and that's why we do consider that the

initiative taken by the three Europeans is not only necessary, but offers the best option to reach a global deal provided that the Iranian authorities are ready to work with us in good faith in implementing the deals that they have accepted, especially the one in Paris in November last.

MR. STEINBERG: Nick, in addition to answering those questions about North Korea, I wonder if you could just comment on the degree to which in light of our earlier conversation about the need for early consultations in getting a common approach. You're satisfied that now that the United States has made its gestures on Iran that there is a common strategy on the what-if, that if the events that Jean-David described take place, that the United States and Europe are going to go to the same place with the same strategies to deal with Iran noncompliance.

MR. BURNS: I think Bill has put his finger on probably the two most important issues for the spring and summer in terms of global stability, and that is how can we prevent Iran and North Korea from furthering their nuclear ambitions, and they're both at a critical stage.

On your question, Jim, we very much support France, the U.K. and Germany in their negotiating effort with Iran, and I think we do have a common sense of what the goal of that negotiation is and what should transpire should Iran break the IAEA seals at the nuclear research facility at Isfahan. There have been some published statements out of Iran in the last couple of days about their interest in resuming uranium conversion, and we have said that we

have full support for the E.U.-3, that Iran should not break the Paris Agreement of November of last year, that the suspension should remain place, and that we support a peaceful diplomatic resolution of this problem and we fully support the E.U.-3.

I do think Jean-David is right, listening to each other and having a chance to talk about long-range issues does help. It was President Bush's trip and particularly his dinner with President Chirac and his day with Chancellor Schroder in Mainz that led the president to believe that we ought to be in support of the E.U.-3, and we still are. The basis of that understanding, however, is not just a suspension of Iranian nuclear activities, it's the cessation and dismantling of all the sensitive nuclear fuel cycle activities that Iran is interested in. That's an agreement that we have and we have consulted about what would happen should Iran break the agreement and I do think we have a common way forward.

On North Korea asked the question, why isn't the E.U. involved? Frankly, without any degree of criticism at all, I think when the six party talks were put together, Europe had just not positioned itself in that part of the world to be a major player. European support is most welcome. We seek it. I believe we have it for the six-party talks, although Europe is not an active partner.

The six-party talk idea is that the countries that actually are contiguous with North Korea or that have a strong regional security interest are the actors in it. You know which countries they are, but I don't perceive any

lack of support from Europe. I think Europe has been supportive of what we've been trying to do and we appreciate that.

I think it's significant that Europe and the United States are on the same page on these two great questions of stability in the world. No one has any delusions about Iran and about what Iran is trying to do here. They're trying to build a nuclear weapons capability behind the guise of a peaceful civilian program and we think the E.U.-3 effort is designed to thwart that, and we very much support it.

MR. PISAR: I've already introduced myself this morning, but for your sake, Samuel Pisar. I practice international law in America and in Europe.

Mr. Under Secretary, you said when you began your preliminary statement that you expressed concern that some politicians in Europe seemed to be anxious to build up a position to the United States and that this could be a hurdle to U.S.-European relations. I couldn't imagine who you had in mind. Maybe the Ambassador has an idea.

Europe is in those of a referendum that has suddenly become unpredictable. France in particular seems to be acting in the European dimension unilaterally, whereas the United States is become multilateral again. But in view of what you said and in view of the possibility that Europe may become a little bit messier in the foreseeable future, no matter how the referendum comes out because this becomes so controversial and so unexpected.

What is the United States policy today? I am aware that you have diplomatic and rhetorical constraints, but is the United States in favor of integrating Europe with all deliberate speed, or would you rather see that process slowed down in terms of what you started saying?

MR. BURNS: I don't think that the Ambassador to the E.U. or the Ambassador of France would appreciate it if I suggested there should be an American voice on the question of the referenda. There shouldn't be. This is a question for Europeans to decide, not for Americans, and at every opportunity--

MR. PISAR: Does the United States want strong--Europe given the world situation?

MR. BURNS: I was just answering it in a typical diplomatic way. I kind of rounded out.

[Laughter.]

MR. BURNS: I wasn't taking a direct line towards your question, but forgive me, it's my DNA.

To be serious, I think it's important to say that the United States should not be involved in speaking out about the referenda in any of these countries. It's not our place in a democratic alliance.

But having said that, I think the symbolism as well as the words of President Bush's visit to Brussels in February are very important. He said that day, and he signaled that day, our strong support for a united Europe, a strong support for a stronger and ever-evolving European Union. It's up to the

Europeans to decide how it evolves, not us. We accept the E.U. as one of the great historical advances over the last 50 years and it's in our interests to be able to work with Europe in a peaceful, collaborative way.

I say that because I'm a career diplomat and Jim, Phil and I served in the Clinton administration together. I think that much of the 1990s the United States was rather ambiguous and ambivalent in its position on Europe. I don't mean any criticism of any particular administration in which we might have served, but I think that President Bush in February answered that question in a declarative and unmistakably clear way, and that's the policy of our country. That's why we look forward to a close relationship, and it's going to be expanding and we're happy about that with the European Union.

It's also why we want to make sure that NATO and the E.U. learn to live together and not to compete on strategic and military grounds and why we believe that NATO has to remain that central forum, because that's where we are. We don't sit in the European Union on that particular set of questions.

MR. STEINBERG: I'll resist the temptation to ask you why it's not okay to have an opinion on the referendum but to have an opinion on who should be added to the E.U.

MR. BURNS: We're not perfect.

MS. CHOY: My question is as to E.U. and U.S. trade partnership in China. Dealing with China and the U.S., we have two problems. A, dealing

with China's trade and currency policies. B, dealing with China's military and security stance.

Looking at China issues, we have at the moment a dispute with substantive issues dealing with Airbus. It's not going too well. On the currency issues, the U.S. government has been pressuring the Chinese to revalue the renminbi. However, when you look at how much U.S. currency, the Japanese government has purchased so far \$700 billion in U.S. Treasury bonds, unlike the Chinese \$200 billion. So it has been not significant, so the U.S. government--toward renminbi revaluation--so there's not a big problem dealing with the Chinese issues. But C, dealing with the security defense-related issues with the E.U. and the U.S., we have quite big problems. Are you able to touch on the issues?

You mentioned in the E.U., so far three countries sold arms in China and five or six countries disagree on lifting the arms embargo. Also you mentioned Javier Solana's discussion with the E.U. But my question is, there is also disagreement within the European Parliament members of states in these countries. Are you able to at some point include members of the European Parliament?

Also my question to Ambassador Jean-David Levitte, you mentioned about the Galileo program. It has been a tremendous success as far as starting the program, 3.3 billion euros negotiated. There are two--and one read by EADS. But lifting the arms embargo, would it help EADS? I'm not

quite sure because EADS defense very much want to expand its--in the U.S. defense market. Perhaps it's not a good thing, but I can see the civilian sector, Airbus, it can benefit.

But also on Galileo, China will participate in Galileo in a strategic partnership. They will contribute 10 percent of 300 euros. Will it make it more complicated on the E.U. relationship within China?

MR. BURNS: Thank you for your question. I would just say very briefly that it's also good to frame the U.S.-China debate in more constructive terms. We seek a better relationship with China, and I would say over the last 4 years that our administration has been able to build a stronger relationship with China across the board than our country had previously enjoyed.

We certainly have had our difficulties on the trade side as you have mentioned, but we count China as a very important partner in the six-party talks, China as a partner in the United Nations, and we seek a peaceful, constructive relationship with that country.

The problem to join the debate back with the E.U. arms embargo that we've had is that China is embarked on a very rapid and significant military buildup. We think some of the investments in R&D and technology that China is making are, of course, in such a direction perhaps designed to counter American naval power in the Pacific region. Therefore, the question of the E.U. arms sales becomes a particularly sensitive one for us.

But overall, we do not seek conflict or confrontation with China. We seek across-the-board engagement with a country that's going to play a more important role in the world in the future.

MR. LEVITTE: Three brief remarks in answering your questions.

First, we have exactly the same view about China, that is, China is for Europe a very important, positive partner and we want to develop with China the same kind of relations that the U.S. is developing with China, and that's exactly why we want to lift the embargo.

Second, you mentioned, Nick, the question of technologies which is not covered by the embargo. It's another problem. It's an important problem. It's your transfer of technologies and so, and this is another issue and let me explain very clearly that the European arms embargo covers only and in a very strict term the arms and not what is beyond arms, that is your technologies and so on, which may be an important issue and maybe you will have to address it and maybe we will have to address it, but it's not linked with the question of the arms embargo.

Third, about EADS-Airbus, you have to know that we are very proud of the new Airbus, the giant of the air, the 380. But I must recognize that 42 percent of each of this big Airbus is built in America. So if there were measures decided some day by the U.S. Congress against EADS or Airbus, it would have very damaging consequences for 100 and more American companies in probably more than 40 states of the United States of America.

MR. STEINBERG: I bet you can identify every congressional district.

[Laughter.]

MR. LEVITTE: I have the list. We live in a globalized world and we live in a world where the transatlantic economies are totally intertwined.

MR. BURNS: I just wanted to assure Jean-David of our great pride in the Boeing Corporation as well.

[Laughter.]

MR. : First of all, I'd like to congratulate both my friends Jean-David and Nick not only for the substance, but the spirit in which this dialogue has taken place. I think it's been really excellent.

Nick, I admired the work you did as the Ambassador at NATO and I think you're a great addition to the State Department, but forgive me if I just put in a little disclaimer on one thing you said, that the Clinton administration showed ambivalence about the European Union. I was the United States Ambassador in Madrid when Javier Solana came to me and said, "We want to devote the Spanish presidency in 1995 to strengthening the Atlantic Partnership." Stu Eisenstat and I and the administration grabbed that with both hands and we negotiated what came to be known as the New Transatlantic Agenda Document signed by President Clinton, Jacques Santer and Felipe Gonzalez in Madrid in December 1995.

That document called for the most intensive cooperation between the E.U. and the U.S. ever, and indeed, it begins, "The United States and the European Union," not the members of, but the U.S. and the European Union, but the U.S. and the European Union signaling our desire to recognize the E.U. as a major actor.

As a result, we initiated consultations in four areas, political, transnational issues such as health and environment and development, economic issues, and cultural-educational issues. It did not produce all that we wanted because process can never be a substitute for policy convergence, but we did want an intensive dialogue.

I'll just conclude with this. When Clinton left office, Romano Prodi gave him on behalf of the E.U. the Charlemagne Prize, only given to one other American, General George Marshall, and Prodi said to Clinton, "We're giving it to you because you are one of us."

I hope your administration will behave in such a way as that that prize can be given one day to George W. Bush.

[Laughter.]

MR. STEINBERG: And, no, I did not plant that question.

MR. BURNS: Dick, like you, I proudly served in the Clinton administration and I'm very proud of much of what we accomplished together to build our relationship with the European Union.

The point I wanted to make was I do think looking back on it, going back 15 years or so, the United States has not always spoken clearly about our support for the European project particularly in the security and political arenas; we've accepted the Economic Union. I think you can be proud as an American in what President Bush did on February 22 to signal in a very clear way I think that had not been signaled before that we're now ready for a new page in that relationship.

I don't mean to diminish anything that you or Jim or anyone else accomplished during that administration.

MS. : I'm a defense contractor. I just was curious what you thought about the European Defense Force and if it's good or bad for NATO.

MR. BURNS: I think the question is what do we think about the European Defense Force or the ambition of some in the European Union to create a defense identity.

Our view is that NATO should remain the focal point of transatlantic security, and if the E.U. should try to develop a capacity to act in the world militarily but in a way that's complementary to NATO and not duplicative of it, and what we've seen in the E.U. in the past couple of years is an attempt by some to actually build the institutions in downtown Brussels that we built over the last 56 years in Mons and throughout the Transatlantic Alliance. The E.U. does not need a planning capacity, the E.U. does not need a large central staff, because the E.U. members have NATO for that under Berlin

Plus, and due to the fact that nearly all the members of the E.U. are members of NATO.

We would not like to see the E.U. try to build that because it would be terribly wasteful. It would cost billions of euros that the European governments do not have for defense, given the woeful lack of support in Europe for defense spending. It would be directly competitive with NATO, undercut the transatlantic link, and I think undercut support for it in the United States.

We've been unmistakably clear about that, and the great majority of European Union countries see it the same way we do.

MR. STEINBERG: Jean-David, I'm going to give you the last word on European defense.

MR. LEVITTE: I would say that, first, NATO will remain the cornerstone of our security, the transatlantic countries' security, for the next decades, no doubt about that.

Second, we live in a dangerous world where crises emerge here and there in very different ways with very different challenges, and probably we'll be confronted with difficulties to act, you and us everywhere at the same time. Our problem will be a lack, in my view, of capacities.

We don't want to compete in the E.U. with NATO, and after all, we are all members, not all, but nearly all, members of the two organizations. What we do want is to develop a limited capacity in the E.U., react as we did,

for instance, in an emergency situation in Bunya in the eastern part of the Congo. What was the situation? Massacres were looming. It was urgent to act. At the time, if I'm remembering correctly, Kofi Annan started by asking NATO, Are you ready to send troops to Bunya? Maybe you will correct me. You will correct me. But NATO to my knowledge was not ready to send troops to Bunya.

We were asked as France and we said we will not go alone because we don't want as a former colonial power to be seen as acting alone with our troops in African countries which speak French. It's not former French colonies, but we were adamant on that. The solution was to ask an E.U. force to be sent immediately.

But that's not the only example. In Macedonia we had an E.U. force which played a limited role which was helpful at the moment when NATO was very busy elsewhere. And in Bosnia, E.U. has replaced NATO forces with 7,000 troops and police which is good news because the mission was accomplished and with great success for NATO and it's time for the E.U. to replace.

So you see there is room for the two organizations in each capacity and with a preference for I would say big operations for NATO, that goes without saying, but our limited capacities can be helpful to complement.

As a last word, and maybe that's the future, when I mentioned that a French general was in charge of the NATO operations in Kabul, it's interesting to note that he was there not because he was the best.

[Laughter.]

MR. LEVITTE: He was the best of course, but not only that, he was the head of the common structure of the Eurocorps and the common structure of the Eurocorps was sent to Kabul to be the common structure of this NATO operation for a few months.

You are a better expert than me, but I see not only room for everybody confronted with so many crises, but also the capacity for our two organizations to work in harmony helping each other.

MR. STEINBERG: When I lived in London I learned that there were basically only two kinds of weather forecasts. One weather forecast was mostly cloudy with bright spells, and the second was mostly sunny with wet spells.

[Laughter.]

MR. STEINBERG: I will leave it to the audience where we are on U.S., Europe and the global agenda. Thank you all very much.

[Applause.]

[END OF TAPED RECORDING.]

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