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### **Schuman Lecture Series Schuman's Vision in the Age of Disarray: Whither Europe and the West?**

*David Ritchie AO*



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# **Schuman Lecture Series**

## **Schuman's Vision in the Age of Disarray: Whither Europe and the West?**

**David Ritchie AO, Former Australian Ambassador to Germany and  
Member of the Australia-Germany Advisory Group**

*The Robert Schuman Lecture series celebrates the remarkable achievements of European integration since its modest beginnings in the European Coal and Steel Community in 1951, announced in a declaration by French Foreign Minister Schuman.*

*The Australian National University has recognised this achievement and foresight by coordinating the annual Schuman Lecture since 1996. The first lecture was delivered by Lord Leon Brittan, the then Vice President of the European Commission. Since then, the University has coordinated annual Schuman Lectures by distinguished speakers, including The Right Honourable Chris Patten CH, Commissioner for External Relations, The Right Honourable Alexander Downer and Justice Michael Kirby of the Australian High Court.*

*This paper is the latest contribution to the ANU Centre for European Studies Schuman Lecture Series, and was delivered by David Ritchie AO at The Australian National University on 28 August 2017.*

During my nearly 42 years with DFAT I had the immense good fortune to spend over 11 years posted in Europe. This has emboldened me to take the opportunity provided by today's lecture in honour of Robert Schuman, formally given the title of "Father of Europe" by the European Parliament in 1960, to make a few comments about the state of the EU and its future, where the West is heading and then about what Australia should be doing to take the greatest advantage of these big developments.

### ***Schuman's vision...***

I think it's only right, however, to start with one very important comment about then French Foreign Minister Schuman's proposals for the European project, set out in his famous Declaration of 9 May 1950.

Schuman's motivation was, above all, a political one. He was speaking just after the end of World War II and at a time when the Cold War was becoming more dangerous. And his aim was clear:

*The contribution which an organized and living Europe can bring to civilization is indispensable to the maintenance of peaceful relations (...). A united Europe was not achieved and we had war.*

He was even more specific later in his declaration, in proposing that Franco-German production of coal and steel be placed under one High Authority as a first building block in the “federation” of Europe:

*The solidarity in production thus established will make it plain that any war between France and Germany becomes not only unthinkable but materially impossible.*

Embedding a rebuilt and democratic Germany – well, the Western half anyway until 1990 – in Europe, based on the closest possible relationship between Germany and France, was seen by him as the key guarantor of peace in Europe and, therefore, the world. This (with the US alliance) has remained at the heart of German – and European – security policy ever since.

Chancellor Merkel reaffirmed this most recently in a 21 June speech marking the 70<sup>th</sup> anniversary of the Marshall Plan: “Germany’s integration into the Western community of values was, is and remains the cornerstone of our foreign and security policy...” “The European Union”, she added, “has brought us decades of peace, freedom and prosperity (...) it is also our guarantee that peace, freedom and prosperity are maintained (...), we should never, under any circumstances, forget this”.

All too often we do forget this and see the European project and its components as being mainly about economics. But the glue that has always bound the EU together is political. The introduction of the Euro, for example, was a political decision, aimed at taking European integration further.

We seem to have lost this perspective with the passing of the years. It explains very clearly to us outsiders why hanging on to the Euro is so important to Eurozone governments and their leaders. It is much more than economics.

Despite the many problems that have been encountered over the intervening period and the substantial challenges and uncertainties I will cover next, I think Schuman would be astonished at the progress that has been made so far in building the European Union he proposed and at the lengthy period of peace – albeit punctuated by the Cold War – that Europe has enjoyed since 1945.

He would, I think, see as perfectly natural the soul-searching now under way. And he would understand that, from time to time, there will be setbacks or that the pace of integration will be deeply controversial, especially in such a large group of countries.

*...in the age of disarray.*

So, against this background, how healthy is the EU today?

These are deeply unsettling and uncertain times for Europe, its governments and its citizens. There have, of course, always been challenges and differences of opinion. But rarely, since the end of World War II, have so many come together at once, challenging the basic foundations underlying the European project. These are more than just the symptoms of a passing flu.

In my health assessment, I want to address four main assertions commentators have made about the state of the EU.

***Assertion 1: The European Union is falling apart: the UK is leaving and many others want to. EU members can't agree on the future of the Union: nationalist governments, particularly in Central and Eastern Europe, want to take back power from Brussels, revisit the basic treaties and don't want a Europe dominated by Germany. The EU's economy is in a bad way.***

Reports of the EU's possible demise are wildly exaggerated. Despite Brexit and the myriad of other problems facing it, the EU isn't about to fall over. There are strongly pro-European governments in place in many of the major member states, especially in Germany and, thankfully, in France, but also elsewhere. Even the countries which have been the most vocal internal critics of the EU aren't suggesting they withdraw from it (yet!).

Germany has always been a strong supporter, given how fundamentally important European integration is for it. The German view has always been that the EU response to the challenges it faces should be more integration, not less; EU member states have been too half-hearted. For Germany, there is no question but that EU integration must accelerate and deepen.

In Germany, federal elections are due in about 4 weeks, on 24 September. The latest polls show Angela Merkel's CDU/CSU conservatives receiving around 39 per cent of the vote, with the SPD social democrats around 16 points behind. That wouldn't be enough for the CDU/CSU to govern in its own right. So another grand coalition with the SPD, led by Angela

Merkel as Chancellor, is the most likely outcome and polling consistently shows that this is the preferred option of German voters. But other constellations, although long shots, are possible.

Germany needs partners to help it take forward its views on EU integration post-Brexit and must've held its breath in March, during the Netherlands election, and in May, during the French elections. Both turned out well for the pro-integration team, although the results for "populist" Eurosceptic parties in both countries remain of considerable concern.

The Franco-German engine is vital for the EU's future; President Macron not succeeding in his reform program would be a grave risk to this. I notice that, in Bucharest last Friday (25 August), Macron described France as "an unreformable country". "Many have tried", he added, "and they have not succeeded because the French hate reform". Not necessarily confidence-building!

Reflecting his pro-Europe views, President Macron visited Berlin to meet Chancellor Merkel on 15 May, his very first day in office. On this occasion and on a subsequent visit by the Chancellor to Paris in July the two leaders agreed on the need to strengthen integration in the European Union and the Eurozone. They decided to draw up a medium-term road map for this, to be considered and taken forward after the German elections. Macron has some far-reaching proposals for reforming the Eurozone and the Chancellor said she was even prepared to consider some things about which she'd been cautious in the past: reform of the EU treaties, a multi-track EU, a common Eurozone budget and even a Eurozone Finance Minister!

Taking this welcome entente into account, the EU and its member states seem in a better position now than might have been forecast even 6 months ago. The British election outcome, what seems to be dithering in developing UK policy for the Brexit negotiations and the chaos in Washington have, some commentators say, brought (or forced) the remaining 27 EU members closer together. Migration flows, while still at unsustainable levels for Europe, are not quite as catastrophic as they were two years ago, when over a million asylum seekers entered Germany alone.

Although most of the EU's economies are growing again, albeit not uniformly, many EU and Eurozone members still face very significant economic challenges. The 19 Eurozone economies have been growing faster than the EU as a whole. According to Eurostat, the Eurozone grew 0.6 per cent in the June quarter, an annual rate of 2.2 per cent. But Germany's

GDP growth in the first quarter of 2017 was beyond expectations, twice that of the UK and more than three times that of the United States. And unemployment fell during the year to June in every current EU country except Estonia. In Germany, at 3.8 per cent, it is at its lowest level since reunification 27 years ago. But 21.7 per cent of Greeks were still unemployed as at June, 17.1 per cent of Spaniards (which is a reduction). Youth unemployment across some southern countries of the EU – Greece at 45.5 per cent, Spain at 39.2 per cent and Italy at 35.4 per cent – is still at disastrous levels.

France's economic growth slowed in the first quarter of 2017 but it will probably grow at 1.8 per cent this year. Spain is recovering strongly, with its economy growing by about 3.1 per cent – growth in the second quarter of 2017 was nearly double France's. Italy (forecast growth of 1 per cent in 2017, half the Eurozone average) and some others aren't doing well at all.

So there is some good electoral and economic news for the EU. But let's not get carried away: things are definitely not as clear-cut as they seem. To give you a sense of this, let me just list some of the big problems that the EU is facing:

- 1) elections are still to come in several EU member states, including in Austria (15 October), the Czech Republic (20-21 October) and, very importantly, Italy; the Italian election – due at the latest by May 2018 but likely to be much sooner – is of particular significance, given Italy's size (still the world's eighth-largest economy), the poor state of its economy and the continued support there for "populist" parties;
- 2) the very strong view of some EU governments, especially those from Central and Eastern Europe, that national sovereignty needs to be strongly reasserted, that Brussels is a bureaucratic morass and has been given too much power and that national governments and parliaments must have a far greater role in collective decision-making;
- 3) the apparent splintering of the EU's internal consultation processes, with separate caucusing by Central and Eastern European member states, and the difficulties of achieving an EU consensus on anything, including on migration and the big EU integration and reform issues;
- 4) the concerns of these governments about an EU dominated by Germany, with Germany using its power and weight to "dictate" (they would say) policy to them;

- 5) serious concerns on the part of many other EU members – and Brussels – about the compatibility of the domestic policies of nationalist/populist governments in the EU, particularly in Poland and Hungary, with established EU principles and laws; and
- 6) the immense task of negotiating the United Kingdom’s exit from the EU, which will take up huge amounts of the Commission’s time and that of member states (and the third round of Brexit negotiations begins in Brussels later today).

The fact is that we simply don’t know yet what the “new”, UK-less EU will look like and the remaining 27 EU leaders are not on the same page about the way forward.

The Commission under Jean-Claude Juncker has tried, in a White Paper on the Future of Europe published in March, to map out five possible paths for the “new” Europe: “carrying on” as now; “nothing but the single market”; “those who want to do more” can; “doing less, more effectively”; and “doing much more together”. I ask for forgiveness from our EU colleagues for this, but that list strikes me as very underwhelming and it certainly doesn’t bring any more clarity to the question of the EU’s future.

So much for the views of outsiders. But how about we ask those affected? Recent polling shows that Europeans are now much more positive about the European project than was the case a year or two ago.

A poll undertaken by the Pew Research Center in March/April this year in 10 EU member states that, collectively, account for 80 per cent of the EU’s population and 84 per cent of the EU’s economy, revealed that, in every country polled except Greece, more than half the population had a positive view of the EU. But an overwhelming majority across the ten countries thought that national governments, not Brussels, should decide on things like migration and free trade agreements.

Support for this more favourable view of the EU ranged from 74 per cent in Poland (quite remarkable, given the views of the Polish government) and 68 per cent in Germany to 34 per cent in Greece (but that’s a substantial increase over last year).

Only 36 per cent of Greeks (the highest result on this question in the Pew poll) thought that Greece should leave the EU. At the other end of the scale, in Poland and Germany, only 11 per cent of respondents thought similarly.

It will come as not much of a surprise to you to know that 89 per cent of Greeks surveyed, 68 per cent of Spaniards and Italians and 54 and 49 per cent of Poles and Hungarians thought that Germany had too much influence over EU decisions. Needless to say, only 10 per cent of Germans felt the same way; 26 per cent thought Germany had too little influence.

This positive trend in views about the EU was also confirmed in German polling, covering views in 8 “core” EU countries, published in the German newspaper, *Die Welt*, in late August. The percentage of those who saw advantage in EU membership rose dramatically over the last such poll in 2015. Only 28 per cent saw advantage in EU membership in 2015: this has now recovered to 44 per cent. Fully 64 per cent of Germans, 59 per cent of Spaniards and 52 per cent of Slovaks now think this way.

But there is still caution in some countries: 59 per cent of Italians see themselves as economically worse off within the EU; 63 per cent don’t like the Euro.

***Assertion 2: Populism is rife and is proving a huge and growing threat to the established political order;***

Former Prime Minister John Howard was spot on when he said a couple of weeks ago, reflecting on Australia’s own brand of populism, that “populism is just today’s word for people who are unhappy”. People in Europe who are disaffected with their traditional political order, worried about their futures, concerned about their own jobs and prosperity, uncertain about their country’s situation in a radically changing global environment and deeply worried about issues such as asylum seekers and terrorism are unhappy people. And they look for alternatives.

So-called “populist” parties therefore remain strong in Europe. And, of course, this strength has even produced “populist” governments in the EU, in Hungary and Poland for example.

We should certainly not be complacent about the “populists” falling short in France and the Netherlands. I also noted earlier the importance of the forthcoming Italian elections.

According to the latest opinion polls (and Italian polls are notoriously unreliable) the populist Five Star Movement’s (Cinque Stelle’s) support is now equal to the governing Democratic Party (Partito Democratico) and, if in alliance with the Northern League (Lega Nord), currently commands about 42 per cent of the vote, making it a serious contender (and if Berlusconi’s Centre-Right - Centrodestra - is added the resulting coalition could even have a majority). This is driven not only by Italy’s woes but very definitely by Italians feeling

abandoned by the rest of the EU in dealing with asylum-seekers. An election outcome that brought that coalition to power would be a big worry for Italy and for Europe.

And, although Macron beat Le Pen relatively easily in this year's presidential elections, after just 100 days of his presidency his popularity had fallen to a level below that for Hollande at a similar stage of his presidency. A new French poll out today shows that his popularity has fallen by 24 percentage points in just the last two months.

In Germany, the similarly populist Alternative for Germany (Alternative fuer Deutschland – AfD) looks likely to make it into the Bundestag for the first time. That is a troubling fact. You can sleep slightly easier, however, in knowing that both the current government parties have ruled out any coalitions with the AfD. And the latest polls only have the AfD on around 9 per cent, much less than many commentators had breathlessly predicted, but it could still end up third after the CDU/CSU and the SPD.

“Populist” parties have certainly made the leap to representation in regional and local assemblies, forcing the major parties to look for completely new coalition partners with which to form government. In the German state of Baden-Wuerttemberg, for example, Chancellor Merkel's CDU is the junior coalition partner in a government led by the Greens. Imagine that in Australia!

These parties have serious backers too: take, for example, the apparently soundly-based accusations of Russian interference in support of “populist” parties in EU member states. And Turkey has also been doing its bit of interference. President Erdogan has publicly urged Germans (and there almost 4 million Turks in Germany) not to vote for the CDU/CSU, the SPD or the Greens because of their hostility to his regime and to Turkey. Outrageous.

***Assertion 3: European countries now have doubts about whether they can rely on the United States as the ultimate guarantor of their security. To make this worse, Europe is unwilling or unable to look after its own security and finds it difficult to decide on how to respond to global and regional security challenges.***

There is no doubt that the Europeans' trust in the United States under President Trump has been deeply shaken. The United States as the guarantor of European security has been one of the great foundation stones of European peace and stability. The Trump administration's “America first” policy and the slowness and apparent reluctance with which he went about reaffirming NATO's mutual defence commitments earlier this year have been of great

concern. “America first” is increasingly seen as “America only”. And the confusion and opacity of US foreign and security policy has just underlined European concerns, especially given how volatile Europe’s neighbourhood is.

Added to this has been Trump’s relentless and offensive criticism of European economies, the Germans above all, on trade, and his protectionist tendencies.

But it goes further than that. Europeans are starting to doubt whether the values and objectives that they hold are still shared by the Americans. They were shocked by the Trump administration’s stance on climate change and on trade. And these doubts were just reinforced when Trump appeared as a minority of one on several key issues at the Hamburg G20 meeting. Brexit has reinforced this feeling of a parting of ways and betrayal by a traditionally dependable partner.

Chancellor Angela Merkel’s frustration boiled over in the strong comments she made in late May this year in Munich to the effect that “the times in which we can fully count on others are to some extent over”. “We Europeans”, she added, “have to take our destiny into our own hands”. She repeated this in her 21 June Marshall Plan speech: “at the latest since the last NATO summit in May we know that we in Europe... hold our fate... in our own hands... not just in foreign and security policy but also in trade and economic policy”.

These are extraordinary comments from a leader like Merkel who is an avowed Atlanticist and naturally cautious.

There has been a definite shift in European attitudes, even though the US alliance remains vitally important, especially in the face of threats from Russia, ISIS and the EU’s neighbourhood.

To illustrate this, let me quote another poll from the Pew Research Center, taken just this month. The poll was taken across 30 countries; it was last taken in 2013. The poll shows a significant rise in those who now see US power and influence as a major threat; 38 per cent of those surveyed thought so this month (25 per cent in 2013). The increase is quite marked in Europe, with the perceived threat from US power and influence growing by 42 per cent in Spain, 16 per cent in France and Germany and 10 per cent in Italy. By the way, Australians also recorded a 16 per cent increase over 2013.

Concerns about US power and influence are still outranked by other threats, such as ISIS, climate change, cyber-attacks, global economic conditions and the large number of asylum

seekers. In fact, in Europe the poll showed that, overall, concerns about Russian power and influence generally outranked similar concerns about the United States. But this is very patchy: 65 per cent of Poles regarded Russia as a serious threat and only 15 per cent saw the United States similarly, whereas, in Germany, concerns about the threat of US power and influence (35 per cent) were higher than concerns about Russia (33 per cent).

Having said all of that, what are the Europeans doing to “take our destiny into our own hands”, as Merkel put it? Sadly, Europe is still a long way short of that.

President Trump has made a big thing of insisting that European countries expend much more on defence, claiming that they have been freeloading off the United States. Despite his often overly blunt lectures to the Europeans on this, it’s a fair cop.

The NATO 2 per cent of GDP defence expenditure target has only been met, as at 29 June this year, by six of the 28 NATO member countries, including the United States. The other five, by the way, are, in order: Greece; Estonia; the UK; Romania; and Poland. A couple of those countries, of course, have serious concerns about what Russia is up to. Germany’s expenditure is increasing slowly but it only spends 1.22 per cent of its GDP on defence, the same percentage as Albania, running 17<sup>th</sup> out of the 28.

European countries have been significant contributors to UN peace-keeping operations, of course, and have been involved militarily in places such as Afghanistan and Syria. This includes Germany.

But the point about the need for European NATO members to lift their defence expenditure substantially – and many have plans to do so, albeit not in the sort of timeframe that Trump wants – goes much deeper. In fact, some are not active internationally in a way that is even remotely commensurate with their weight and importance, so there are big questions about not just their ability to play a serious role regionally and globally but their will to do so.

Take Germany, for example. While I was in Berlin there was a big debate under way about Germany’s global role. As the then Foreign Minister (now President), Steinmeier, pointed out, there is a huge gap between the views of the elite in Germany, who support more of an international role for Germany, and ordinary Germans, who don’t. During my posting, there was polling that showed that nearly two out of every three Germans did NOT want their country to be more active internationally. Germany’s history played a big role in the reasons for this.

And it still is a major constraint on the German government in pursuing its foreign and security policy and objectives, despite some slight easing of the strict limitations for particular purposes, such as the decision to supply weapons to those fighting ISIS in Iraq and the Bundeswehr's deployment to the anti-ISIS coalition in Syria. The SPD Chancellor-candidate, Schulz, has rejected the 2 per cent target, which should make for some interesting discussions if there is a grand coalition after the elections.

***Assertion 4: The EU can't control its own borders and has shown itself incapable of reaching a common position on how to deal with the influx of asylum seekers, underlining the fault lines within the European Union.***

Dealing with the continuing influx of asylum-seekers, now from North Africa across the Mediterranean to Italy and Spain, remains a truly major issue for EU members. Two years ago it was a giant crisis, described as the largest mass movement of people since World War II. The numbers have decreased but the flow of people seeking a better life continues unabated and uncontrolled.

Almost no other issue has so engaged Europeans and their governments and so divided Europe. The fact is that the significant asylum seeker flow is very toxic because it plays in to so many other areas of concern:

- 1) disagreements about the EU's future and whether national governments or Brussels have primacy in decision-making;
- 2) the porousness of the EU's external borders and, within the EU, the ease with which asylum seekers have been able to move about, especially within the Schengen area (and related to this, whether EU institutions such as Schengen are sustainable without a massive strengthening of the EU's external border);
- 3) claimed disregard (especially by Germany, it is alleged) for the Dublin rules, under which asylum seekers are to be processed in the first country they enter;
- 4) the outright refusal of some EU member states to agree to equitable burden-sharing on asylum seekers, despite this being an EU decision;
- 5) the decision by some – Hungary in particular – to build border walls, raising human rights concerns (note, as an example, Hungarian Prime Minister Viktor Orban's objectionable comment that “the historical question” we face today is whether

“Europe will remain the continent for Europeans”); and the irritating decision by several EU countries simply to pass on large numbers of asylum seekers to other member states, to Germany in particular;

- 6) how to integrate asylum seekers into already stressed societies and how they will change individual European societies and social systems;
- 7) increased support for “populist” parties, complicating elections in the EU; it also played significantly into the Brexit decision;
- 8) asylum seekers’ role in terrorism in Europe; and
- 9) it has made the handling of the EU’s relationship with Turkey and of the situations in Syria and North Africa vastly more difficult.

I’d like to be able to say that the EU now has all of this under control, has an agreed system for dealing with asylum seekers, has instituted an effective operation (with partners like Turkey, which has the EU over a barrel, and the North African countries) to stop the flow; and has made decisions about how best to integrate those found to be refugees into their societies. Sadly, that is not even remotely the case. It remains an open wound for the EU.

### ***Whither Europe and the West?***

So it’ll be clear to you that, while there is light in some areas, the EU is still dealing with some pretty difficult issues. What about the “West” more broadly?

In an article I wrote earlier this year in the ASPI “Strategist”, I noted a remarkable but sadly grossly under-reported speech that the Russian Foreign Minister, Sergey Lavrov, had made at the Munich Security Conference on 18 February. He rejected, explicitly, the so-called “liberal world order”, asserted that the “post-Cold War order” had come to an end and called instead on “leaders with a sense of responsibility” to support, in its place, what he called a “post-West world order”.

This, of course, falls into the “he would say that, wouldn’t he?” category. Lavrov’s comments reflect a blatantly Russian, self-serving agenda.

And, in a controversial speech in Poland on 6 July this year, President Trump also had a go, defining the West NOT in terms of its shared support for democracy, the liberal world order

or human rights but rather in terms of “faith and family”, as he put it. “The fundamental question of our time is whether the West has the will to survive... Do we have the desire and courage to preserve our civilisation in the face of those who would subvert and destroy it?” This, to many, sounds suspiciously like a redefinition in terms of religion or a clash of civilisations!

But let’s not dismiss these sorts of comments lightly. It is very definitely worth asking ourselves whether, in the face of the disarray I have outlined and doubts about whether the US role as a defender of the liberal world order has diminished under Trump, there might be something to this proposition. I don’t have an answer to this question but this is a challenge to you and to others to give some thought to whether the “West”, as we have known it since World War II and then post-Cold War, is morphing, if not crumbling.

In fact, this issue keeps coming up in different contexts.

For example, take the Merkel comment about Europe going it alone; and the media and other speculation about whether Angela Merkel has become the *de facto* leader of the West. She would, I am sure, be absolutely horrified at such a characterisation and, in any case, there would certainly also be big questions about whether Germany is prepared to take on such responsibility – or, indeed, whether other countries would ever accept such a status for Germany.

“Populism” also plays into this, in an ugly way that we all nevertheless need to confront. Viktor Orban, for example, is on the record as saying that “we are living in the days where what we call liberal non-democracy, in which we lived for the past 20 years, ends, and we can return to real democracy”.

And before we dismiss these sorts of comments, it’s worth noting polling taken by YouGov in February-March this year for Germany’s TUI Foundation on the views of European youth (aged 16-26). In that poll only 30 per cent of young people questioned saw the EU as an alliance of countries with common cultural values. 70 per cent saw it only as an economic alliance, something Schuman would be appalled about.

And only about half of those surveyed (52 per cent) agreed that democracy is the best form of government; the lowest support for democracy was to be found in Italy (45 per cent), France and Poland (both 42 per cent). So the cohesive forces behind European integration – the

political imperative that Schuman spoke so passionately about – are quite weak among Europe’s youth.

But listen to this. This year’s Lowy Institute poll noted the remarkable ambivalence that also exists in Australia towards democracy. About 40 per cent of all adults said either that the statement “in some circumstances a non-democratic government can be preferable” (20 per cent) reflected their personal view or that it doesn’t matter or that they didn’t know (20 per cent). And, among those aged 18-29, only 39 per cent supported democracy as the best form of government (so, below even the lowest scores in Europe) and fully 33 per cent felt that the statement “in some circumstances a non-democratic government can be preferable” reflected their personal view.

So I’ll just toss that hand grenade in and move on to my concluding remarks. We should take nothing at all for granted. This is not just an interesting fact to be noted and filed away; it needs to be addressed.

### *Pursuing Australian interests*

Finally, I just want to speak briefly about how best to pursue Australia’s interests in this very unsettling climate.

It sounds obvious but the starting point for this should be that there will be a strong European Union, in some form, even after Brexit happens. And, even without any trade and investment diversions that are likely to result from Brexit, the European Union minus the UK would, on current figures, remain, collectively, our third-largest trading partner, our fifth-largest export market and our second-largest source of imports. It will also continue to be a major source of investment for Australia.

And a successful and stable European Union will also be vital for Europe’s and the world’s stability and security.

We should also remember our shared history, most particularly the many Australians who died or were injured in Europe in defence of our common way of life. And the contribution that Australians of European descent have made to our country and the importance of a well-performing European economy for Australia and the global economy.

So the ties that have bound us up until now to Europe will remain, even after Brexit. The fact remains that we have a very big stake in Europe being successful, something that should be

enunciated publicly here far more often and far more comprehensively than it has up until now.

We now must work hard to develop the best possible relationship we can with the “new” Europe. This will require considerable effort and focus on our part. And we need to do the same with the United Kingdom.

I am very firmly convinced that we shouldn’t wallow in self-pity about all this change. It presents Australia with huge new opportunities, both in relation to Europe and to the United Kingdom.

The good news is that we have already started on this process. In regard to the European Union, we have been building a more structured dialogue in a very wide range of areas, including a strategic dialogue and discussions on development and trade policy. We recently signed a framework agreement with the EU and we hope to begin negotiation of an Australia-EU FTA by the end of 2017. The FTA will be very significant for us and there is a strong will on the part of the EU to go down this path too.

We have also been putting a lot of effort – even before the Brexit vote had happened, so we are not playing “catch up” – into strengthening our bilateral relationships with individual member countries of the EU.

I am most familiar with the excellent work we have done in our relationship with Germany. The Australia-Germany Advisory Group, which was agreed during Chancellor Merkel’s visit to Australia for the G20 in 2014 and is co-chaired on our side by Finance Minister Cormann, was a strategically important way of lifting our links with Germany on to a much more modern footing, one that genuinely reflected the sort of relationship that two such important countries should have with each other.

This has been a great success; and I will leave it to my former colleagues in DFAT to brief you in detail on what has been achieved. Let me, however, just point to one very significant outcome, the joint decision to hold a regular “two plus two” meeting of our foreign and defence ministers. This is the only such meeting that Germany has with any country; the first meeting in Germany showed just how much we have to share with each other and we must have a second meeting, in Australia, as soon as possible after the German elections.

We need to develop the habit of dialogue more, across the board. It would be good to see the Chancellor back in Australia very soon. But we also need many more ministerial-level

exchanges. And I am very strongly of the view that our trade and investment relationship can be much, much stronger. There will be a major meeting of German and Australian businesses in Perth later this year to this end.

Whether people in Europe feel comfortable with it or not, the fact is that Germany is and will remain the most powerful country in the “new” Europe and will continue to occupy a top position globally, not least as the world’s fourth-largest economy and the largest economy in Europe. So we need to build not just a better relationship with the European Union but the very best possible relationship with Germany. With the departure of the United Kingdom from the European Union, we need to focus on our friends in the “new” EU.

Angela Merkel has taken a conscious decision to accept the recommendations of the Australia-Germany Advisory group and to develop the strongest possible linkages with us. We would be crazy if we didn’t grab this opportunity with everything we have and run with it.

I’m an optimist about the “new” Europe, although it faces many significant problems. It has to be built first, and that won’t be easy. Schuman’s arguments about the importance of an integrated Europe for European and global security, stability and prosperity nevertheless remain persuasive in Europe today, and Europeans and their leaderships broadly understand that. And I am also an optimist about our future relationship with the “new” Europe, if we are capable of recognising the opportunities opening up for Australia and have the wisdom to take fullest advantage of them.

Canberra, August 2017