

**A PROSPECT OF EUROPE**  
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**Invited by the University of New South Wales to give the Robert Schuman Lecture, Paul Keating uses the opportunity to talk about developments in contemporary Europe: the enlargement and deepening of the European Union, the development of the single currency, the euro, and the involvement of Russia in European affairs. In the lecture Paul Keating argues the single currency should be established around the core economies of Germany, France and the Netherlands, suggesting that the early entry of peripheral states might put the undertaking at risk in a manner that became evident in the European financial crisis of 2010–11. Paul Keating lays out the story of Australia's cultural relationship with Europe though claiming Australia's connection to the broader Europe is compromised by Australia retaining the monarch of Great Britain as its head of state. He says Australia should take its republic with courage and grace, rather than have it wrung out of the political system because the monarchy's time is coming to a close. He further argues that Australia has unfinished business with Europe notwithstanding the fact that all Australia's political interests come together in Asia.**

It was an honour for me to be invited to give this Robert Schuman lecture on Australia and Europe.

I have called this speech 'A Prospect of Europe', but in fact I want to talk about prospects for Europe in the plural. Prospects in almost all the different meanings the Macquarie Dictionary gives us: a 'contemplation of something future or expected'; a view over a region or in a particular direction; even 'something in view as a source of profit'.

Let me begin by paying tribute to Robert Schuman, in whose honour the lecture is being given. Not, as some people might have assumed given my personal interests, the great German Romantic composer—though I am happy to pay tribute to him as well—but the French Foreign Minister who proposed the establishment of the European Iron and Steel Community, the progenitor of the European Union.

After the Second World War, as if to make up for the tragic miscalculations of earlier generations of European leaders, Europe seemed to burst with pent-up intellectual energy and commitment to public service. Thinkers like Monnet, and politicians like Spaak, De Gasperi and Adenauer, came forward.

On the other side of the Atlantic they were mirrored by an outstanding group of American public servants like Dean Acheson, George Marshall and John McCloy, the group responsible for the Marshall Plan, which Churchill called 'the most unsordid act in history'.

It's a much-noted fact that a disproportionate number of the European leaders who remoulded the continent came from the frontiers of their societies and cultures.

Robert Schuman was the best example. His family had originally come from Alsace. He studied law in Germany and spoke German fluently. Although imprisoned by the Nazis during the war, he had been unshakeably convinced since the end of the First World War that Franco-German reconciliation was vital for peace. He was a religious Catholic, personally quiet and introverted, politically shrewd.

But as Jean Monnet said of Schuman, what he had above all was a 'lucid vision of Europe's future'.

In May 1950, Schuman was due to visit London as French Foreign Minister, to discuss with Dean Acheson and Ernest Bevin the future of Germany. Germany wanted to increase its steel production, which was still limited by Allied decree. It was already clear that the Americans would support them in this. Schuman was worried about the long-term implications for France of such an agreement.

It was at this point that Jean Monnet suggested to Schuman's office—and Schuman seized on—the ideas which became the Schuman Plan—the starting point for the uniting of Europe.

Monnet proposed to use Germany's desire to increase steel production as a lever to place all Franco-German coal and steel production under an international authority, with the participation of the other countries of Europe. This new community would be supervised by a High Authority, able to make binding decisions. Monnet saw this binding Authority as laying the foundations for the European Federation which he believed was indispensable to the maintenance of peace.

Schuman put the proposal first to Adenauer, who was immediately enthusiastic, then to the French Cabinet. Within three weeks Germany, Italy, Belgium, the Netherlands and Luxembourg all accepted the invitation to negotiate. Britain declined, however. It still did not see its future in Europe. Dean Acheson called this decision Britain's 'great mistake of the postwar period'.

The Schuman Plan conference met in Paris in July 1950, and despite the difficult and complex negotiations, the Treaty of Paris, establishing the European Coal and Steel Community, was signed in April 1951.

It was the basis for one of the greatest and perhaps unlikeliest developments of this century—the transformation of the greater part of Europe into a single market.

In a sense the work of Schuman and his colleagues in the 1950s was about constraint. Constraint—in which Germany willingly acquiesced—of Germany's capacity to threaten the security of its neighbours again; constraint, more broadly of

nationalism in favour of a pan-European consciousness; constraint of Soviet power through collective defence.

That search for constraint, and the development of the institutions which would preserve it—the European Union and NATO—guided Europe's development through the second half of this century. The search for binding ties culminated in the development of a single market among all the member countries of the EU.

It has been a remarkable achievement.

But nearly half a century after Schuman's work, the world is going through a period of change even more radical than the one he confronted. The Cold War has ended. The information revolution and economic globalisation are transforming the way the international system operates. Asia is emerging again as a global centre of power.

The European institutions which developed during the first historic phase of European unity face fundamental changes.

Constraint is no longer the answer to the strategic dilemma facing Europe. Growth is the issue—how to broaden the EU's membership, how to enlarge the definitions of European security, how to expand the European economies.

In a political sense the last of these is the most immediate problem. And the need has emerged from another aspect of European constraint. Constraint of growth and structural change in favour of the protection of existing jobs, low inflation and the economic status quo.

The result, compared with the United States, has been—in continental Europe anyway—insufficient economic growth and persistent unemployment. As Lester Thurow records in his book *The Future of Capitalism*, not one net new job was created in Western Europe between 1973 and 1994. Europe's unemployment rates, which had been about half those of the United States through the 1950s and 1960s, had risen by the mid-1990s to be more than double American rates. German unemployment, for example, is at its highest levels since the 1930s.

It was partly in response to this problem that Chancellor Kohl and President Mitterrand, representing the two countries at the core of the EU, gave the mandate to Jacques Delors to move Europe towards tighter economic integration. First, through the Single European Act of 1987, which provided for the removal of all barriers to trade and established the framework for foreign policy cooperation, and then through the 1993 Maastricht Treaty, which set out the arrangements for economic and monetary union.

These leaders recognised that the central question for Europe was how flexible its economies were going to be in the new global environment. In this context, the single market had an important political dimension. Not just in deepening European integration, and especially the nexus between France and Germany, but in making the task of domestic reform easier for national governments by allowing them to appeal to, or blame, externally imposed pressure for needed economic reform.

Despite much talk about whether the Maastricht convergence criteria will be met in time for monetary union to go ahead in 1999, I am sure it will happen. This will be for political reasons as much as economic. In particular, Germany's credibility is so heavily tied up in it.

But when it happens, the economic impact will be every bit as significant as its proponents argue. When there is one price for the currency and a freer flow of investment, there will be an equilibration of labour markets and productivity across Europe. That can only mean structural change of a kind America is continuing to go through, and that Australia is going through. By removing from the economic system one lever of flexibility—the exchange rate—flexibility will be forced upon other important areas.

And with structural changes will come an improved capacity to employ people. As Germany and France move, as I believe they must, to become much more service-oriented economies with a higher component of information in their economies, unemployment will be relieved, income will be lifted and Europe's economic paradigm will be changed.

The alternative to economic and monetary union would, I am sure, be a disaster. The integration process would stall and the always potent sentiments for protectionism and economic nationalism would reappear.

We are seeing them reemerging now in the results of the French elections and in the public mood in Germany. A drift back towards caution and protecting jobs with state intervention and a resistance to structural change.

If these sentiments prevail, Europe has no hope of dealing decisively with its unemployment problem. The single currency is in many respects the major hope.

But success depends on the new European central bank keeping two objectives clearly in mind: not simply price stability, the staple responsibility of central banks, but also growth and activity. For it will only be by growth that sufficient aggregate employment can be created.

It is important that effective monetary management is not compromised. Price stability should remain important. But the leaders and governments should understand that the growth imperative can only be dealt with positively by taking the policy changes that will make their economies more supple and more dynamic.

It won't be easy. Members will soon run into the problems of dealing with a centralised monetary policy in the variable context of broadly unrestrained national fiscal policies. It will quickly become clear that it is not just the technicalities of monetary policy which will be affected, but virtually every aspect of Europe's economic, fiscal and social policy.

But it is the only way the Union can move to greater integration.

It is not just Europe which will be changed by monetary union, however. The euro will alter global capital markets as well. It will become an increasingly competitive

reserve currency with the US dollar. Present candidates for the single currency have bond markets worth over \$500 billion, compared with \$680 billion for the US dollar and \$260 billion for the yen.

Another effect of the Economic and Monetary Union (EMU) will be to underline the reality of a two-speed Europe. Indeed the EMU itself will, I believe, become a two-speed issue. So much has been said and written about the Maastricht criteria, as if meeting a budget deficit of 3 per cent of GDP matters completely, but a deficit of 3.2 per cent represents a dismal failure. Or, worse, that reference principally to budget deficit criteria is the best way of assessing the worthiness of potential entrants.

The criteria should be much broader and with a touch of realpolitik about them.

I believe the single currency should be based around the principal economies of Western Europe, those with a durable economic performance. They pick themselves out: Germany, France, the Netherlands. And I believe the United Kingdom should be there, and from the start.

A group like this with a substantial monetary and economic base can provide the foundation the currency will need if it is to become the powerful instrument of integration it should be.

After some period of operation and a time for proper observation of the currency's impact on Europe's economic performance, other countries could then be considered.

I do believe the whole issue might be delayed and compromised if other countries beyond this group are brought into the fold in the first instance.

More broadly, the two-speed approach will be essential if Europe is to handle effectively the related issue of how to take into the Union the new democracies now knocking on its door.

In fact, it is possible that a two-speed Europe will bring about full union much faster than a process of waiting until a confluence of criteria is met by all.

The emergence of a group of former communist countries in central and eastern Europe determined to establish their place as Europeans raises the prospect of a union of 25 members by early next century. Already Hungary, Poland, the Czech Republic, Estonia, Slovenia and Cyprus have been offered entry.

This widening of the union will bring changes to almost every aspect of the EU.

For one thing, it will be a much more diverse union. The average GDP per head of the new applicants is just 13 per cent of the EU average.

Many questions will arise.

How can the constitutional arrangements drawn up for a group of twelve serve the interests of a much larger and more diverse group? Voting by qualified majority

seems certain to be extended, but what will the implications be? How will Europe accommodate a very different political and security agenda? Which of the rush of new applicants will be accepted? How will Europe deal with Turkey, the gateway to the Islamic world?

It has been politically difficult for the present EU members to accede to the demands of those who are knocking at the door, and the response has been cautious.

The public reaction in Western Europe to the subsidies which will flow to the poorer EU members, both present and potential, has been increasingly loud. It has already forced the Commission to propose that there should be no shift in its expenditure of 1.27 per cent of Union gross national product (GNP).

But although these are difficult matters, they are by no means insurmountable. And it is essential for Europe and the world that the prospect of pulling together the European Union continues with all speed.

Partly as a result of the reluctance of current members to move faster in expanding EU membership, I believe a great security mistake is being made in Europe with the decision to expand NATO. There is no doubt this was seen by some in Europe as a softer option than EU expansion.

NATO and the Atlantic alliance served the cause of western security well. They helped ensure that the Cold War finally ended in ways which serve open, democratic interests. But NATO is the wrong institution to perform the job it is now being asked to perform.

The decision to expand NATO by inviting Poland, Hungary and the Czech Republic to participate and to hold out the prospect to others—in other words, to move Europe's military demarcation point to the very borders of the former Soviet Union—is, I believe, an error which may rank in the end with the strategic miscalculations which prevented Germany from taking its full place in the international system at the beginning of this century.

The great question for Europe is no longer how to embed Germany in Europe—that has been achieved—but how to involve Russia in a way which secures the continent during the next century.

And there was a very obvious absence of statecraft here. The Russians, under Mikhail Gorbachev, conceded that East Germany could remain in NATO as part of a united Germany. But now just half a dozen years later NATO has climbed up to the western border of the Ukraine. This message can be read in only one way: that although Russia has become a democracy, in the consciousness of western Europe it remains the state to be watched, the potential enemy.

NATO's declaration at the Copenhagen summit of 1991 was admirable. It said 'We do not wish to isolate any country, nor to see a new division of the Continent. Our objective is to create a Europe whole and free.' But that sentiment sits impossibly with the expansion of the institution. The fundamental point of principle that NATO

enlargement should 'contribute to stability and security in the entire Euro-Atlantic region and not pose a threat to any nation' is simply incompatible with enlargement.

The words used to explain NATO's expansion have been nuanced, and the dangers have been acknowledged. But however careful the words are, whatever the window dressing of the Permanent NATO– Russia Joint Council, everybody knows that Russia is the reason for NATO's expansion.

The decision is dangerous for several reasons. It will fuel insecurity in Russia and strengthen those strains of Russian thought, including the nationalists and former Communists in the Parliament, which are opposed to full engagement with the West. It will make more likely the restoration of military links between Russia and some of its former dependencies. It will make arms control, and especially nuclear arms control, more difficult to achieve. President Yeltsin's offer to 'take the tips off the warheads' might have been described as a misstatement, or even the unconscious utterance of official briefing, but what are the chances of that happening now, with NATO creeping towards Russia's western borders?

And NATO expansion will do much less to strengthen the new democracies of eastern Europe than would enlargement of the EU. New strains will be opened up between the ins and the outs among those countries.

It will also weaken NATO itself. The financial costs will be high and NATO's effectiveness and credibility will be diminished. An American commitment to defend the border of Poland and the Ukraine in all circumstances simply lacks political credibility.

The reasons Poland and the other countries of Eastern Europe believe their security is served in this way are obvious, and historically understandable. But I do not believe either European or global security will be helped by this decision.

The better option, even now, would be to build on existing institutions like the Organization for Security and Co-operation in Europe (OSCE), or new mechanisms like President Clinton's January 1994 Partnership for Peace proposals, to intensify military and political cooperation and improve transparency throughout Europe.

The world needs Europe now because the world we are moving into is not one we have any experience in dealing with. It will require the highest levels of statesmanship and leadership, including from Europe, if we are to take advantage of the opportunities while avoiding the traps.

And perhaps we might reflect upon what sort of world it will be.

One idea which has received a good deal of attention has been the suggestion that it will be one in which the ideological divisions of the Cold War are replaced by divisions along the faultlines of civilisations.

The best known proponent of this view is an American political scientist, Professor Samuel Huntington from Harvard University.

Over the course of a long political career, you get accused of many unflattering things. But I have to say that the most spectacular of all the charges against me came from the same Professor Huntington, who accused me of precipitating the fall of a civilisation.

The central idea in his book, *The Clash of Civilizations and the Remaking of World Order*, is that the ideological divisions of the Cold War will be succeeded by a world divided along the faultlines of civilisations. It is a much more elaborate and footnoted version of the words of that grand old imperialist Rudyard Kipling, 'East is East and West is West and never the twain shall meet'.

In a section about Australia and the changes my colleagues and I were trying to bring to Australia's relationship with the region, Professor Huntington writes that 'At the beginning of the twenty-second century historians might look back on the Keating–Evans choice [of engagement with Asia] as a major marker in the decline of the West'.

In a way, it's a flattering accusation, I suppose. It's certainly a reminder that there is nothing much about hyperbole that a politician can teach an academic in full flight. But I can confidently reassure the professor that future historians will be doing no such thing.

The choice I was said to have made in the early 1990s was that Australia should 'defect from the West, redefine itself as an Asian society, and cultivate close ties with its geographical neighbours'. The last claim is right; the first two are rubbish. Though perhaps it can be said in the book's defence that the then Opposition was making the same claims in those days.

The evidence Professor Huntington gathers to support his charges reveals ignorance about Australian politics and economics, not much comprehension of the complexity of political and economic relationships in Asia over the past decade, and no knowledge at all of what I have actually said about Australia's foreign policy.

Paul Keating 'liked to say', Professor Huntington asserts confidently, that I was going to change Australia from being "the odd man out to the odd man in" in Asia'. Despite Professor Huntington's authoritative quotation marks, I liked to say no such thing, and I never did.

What I did say, and many times, was that Australia was not Asian or European or American or anything except Australian. This is what history and geography have delivered us. It is the only option we have and one which we have every reason to celebrate.

The problem the professor has with Australia is that we are untidy. We shouldn't be where we are. We ruin the neatness of it all. Like an obsessive housekeeper, he wants to sweep us back where he assumes we belong.

But we're too large to be swept and our interests do not impel us to go voluntarily. We belong somewhere very different from where the professor wants to put us.

So when I was invited to give this lecture I also thought it might be a good forum to defend myself against the charge of bringing civilisation as we know it to an end.

For this reason, the second of the prospects of Europe I want to talk about is the view of the continent from Australia.

I certainly believe that, in a way which has never been true in the past, all Australia's principal interests now come together in Asia. As Prime Minister I wanted to sharpen the focus on the region around us. This is the part of the world we live in. This is where we can have the most influence and where we can make a difference. It is where our future predominantly lies. It remains in my view the foreign-policy area where investment of time by Australian political leaders is most needed and can have the greatest impact.

And because the stakes for Australia were and are so high, and because there were powerful cultural and historical forces resisting this transition, I wanted to make our intention abundantly clear.

The issues facing Europe—enlarging and deepening the EU, managing the transition from communism in Eastern Europe, constructing new security mechanisms—are very important globally, but they are areas in which Australia can do little more than express opinions.

The obvious truth—obvious to me and my colleagues anyway—is that the more Australia is integrated into this part of the world and the closer our relations are with our Asian neighbours, the greater will be our relevance to Europe and our influence there on the things that matter to us.

Nothing in my view of Australia's role in the world can be taken as suggesting that Europe is not important to Australia's future. The economic relationship is vital and growing, our cultural and scientific links are vigorous. Global issues important to Australia, ranging from trade liberalisation to greenhouse gases, won't be solved without Europe's participation.

And much more fundamentally than these issues, Australia's relationship with Europe is an ineradicable part of what makes us Australian. No matter how we shape our future in this part of the world, the legacy of our links with Europe is entrenched in the structure of our society, the forms of our institutions, and in the way we think about the world.

No matter how Australia changes in the future, that will remain.

More than 2.3 million Australians were born in Europe and a further 2.6 million had one or both parents born there. My children are among them.

For many Australians, as for me, Europe is important beyond the facts of our history and the vigour of our economic relationships. I love visiting Paris and—dare I mention?—Berlin. I love the civilised architecture and the human scale of the best European cities—their compactness. I respond to the place from which has come the music I love most. Few things have moved me more on my overseas trips as Prime

Minister than the civic reception in the village of Tynagh in Ireland from which my great grandparents had set off all those years ago.

We have heard often since the last election the mantra that Australia doesn't have to choose between our history and our geography. It appears again in the Howard government's recently released White Paper on foreign policy.

But just think about that assertion for a minute. What could it possibly mean? No choice we can make as a nation lies between our history and our geography. We can hardly change either of them. They are immutable. The only choice we can make as a nation is the choice about our future.

And as Robert Schuman and the other great European reformers in the middle of the century understood so profoundly, you sometimes have to break away from the past to get the future right.

It seems to me that we have never got the prospect of Europe from Australia right. Too often, the perspective has been distorted. We have managed simultaneously to hold two different views of the place. On the one hand Europe has been a distant, too easily romanticised place; on the other an overwhelming presence.

Australia's modern origins involved us in no great act of differentiation from Europe. Unlike the United States, we had no puritan sense of moral separateness, no New Jerusalem to build, no shining city on a hill. We did not need to redefine ourselves in revolutionary ways against the place most of us had come from.

We were exiles from a home—and that word was being used about Britain without irony by some Australians well into my adult life—long after this country should have been home. We looked to Europe for our psychological as well as physical security in a world where we did not feel we belonged.

We did not seize our independence, but were set adrift, some of us still complaining about it. Australia took until 1943 even to ratify the 1931 Statute of Westminster, which conferred dominion status on the whiter parts of the British Empire. A full five years earlier, Sir Robert Menzies had explained the delay to Parliament by saying that 'quite a number of responsible people are troubled about the proposal to adopt the Statute of Westminster for the reason that they feel it may give some support to the idea of separatism from Great Britain'.

Australia's struggle has not been to avoid the foreign entanglements the early American revolutionaries feared. On the contrary, we set about searching them out, roping them in, dragging them down and clutching them tight.

This isn't an argument for revolution. The absence of blood in the streets is not something we should regret. One of Australia's achievements has been to have built a society like this without great strains or great violence. That is something to be proud of.

And it isn't an argument for isolationism either. We have to be part of the world and to help shape it.

But we still have unfinished business in our relationship with Europe—and I don't mean just Britain, but Europe as a whole—which we must address before the relationship can flower fully. It revolves around the constitutional reform agenda and the creation of a republic.

It is of the utmost importance that the decision by Australians to become a republic is not something which emerges simply as a reaction to external events or external perceptions. It must be something we do for ourselves, and for our own reasons, something with a bit of verve and expectancy about it—not something which is wrung out of the political system, which we slump into because there seems no good alternative, or because time has run out, or as a reaction to developments in Britain, whether a change in the person of the monarch or even constitutional change there.

It is sometimes suggested that the best thing for us to do would be to wait for the end of this Queen's reign before introducing changes. But that would be the worst reason to act. It would suggest that the move to a republic was not a decision which Australians wanted to make for our own reasons and in our own interests, but was somehow connected with judgements about the person of the monarch.

And it would be the worst time to act—a time of sorrow, and a moment decided by chance rather than as an independent act of will by Australians. And in any case, her successor will immediately assume the throne.

The choice by Australians to become a republic must be taken with courage and grace. And I say *taken*, because it is the act of taking which will give our sovereignty its strength.

I believe this constitutional change will strengthen, not weaken, our relationship with Britain. As I said in Australia House in London:

'it is not because our affections for Great Britain are reduced, or the friendship between us frailer, or our respect and admiration for the culture and institutions Britain has bequeathed us in any way diminished, that now, in this last decade of our first century as a nation, we are considering the option of becoming a republic. It is not because the machinery is broken that we wish to change it. It is because a great many Australians (in all likelihood, a majority of Australians) believe the machinery is no longer the most appropriate.'

Britain will remain one of Europe's major powers and a very important partner for Australia in the new Europe.

But the image of Australia as a branch office of Britain is tenacious, as recent British public-opinion polling has demonstrated. Both governments want to change that perception. The *New Images* program which is running at present in Australia was something John Major and I endorsed as part of the effort to place the relationship on a more modern footing.

But the only action which will seriously achieve that will be the first state visit to London by the President of Australia.

The act of becoming a republic will also make it easier for us to look at Europe from a perspective other than London's. And easier for the other countries of Europe to look at us with fresh eyes.

We have to get beyond the perception that 'Europe' is best understood when filtered through British sensibilities. The prospect of Europe from Westminster Bridge can be very distorting. We can't afford not to understand the rest of the continent on its own terms. Our businesses and our media suffer particularly from this affliction. Far too little of the news we receive about Europe comes from correspondents who are based outside London.

We do not give ourselves the chance we should have in Europe while we still have the monarch of Great Britain as our head of state.

The republic must come because we are convinced it is right for us, not because of what it says to others. But the idea that the identity of our head of state has no effect on the way others perceive Australia—and through this on some very hard-headed economic and political interests—is nonsense, just as the proposition that the offensive nostrums of Pauline Hanson would have no effect was nonsense.

In this very fundamental sense, the measure of how far Australia has come to terms with itself and its position in the world will be measured more by the nature of our relationship with Europe than with Asia.

But assuming we make these changes in perception, the outlook for Australia's relationship with Europe is very bright.

So, let me turn finally to another prospect of Europe, the prospect defined by the *Macquarie Dictionary* as 'something in view as a source of profit'. Because there are remarkably good opportunities opened up in both directions, especially by the changes now underway in the global economy.

In a globalised world we cannot ignore one of the one three great economic groupings. The fifteen current members of the European Union, with their population of 370 million, now form the world's largest trader.

Australia's two-way trade with the EU is now 18 per cent of our total.

But in a globalised world the investment figures are particularly important. The EU is Australia's largest source of foreign investment, including foreign direct investment, and our major host for overseas investment.

Thirty per cent of foreign investment in Australia comes from Europe. Hundreds of large European companies are based here and many of them have found that Australia is an excellent base for their Asian operations. Over 80 have regional operating centres here.

Australian investment in the other direction is also strong—nearly \$40 billion. Almost half this investment is in Britain. There is absolutely nothing wrong with this, and

much to commend it—provided that investment is going there because it offers the best opportunities not just because of fear by Australian companies of crossing the Channel. I'm not sure that is always the case.

The value of sales generated by Australian direct investment in the EU significantly exceeds Australia's annual exports of both goods and services to Europe.

Our exports to Europe are still dominated by traditional commodities like wool, coal and iron ore. But even though we are seeing strong growth in elaborately transformed manufactures, our overall export figures have slipped in relative importance. Transport costs, lower economic growth in Europe compared with Asia, and the complexity, cost and unpredictability of the EU regulatory regime all play a part. But there is no doubt that Australia also has to perform much better in getting our goods into European markets. Happily, things are looking better than for some time on the agriculture front. Reality is catching up with the Common Agricultural Policy (CAP), one of the enduring items of dispute between us. It was less the fact that Europe wanted to support its farmers that we objected to than the way they did it—especially the export subsidies which distorted the international markets for our efficient primary producers. For a variety of reasons—only partly Australian persuasiveness, I think—the EU has not engaged in predatory subsidies of exports recently.

And at a more fundamental level the sort of reforms to the CAP which were first introduced in 1992 will have to continue. Aid to farmers already absorbs half the EU's budget. And the Union's enlargement to the east will increase arable land by 55 per cent. One quarter of Poland's workforce is in agriculture.

Australia and other agricultural exporters will have to watch carefully that the EU's expansion does not result in a series of new deals which harm our interests.

Under the Uruguay Round outcome further multilateral negotiations on agriculture need to begin by 1999. If we move to a new Millennium Multilateral Trade Round, Europe will be integral to it and we will have to ensure that agriculture is a key part of the negotiations.

Our opportunities for cooperation with Europe go much further than trade and investment of course. Our science and technology agreement signed in February 1994 was the first for the EU with a non-EU member. We are negotiating a mutual recognition agreement. Our cultural exchanges, official and unofficial, are important in both directions.

The importance of new structures to underpin these avenues for cooperation is the reason why as Prime Minister I proposed to Jacques Delors that Australia and the EU negotiate a treaty-level agreement to provide a framework for our future relations.

Unfortunately that high-level agreement fell before the present Australian government's problems over the human-rights clauses. So although I am pleased we have a Joint Declaration, I am sorry it is of less status and value than it might have been.

Australia and Asia have important lessons to learn from the experience of Europe this century. Above all, the importance of institution building and ways of facilitating easy contact between political leaders. Europe is the best example we have of how closer economic integration can restrain conflict.

As Jean Monnet once said, 'Nothing is lasting without institutions'. Our institutions in this part of the world will be very different from Europe's, reflecting not just different cultural and political experiences but different times. But they need architects—and stonemasons and carpenters—with the same sort of vision these Europeans had.

We're staggering to the end of the twentieth century, and there won't be nearly as much to lament about its passing as there should have been.

This may have been the American century, but it was Europe which set the tone. The strategic blunders which marked European statesmanship around the end of the last century did more than anything else to generate the carnage of totalitarianism and two world wars.

But Europe at the end of this century is a source of great hope. It has shown, thanks to Schuman and Monnet and all their successors, a capacity to remake itself and to overcome deep-seated rivalries. And even where the rivalries still erupt, as in the Balkans, Europe has developed mechanisms and institutions for dealing with human rights and encouraging democracy. This has had a global impact.

For the rest of us, the new Europe will be more promising than the old, I think. Less inward-looking, perhaps less self-satisfied at times, more likely to play a larger role in the world because its agenda will be broader.

European diplomats will respond that they already take such interest, and it is true. But interest is different from leadership—and that is what we need more of from Europe. An ability to put itself into the minds of others.

We often hear talk of the next century being the century of Asia or the century of the Pacific.

But I don't think the world will be like that anymore.

Regionalism will be important, and it has much further to go, especially in the Asia Pacific, than we have yet seen. The pressures generated by the new economy and multilateral problems like the environment will make sure of that.

But those same pressures will also ensure that, while Asia will be more influential in the world, no one area will be able to dominate the global agenda in the way Europe and North America did in this century.

Robert Schuman was born in Luxembourg, a state whose national motto is 'We want to stay as we are'. It's a cry from the heart that most people can understand.

We all want that in some way, or at some level. But, as Robert Schuman knew, Europe could not stay as it had been. And in Australia we must know that we cannot either.