Ladies and Gentlemen,

For more than fifty years the security of the Euro-Atlantic area has been underwritten by NATO: the embodiment of the transatlantic relationship and the most successful military alliance in history. As a result, ours is the first generation in 100 years that does not expect a European war.

But not all Europeans have been so lucky. There is much to do in the Western Balkans. And the attacks of 11 September highlighted the new threats posed to our security by terrorism and weapons of mass destruction. These and other possible threats mean we have to adapt NATO, whilst preserving its values, to keep it effective in a radically different world.

The Prague Summit in November presents the UK, Hungary and all members of the Alliance with a crucial opportunity: to transform NATO and make it as firm a guarantor of our future security as it was through the second half of the twentieth century. In concrete terms, the outcome of the Summit should be an Alliance equipped to face the new threats I have described, with new roles, new capabilities and new members. The UK is committed to NATO membership for all of Europe’s democracies that are ready to share the responsibilities that NATO brings.

Looking at developments in NATO over the past decade, I am confident that the Alliance is up to the challenge of reform. Since the end of the Cold War, NATO has confounded those who argued that the dissolution of the Warsaw Pact would remove its ‘raison d’être’. The ‘Partnership for Peace’ programme has acted as a catalyst for security sector reform, and helped with the transition to democracy and free markets.

Already, Hungary, the Czech Republic and Poland have joined NATO. Hungary’s contribution to the Allied operations in Kosovo – not least in opening air space to NATO aircraft – helped to guarantee the mission’s success.

And, through the newly established NATO-Russia Council, we are now working with the Russians to pursue common projects in a number of fields as equal partners – an unthinkable prospect just a few years ago. As President Bush recently said in Berlin, Russia now ‘has its best chance since 1917 to become a part of Europe’s family’.

But the picture is not uniformly bright. The growing capabilities gap between the US and other members of the Alliance – which was so starkly demonstrated during operations in Kosovo – risks undermining NATO’s relevance. Some in Washington have suggested that Europe has nothing to offer on the military side. That is, I am pleased to say, not the case. As well as our collective contribution to Operation Enduring Freedom and the International Force in Afghanistan, 75% of the deployed troops in the Balkans are European. That includes, of course, Hungarian contingents with whom British forces work closely in Kosovo in particular.
But the fact remains that Europe is not investing sufficiently in its armed forces, nor in the flexible, deployable capabilities that NATO will need if it is to carry out new missions. Many European governments spend just 1.5% of GDP on defence; this is simply not enough to make a proper contribution. We have to rectify this; if we fail, then the military credibility of NATO will suffer.

The Hungarian Government recognises the importance of this issue. Your defence reforms are an important first step towards developing the capabilities needed for NATO and European security. The UK is assisting this reform programme. We are in touch with your Defence Minister and your Prime Minister. And we look forward to developing our defence partnership.

But strengthening our security isn’t simply a matter of increasing our investment in NATO. The second pillar of European security in the next decade should be the development of a capability to manage crises on those occasions where the Alliance as a whole decides not to engage.

It was with such a scenario in mind that the Prime Minister first proposed a European Security and Defence Policy (ESDP) – built on a close relationship with NATO, as the twin foundations of European security and prosperity.