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**ANNUAL EUROPA LECTURE TO THE NATIONAL CENTRE FOR
RESEARCH ON EUROPE**

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1. Thank you very much. I am delighted to have been able to accept the invitation to give this lecture. The EU and New Zealand have long enjoyed a close relationship. In 2002, the EU was New Zealand's second largest export market. Over 400,000 Europeans visit New Zealand each year and I gather they tend to stay longer – and spend more! – than any other visitor. And from my experience over the past few days, I can understand why.
2. The sheer existence of this Centre is of course a further testament to our closeness. Geography might have placed us some distance apart, but culture, values and trade bring us ever closer together – as the appointment of an EU representative here signifies. I strongly support the Centre's two objectives to research EU issues and to promote greater awareness of the EU's role. I hope my lecture today will help to further them.
3. As has already been mentioned, 2004 will be a very momentous year for the EU. We can very soon look forward to a European Union of 25 members. I understand that both previous speakers here – Commissioner Patten and Helen Clark – highlighted EU enlargement as an historic development. They were of course right to do so. No doubt when they were speaking it seemed like a distant prospect. But we don't have to look that far ahead now. Enlargement is just a month away.
4. It is difficult to overstate the significance of 1 May. New members have of course joined in the past, but the scale of this enlargement alone is unprecedented. EU land area will increase by 20%. There will be an

additional 75 million people, making the EU the largest multi-country single market in the world. It will be bigger than the US and Japan combined. Many consider this enlargement to be the most significant event since the EU was founded back in 1957.

5. And 1 May does not mark the end. Bulgaria and Romania hope to complete accession negotiations this year, with a view to joining in 2007. When that happens, the EU will be home to half-a-billion people. And there's the prospect of further expansion. Turkey is also a candidate for accession. And a decision on opening formal accession negotiations will be taken this December. A number of countries in the Western Balkans are also considering applications – and I understand that Croatia has already submitted hers.
6. And what is also unprecedented is not just the scale but the nature of these changes – hands are extended across the great historic divide that emerged in Europe during the cold war. This may be an appropriate moment to confess that I was one of those who was opposed to the UK joining the EC (as it was) in 1972 – and campaigned for a no vote in our referendum in 1975. Part of our argument then was that “these 6 countries are not Europe”. Well you're a bit pushed to say that now!
7. Of course, such momentous events pose challenges for all concerned. Six of the ten countries joining in May did not exist as independent states just over a decade ago. Most have had to shake off the legacy of 40 years of Communism. And all have had to adopt and implement over 80,000 pages of EU law. I'm not sure which of those is the most daunting.
8. And the EU as it exists today has also had to prepare and to reform. That process of internal reform began at Nice in 2000, when a new Treaty was negotiated to make enlargement possible and the Institutional provisions agreed in Nice will come into effect this November and continue until 2009.

9. Alongside that, the 25 current and future members of the EU are discussing a draft Constitutional Treaty for the new EU. The process towards agreeing that Treaty was launched in 2001, with the creation of a Convention on the Future of Europe which concluded its work last October. Discussions of the detailed content of the new Treaty began last December with the launch of a new Inter-Governmental Conference. But whether or not agreement on this constitution can be reached in the near future, 2004 will be – indeed it already is – a year of further great change. In June we have the EU elections and later a new Commission.
10. And all these developments are being tackled alongside each country's individual needs as a nation state. That means elections – lots of them! We have recently seen changes of government in Spain and Greece, France has just held some quite interesting regional elections and Presidential elections in Austria, Slovakia, Greece and Germany are all due to take place over the coming months. But these are all challenges of a kind to which the EU will have to adapt – not least because in a union of 25 there will probably always be an election somewhere!
11. But EU enlargement is not just about challenge. It also creates huge opportunities.
12. The EU is not, and it must not, be inward-looking. It has a major interest and a major role to play in handling the social, economic, and environmental issues facing the world. The EU can and must contribute to a sustainable future for us all.
13. Of course, this commitment to sustainable development lies at the heart of the work of my department. It's our overriding purpose – the purpose for which the department was created. And key to our pursuit of sustainable development is our pursuit of sustainable food and farming – where we have learnt much from our links with New Zealand. In 2001, after our appalling Foot and Mouth disease outbreak, an independent Policy Commission under Sir Don Curry was set up by the Prime Minister to

consider the future for English farming. They advised first that we should seek to reconnect farmers with their markets and customers to create a framework in which they farmed for the market and not the subsidy. Second, they said that public funds should be used to deliver public goods. We began at once to draw up a strategy to implement those recommendations and published it in 2002. But that approach also then shaped our approach to reform of the Common Agricultural Policy, or the CAP. I ought, perhaps, to say at this moment that my first fulltime job in politics was working as the secretary of the Agricultural Committee to the Labour Party. One of my first jobs was to write a brochure on how the CAP worked. I think I've been in favour of reform ever since!

14. And we were sharply aware that if our strategy for sustainable food and farming is to be a success in the UK, in the EU, and across the world, we need to ensure the CAP fits.

15. That's precisely what we achieved with last June's CAP reform package. In her Europa lecture in November 2002, Helen Clark referred to Franz Fischler's proposals for CAP reform as "surprisingly far-ranging, some would say revolutionary". She was right. What's even more surprising is that we secured them last June.

16. The package agreed then was truly radical. And – unlike the old CAP – sustainable. The deal we agreed marked a fundamental shift in EU agricultural support. For the first time, we have broken the link between subsidies and production - "decoupling" in the jargon.

17. In line with our strategy for sustainability, EU farmers will now be encouraged not to maximise production, but to optimize production. They'll no longer be encouraged to harvest subsidy. Closeness to the market will probably mean big changes. Some may switch to other products, some may diversify out of farming, some may decide to cut back production levels and focus on higher quality. But whatever decision they take, it will be based on business judgements and not on subsidy rules.

18. We also delivered on our second objective – to direct public funds to public goods. Receipt of the main EU subsidies will be conditional on farmers' meeting certain standards – in areas which matter to the public, such as the environment, public and animal health, and animal welfare. Direct payments across the board will be reduced, with the funds redirected to rural development measures. As a result, increased funding will be available to improve landscape, protect habitats and improve soil and water quality. All things that matter hugely to our public.
19. So the reform can deliver environmental and social benefit. It should also bring economic reward. Everyone's economic analysis is that rural economies will benefit, with UK farming incomes expected to rise overall by between 5 and 10%. So it really is potentially a win-win situation for all: and for sustainable development in particular.
20. And this revolutionary change has real resonance for the Doha round negotiations and the World Trade Organisation. Actually that resonance has already worked both ways. One of the reasons we pulled off such a substantial reform was because of the pressure of the WTO deadlines. The EU has been criticised understandably for missing the March negotiating deadline. But it was because the package was so radical that it took that extra time.
21. The facts speak, I think, for themselves. Stuart Harbinson, then the Chair of the Agriculture Committee, made a number of proposals before last March. He proposed a 60% reduction in the most trade-distorting subsidies – the so-called amber box. Now we can deliver that. The paper suggested a 50% reduction in less trade-distorting subsidy under the so-called blue box. Now we can deliver that too. On export support, the EU estimates that recent reforms could reduce expenditure to below \$2bn – from a level of \$10bn just a few years ago.

22. So the EU has already moved – and moved radically – and will continue to do so. Levels of decoupling will prove to be even higher than original estimates when the deal was struck. More Member States are recognising the potential benefits of the reform and moving either to higher levels of decoupling than they originally committed themselves too or earlier implementation dates. So that means even more subsidy out of the amber box and sooner.
23. So last June's CAP reform deal puts the EU in a strong position to negotiate across the three agriculture pillars of domestic support, market access and export subsidy – and it marks a huge step forward.
24. It's only fair to say that some fellow negotiators in the WTO have found this hard to accept. And that EU Member States have found it hard to know why! But I got a clue, perhaps, in Geneva in January when I took the opportunity of chairing our regional preparations for the twelfth Commission on Sustainable Development in New York next month to touch base at the WTO. I told them what I have just told you and was then asked if the outcome was so much more radical than expected, why did the EU not have to renew its WTO mandate? It was clear that the outcome was seen that it could not be that radical or else the EU would have had to renew the mandate. My answer – because, in a Union of 15 member States, where the Commission negotiates on behalf of us all, you need a very flexible mandate. And that is what the Commission already had.
25. Also of course there is also more reform in the pipeline. Changes to the regimes for tobacco, hops, cotton, and olive oil are under discussion in the Council, and we anticipate a final decision hopefully next month. In each case, decoupling of subsidy is proposed and we in the UK will be aiming to secure as high a level as possible. But it's clear that the EU path is now set, and there is no turning back.

26. That brings me to the current round of trade negotiations under the Doha Development Agenda. Cancun was a huge disappointment. It was right that many took time out to reflect on what happened and I am pleased that on the whole we haven't set about apportioning blame, and people are now seeking to move forward. In this respect, Bob Zoellick's letter earlier this year was a welcome boost. It provided fresh impetus to the negotiations and I sense there is a real appetite to take that opportunity to achieve what we failed to accomplish at Cancun. I welcome the many positive responses to the US initiative from across the WTO, including from New Zealand, the wider Cairns Group, the G20 and, of course, the EU itself.
27. But positive statements are one thing, and real action is quite another. The world community cannot take a repeat of the failure of Cancun. And as Bob Zoellick says, we'll have missed a golden opportunity if we don't convert these good intentions into real results in this year.
28. So what needs to happen for progress to be made? Clearly there is much we would all like to see from one another and from the negotiations. As the mandate states, we want reductions with a view to phasing-out of export support. Substantial cuts in trade-distorting domestic support. And, perhaps most difficult of all, real improvements in market access.
29. We all know all this. We're only too well aware of each other's positions. Fingers are pointed at the developed world, in particular regarding domestic support, at the EU and US regarding export support, and at all countries (and I mean all) on market access. And I have no doubt there are good grounds for such protests.
30. But there was a clear call at the start of last year for the EU to move before progress could be made. Well we have moved – and moved radically. And now we could all waste an awful lot of time reiterating positions and trying to score points ahead of the real negotiations. But we don't have

time to waste. Even the perception of unnecessary delay or lack of enthusiasm is damaging to the world community.

31. Of course, in the context of negotiations, we recognise the differences in our circumstances. Developed and developing countries, to state the obvious, have very different needs and concerns. And even within the categories of “developed” and “developing” countries some are more advanced – or they start from different places. Here in New Zealand, for example, you abandoned all agricultural support back in the 1980s – a step not all other developed countries have taken!

32. But where we are all alike is in the benefits we can gain from trade liberalisation. The World Bank estimates that potential gains from removing barriers to trade range from about \$250bn to as much as \$620bn. About half of that would accrue to developing countries and could lift some 320 million people out of extreme poverty by 2015. In Geneva in January those who have cause to know the public and private positions of the WTO members assured me that a successful outcome to the negotiations is within our grasp. And I passionately believe that if that is so, there is no excuse for not finding the political will and the political means to make it happen.

33. So my plea to you today is for New Zealand’s help as the constructive and influential partner I know you are to help ensure we don’t miss the opportunities offered by this Trade Round. New Zealand is very well placed to influence a number of key players in the negotiations – the EU, the Cairns Group and the G20 in particular. And we need to work together to secure the outcome we want – which is for all to begin negotiating in earnest. To do that, we need to agree frameworks over the next few months. And we must do all we can to ensure this happens. Apart from anything else, we owe it to the 3 billion people around the world, who currently live below the UN poverty line of \$2 a day, not to miss this opportunity.

34. And if I may digress just for a moment, it's the same 3 billion people who will suffer most if we fail to tackle climate change, particularly in Africa, though just as we could all benefit from the trade round so we are all at hazard from climate change. I could of course reel off a string of facts and figures to show the impacts of climate change, but I'll mention just a couple. Economic models predict that for every 1 degree rise in the global temperature there will be a 4% fall in African GDP. And climate change models predict an average 4 degree rise in temperature in central Africa. If those two figures are right, we're talking about a potential 16% fall in GDP in Africa. Closer to home, you've had your share of bad weather here this summer. Europe has also suffered extreme weather in the last few years. The floods in 2002 caused 37 deaths and US\$16 billion of direct costs. The heat wave in Europe last year is estimated to have caused 26,000 deaths and directly cost US\$13.5 billion. The Tindall Research Centre tells us that one of the consequences of climate change is that we're likely to see alternating extremes of droughts and floods.

35. Many still see tackling climate change as a cost, a drain on the national economy, a necessary evil. I don't see it quite like that. In many cases, particularly for the business community, climate change is an opportunity. I have been forcibly struck on how many large companies who prided themselves on their efficiency have been able to make big savings by taking a fresh look at how they use their resources. I'll give you just one example. BP instituted an internal emissions trading scheme between its various divisions and by doing so it cut its emissions by 20%. It cost US\$20 million to carry out that strategy. They saved almost US\$650 million as a result. I said I was surprised, I can tell you that BP was surprised as well. That's just one particularly striking example. There are many others which I don't want to take your time in raising here.

36. Decoupling economic growth from emissions of greenhouse gases in this way is absolutely vital if we are to achieve our aim of preventing dangerous climate change. And it can be done not just by individual companies, but by countries as well. Between 1990 and 2002 the UK cut

our emissions of greenhouse gases by 15.3%. Our economy grew by 36%. China too has made remarkable strides. Between 1990 and 2000 it reduced its emissions per unit of GDP by almost 50% while growing its economy by 60%.

37. So it can be done. The take home message is that dealing successfully with climate change need not be a burden but instead helps to create stronger, fitter, more sustainable companies, industries and economies. And such an opportunity is one that I am sure New Zealand's enterprising culture can seize.

38. One final more general point before I close. I've spoken about failure in the Doha round. It would be a huge missed opportunity in itself. But I also have a wider concern. Trade liberalisation helps create prosperity, stability, security. If we fail – on this and other key issues such as climate change – we risk promoting instability and insecurity.

39. These are the circumstances which throughout human history have created movements, sometimes vast movements, of people. These are the circumstances in which – unless we are seen to tackle these problems together – demagoguery and terrorism find fertile roots.

40. Some of you may remember that the strap line of the Johannesburg Summit was People, Planet, Prosperity. Not just because of its potential for prosperity but literally for the sake of our people and our planet, we must strive for international and multilateral agreement to secure the Doha round and to take forward the Kyoto Protocol as first steps. These are the challenges for our generation. If we fail then all of us and all who are to come will pay a heavy price.