

# THE EUROPEAN UNION – WHAT'S NEXT?

*George Cunningham\**

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*Cette conférence a été organisée sous les auspices du New Zealand Centre for Public Law et de la New Zealand Association for Comparative Law. L'auteur y a exposé les grandes lignes des futurs développements que devrait connaître l'Union Européenne.*

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Many thanks to the Faculty of Law at Victoria University and the NZ Association for Comparative Law for having invited me.

It is really wonderful to be here. This is a happy occasion as it is my first talk here in New Zealand, having only arrived in your pleasant land just over a month ago.

Oftentimes, I like to give talks which stimulate debate and add a bit of my personal analysis. This occasion will be no different. I hope that will make it interesting.

We have just had the European Union's 50th anniversary celebrated with many events worldwide, including in New Zealand. In our discussions about what to call this talk, someone suggested "European Union: the next 50 years". Although that was a very visionary suggestion, I believe it does not easily fit in with the realities of our modern times right now.

In a speech in Cape Town, South Africa in June 1966, Robert F Kennedy said, "There is a Chinese curse which says, "May he live in interesting times". The popularity of this "Chinese curse"

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has puzzled Chinese scholars, who have in fact – as it turns out - only heard it from Americans. The origin of this phrase might be related to the Chinese proverb, "It's better to be a dog in a peaceful time than be a man in a chaotic period". Whatever the origin, it is certainly true we live in interesting times right now.

In a previous guise, as coordinator for EU-US bilateral trade relations, I had on many occasions delivered talks to both EU and US audiences, explaining (and surprising) them that – although the US is perhaps unique in the world in terms of hard power - the EU and US economies were of the same magnitude. By working together, with the multilateral interest also at heart, I used to say, we could make a constructive, positive difference in the world.

However a change is occurring. The EU is growing in terms of member countries. The euro is on the rise. There is an economic slowdown in particular in the US economy because of the subprime mortgage crisis. The outcome is that – based on current exchange rates - the size of the EU economy has out-stripped that of the US economy. And this may continue for some time.

When I was serving the European Commission in New York in 2000, the euro had only just been launched. The exchange rate had drifted downwards below parity rate against the US dollar, bumping along at merely US\$0.84: 1 Euro. By contrast, now it has reached the giddy heights of almost US\$ 1.45: 1 Euro.

Attending a New York party at a time the euro had reached rock bottom, a billionaire asked me if I believed it was the right time to invest in euros. I said absolutely. He took my advice and did it. He died around the time the two currencies reached back to parity again. He did not live long enough to see the real fortune that he would have made.

There are many other global trends of note that are changing the way the world is functioning, not least the rise of the so-called BRICs (Brazil, Russia, India and China), as well as other emerging economies. Now that the relative certainties of the second half of the 20th century are well-behind us, we need to adapt and face this brave new world together.

We are indeed living in interesting times. And New Zealand - despite geographic distance from other countries – is by no means isolated from what is happening in this globalised, shrinking world. And that is why it is particularly important for New Zealanders - like the rest of us – to work together to try to harness as much as possible this ongoing, unstoppable globalisation for our benefit.

In these turbulent times, it is difficult perhaps to predict too far ahead what may happen – and certainly not 50 years ahead. Nevertheless the European Union is evolving and has a clear programme about what it wishes to achieve.

First of all, it is important to remember the EU's global soft power is quite substantial. Just three quick facts:

- As mentioned previously, the EU is now the world's biggest economy with a GDP of NZ\$ 22 trillion.
- It is the world's biggest trader, accounting for 20% of global imports and exports.
- It is also the world's largest donor, providing around 55% of the world's development assistance.

There are many themes that one can pick about the EU and its future, but let me concentrate briefly on four: enlargement, climate change, freedom of movement of people within the EU and changes to the way the EU is run.

Concerning enlargement, the EU is certainly very popular among its neighbours. Many countries want to join it. We have now 27 Member States. Almost a half billion people. Negotiations are in progress for Turkey and Croatia to join. Other countries of former Yugoslavia have agreed a roadmap towards a European destiny. There are no geographic limits set for enlargements.

However we have to be a bit more careful. EU citizens have become more cautious about the current enterprise. Polls show, for instance, some resistance from the public in some countries to Turkey's becoming a member. Nevertheless, the EU has given a clear undertaking to Turkey that it should be a member once it has fulfilled all the criteria to join.

The success of the 2004 big bang enlargement of 10 new Member States can now be more clearly seen. The influx of over half a million Poles into the UK since their country joined the EU in 2004 has not led to tensions there. Indeed a recent Home Office study has reportedly said Polish workers have produced a benefit to the UK economy of an estimated 9 billion euros in the past year alone.

And for those in the regions most immediately around us, we have a special European Neighbourhood Policy which embraces countries further to the east in Europe and the Mediterranean in a comprehensive programme to create more stability and prosperity.

Concerning the free movement of people, we are making advances there as well. Membership of the so-called Schengen countries now stands at 15, including even Iceland and Norway which are not members of the EU.

Just next month, there will be a another great leap forward as a further nine new EU Member States (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia) will abolish their internal land and sea borders between them and the current 15 members of Schengen. The same will happen for air borders by March 2008. This will lead to the expansion of the Schengen area to 3,600 million km<sup>2</sup> and should certainly make it easier for New Zealanders traveling to Europe for their Overseas Experience to cross borders.

On climate change, the UN Bali Conference is coming fast upon us. The EU hopes that international climate talks in Bali during the first half of December will establish a roadmap that will lead to commitments from all developed countries to cut their greenhouse gas emissions by 30% by 2020, compared to 1990 levels. The EU has unilaterally already agreed to cut its gas emissions by 20% during this period, agreement or not.

The recent announcement of an International Climate Action Partnership which aims to coordinate and share information on existing regional cap-and-trade initiatives within Europe, New Zealand, various US states and Canada is very welcome. Such a forum could act as a driver for increased compatibility and potential linkage of regional carbon markets, which could ultimately lead to the creation of a wider, international carbon market.

In 2008, the EU will assess the adaptation of its public policies to the new realities of climate change. A wide range of EU policies – such as agriculture, fisheries, biodiversity, energy, industry and tourism – will need to be adjusted. Particular attention will be given to the greening of the transport sector. There will also be a strategic energy review.

Final among my four themes is changes to the way the EU is run. A new reform treaty has been agreed. Those reforms are expected to start taking shape in 2009 if all goes well with the ratification process in the 27 Member States, all of whom must ratify the Treaty. Some of the key changes are as follows:

- The creation of an EU Presidency (of the Council) for a two-and-a-half year term. This replaces the rather short six-monthly Presidency rotation among Member States that happens now, and will allow for better continuity;
- the creation of the post of High Representative of the EU for Foreign Affairs and Security Policy – effectively a Foreign Minister for Europe;
- a single legal personality for the EU;
- an exit clause, which will – for the first time - permit members to leave the EU;
- a stronger role for national parliaments;
- A double majority rule for decision-making based on the votes of 55% of member states combined with a total of 65% of the EU's population to pass legislation by qualified majority from 2014;
- extending qualified majority voting to another 40 policy areas, thereby easing decision-making within an enlarged EU.

The creation of an EU High Representative for Foreign Affairs and Security Policy is expected to impact on the diplomatic functions of the EU worldwide and lead to the formation of an European External Action Service.

This is just a flavour of what is going on. There are many other developments in the pipeline. For instance, the increasing number of countries that are readying themselves to join an expanding eurozone. Or our forthcoming summit with African Heads of State and Government this December to move that relationship forward even further.

One of the fun things about working for the European Union is that there is continuous evolution. Setbacks, when they do happen, usually, eventually, get resolved.

Finally, how about New Zealand's relations with the EU? Well, first of all, they've never been better. There are currently no trade disputes between us – a clean slate in the only area of potential friction. And let us not exaggerate the importance of this area, given how we have so much in common on all other fronts.

New Zealand is valuable and valued by the EU. It punches above its weight in the international arena, particularly on trade matters. It assumes significant leadership in the Doha Round. Its position in the Asia-Pacific region gives the EU a close friend in the region which is the engine of economic growth for the whole world. And its lamb and other important food products grace the tables of Europeans across the whole EU and not just in the UK.

The new Joint Declaration on relations and cooperation between the EU and NZ signed on 21 September this year has taken the relationship further. The aim there is to negotiate and conclude a full air services agreement by the end of 2008; a new Science and Technology Cooperation Agreement which we hope will be ready in the first half of 2008; and continued work towards a Wine Agreement and a Customs Cooperation Agreement.

We will also enhance our cooperation on climate change, including support for the post-2012 international framework and carbon market; have new annual trade talks (back-to-back with more traditional agricultural talks); look for practical cooperation in the areas of investment promotion, regulatory and competition policy approaches; more educational cooperation; increased coordination in the Pacific region; and closer cooperation on counter-terrorism.

This year alone has seen Prime Minister Helen Clark and Foreign Minister Winston Peters engage actively Europe through extensive visits there. And in return, our External Affairs Commissioner Benita Ferrero-Waldner and other senior officials have also made their journeys this year to New Zealand.

It is through partnerships such as these that the European Union is creating a web of friends throughout the world. And none does it feel closer to in terms of shared values than New Zealand.

Thank you for having me here, both in your country, and as my audience this evening.

