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Clearly, the great success story of the European Union is the post-World War II reconciliation between Germany and France and then in general the understanding that it is better to be together and avoid conflict, and I think that that is clearly one of the great lessons learned that all people would like to see emulated in one form or another. I agree that insofar as it works it should be followed and we can see it in Latin America and we also hope that it will be there in Africa.

We also have to accept that the conditions are quite different. Part of the success of the European Union lay in the fact that it was fundamentally a kind of economic counterpart to NATO. It had a hothouse or greenhouse effect where it was under constant threat of invasion by the Soviet Union, or the perceived threat of the Soviet Union, and people agreed to do many things that perhaps under other conditions a state would not have done, although I am glad that they did those things. When the Soviet Union and the eastern bloc collapsed the long-term project of the West was essentially coming to completion and the promise that was given to Eastern Europe that were people to make free choices Eastern Europe would be like them eventually came to be true between 1989 and 2004. Those were all positive developments.

I have recently been becoming a little worried by some people from the old member states blaming the current economic crisis on a too-rapid enlargement. On 3rd November, there was a quite obnoxious piece in the *Financial Times* by a former Head of EU Legal Services saying precisely that. If you look at the fiscal responsibility of the new member states, they are doing a lot better than the so-called old member states.

This leads me to the next problem that we face, where, to be very brief, when you ask about cultural differences, I would say that the institutional arrangements, particularly in the case of the euro, do not really match up to the different cultural attitudes towards fiscal responsibility. Countries in the north have tended to have lower deficits and do not have spectacular amounts of debt. You could say that for the countries that are around the Baltic Sea – Germany, Finland, Estonia, Sweden and Denmark – while some are in the euro and some are outside it, they certainly have far more in common in terms of fiscal responsibility than countries within the EU 17, which has countries like Estonia, which is the only country to have a deficit that is under 3% and an indebtedness under 60% of gross domestic product (GDP). In fact, it is 7.1%. The range is much wider within this group that is cast as being the fast-core group. In fact, if you were to look at who shares common approaches – whether this is culturally determined, I do not know – there seems to be quite a difference in the approaches taken by members within the European Union regarding frugality, the lack of frugality, honesty in reporting data to Eurostat and all the problems that we have seen coming up.

This perhaps leads us to reconsider what it means to have money and being a rich country or a poor country inside the euro zone. If you were a company and your indebtedness was 150% of what you generated in a year and you looked at the active and passive of a company's balance sheet, it could not be said that a company that owes 150% of its worth is necessarily richer than a country that generates less but does not owe so much. These are serious issues that we will have to deal with in understanding what the meaning of being a rich or poor country is today.

Where do we go from here? I am not sure. My country has been extremely supportive of further integration and a deep European Union. We have consistently had among the highest levels of support for the European Union, but that is not a given simply because we are a new country, as our southern neighbour, Latvia, which has an almost identical history of being occupied by the Soviet Union and having deportations and all those other ugly things, has nonetheless the lowest level of support in the European Union. There are therefore other factors at work.

What I see as a problem, and the former US ambassador alluded to a similar issue, is that recently 75% of our Parliament voted in favour of the European Financial Stability Facility (EFSF) to bail out Greece. We are poorer than



Greece, but we voted for it. This was a bipartisan vote, with the Government coalition and the serious Opposition party. They all supported lending money to Greece, amounting to about one-third of our state budget. However, while we could praise the Parliament for doing the right thing – and I praised the Parliament for doing the right thing and showing leadership and solidarity – a survey done of the public on the same day or the day after said that 75% was against the EFSF.

My question is how long can we sustain or expect the Parliament to sustain its pro-European solidarity in a democratic country when it is going against the wishes of the electorate? I am afraid that it is not possible to do that for long and, in fact, we can see the results where throughout northern Europe today we have parties that are called populist, and while in some senses they are populist, they are certainly not populist right-wing nationalist parties but much more fixated on who is and is not following the rules. We have already seen that the Finnish Government was put together in a way that we would not normally expect it to be put together out of the need to exclude the populist anti-European party and we see a Government in the Netherlands that is itself pro-European but as a minority Government it depends in fact even on an anti-Europe party to get things passed.

Our range of movement is therefore limited and I would point out that the first Government to fall as a result of the crisis was one of the most responsible Governments in Europe and perhaps not coincidentally a new member - Slovakia. Slovakia decided to do the right thing and, again poorer than Greece, they committed themselves to the EFSF and the Government fell. That was the first political victim of the crisis in Europe and it was a Government that did all the things that we would expect a good European Government to do. I think that we will see more and more problems like that and, as a staunch pro-European and someone willing to go out on a limb a lot on all of this – and I can do that, as I have been re-elected and can therefore do it for another four and a half years – nonetheless I am concerned about popular reactions to what is going on. We have not really seen it yet but when people start figuring out what we agreed to in Brussels yesterday morning I think that we can unfortunately expect more vocal opposition from our electorates.