

THE WORLD POLITICAL FORUM



"EUROPEAN DREAM – PROMISES AND REALITY"

Seminar devoted to the 50 years of the Treaty of Rome

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INTRODUCTIONS

“WHAT KIND OF EUROPE FOR THE EUROPEANS?”

Giulietto Chiesa, Member of the European Parliament

I have the honour to open this seminar promoted with the personal involvement of Prime Minister Gyula Horn and President Mikhail Gorbachev's inspiration and devoted to the 50th anniversary of the Treaty of Rome, whose importance is closely intertwined with the breadth of the impending problems concerning Europe and mankind as a whole. We are all here at a turning point and will have to face dramatic changes in our lifetime.

It is already clear that the end of the Cold War did not produce a new way of thinking in international relations. Many challenges that previously were almost invisible became now dramatically evident and have found no solution. It is clear that in the coming years we will face huge difficulties affecting the way of life for billions of people in Europe and elsewhere. I am referring to the environmental crises whose clear sign is climate change, the impending energy crisis and the deepening of the financial crisis which is provoking uncontrolled monetary imbalances and has taken the oil price beyond the \$ 100 per barrel in recent days. It will not help to close our eyes to a rapidly developing arms race and the risks of new conflicts and even wars that are already visible. We need therefore a qualitatively new effort, a multilateral one, to cope with the new dangers and to invert present trends.

The international institutions leading the world economy and policy in the last 50 years prove powerless to face these trends and challenges, therefore we need a new international

architecture. The big question is: which one will we be able to build? The European Union itself is in serious trouble too and this is of particular relevance in this world context; taking into account that the European Union is the sole functioning example of a peaceful model for the solution of supra-national problems. Some of these problems are very complicated indeed and Europe has not yet succeeded in coping with them but the methods for their solution seem appropriate, not only for Europe but also for the rest of the world.

What I would like to underline, is that "this" Europe is not threatening and will not be threatening anybody in any foreseeable future. Europe is and will be in the best position ever to fulfil a peaceful, constructive and realistic role in international relations. But this in turn will require that Europe should be able to talk with just one voice and as we know, this is not yet the case, while it is exactly what we need.

For instance, on the eve of the Bali conference on climate change the world is trying to face the challenges of poverty, of renewable energies, of fresh water for billions, of menacing population growth, but it will be difficult for the European Union to find a sufficiently broad strategic approach if in the first place it is not able to cope with the disturbing vacuum now existing between its institutions and European citizens. A change in strategies and politics thus seems necessary, beginning with the Lisbon strategy which in some ways was drawn up in an unbalanced way in favour of competition, and at the end of the day somehow the defence of the way of life of millions of European citizens was overlooked. The future of the European dream depends to a large degree on this question. The market is no longer the only solution and gross domestic product is not the sole indicator of good sustainable development, as was declared at a highly significant meeting promoted recently by the European Commission and European Parliament and the Club of Rome.

=Szilveszter Vizi, President of the Hungarian Academy of Sciences

This Seminar hosted by the Hungarian Academy of Sciences is devoted to the 50th anniversary of the Rome Treaty and entitled "European Dream – Promises and Reality". We are fortunate to have with us so many distinguished guests with their varying cultural, economic and spiritual backgrounds.

The 1957 Treaty of Rome established the European Community with the aim of laying the foundation for ever closer union among the peoples of Europe. Today, two-thirds of people living across the European Union say that they feel European, and I think that we have made fantastic progress. The European Union is the largest economy in the world, and it is already the world's leading exporter and the largest internet trading market. While America has always seen itself as the great melting-pot, Europeans prefer to preserve their rich cultural diversity. Nonetheless, this part of the world needs reform to face the expanding knowledge-based societies of the Far East and the United States. In accordance with this goal, the Lisbon strategy signed in 2000 aims at establishing a knowledge-based competitive Europe - turning this promise into a reality.

We have to understand that, in this century, more than ever before, the world will be shaped by science. Knowledge, especially scientific knowledge, will be the engine of modern society, providing a very new foundation and new raw materials for the prosperity and well-being of mankind. In the 21st century, however, only those societies that are open to innovation will remain competitive worldwide. It is now clear to most decision-makers that economic and social development is very heavily dependent on intellectual contributions. The European Union is going to build a knowledge-based society and a knowledge-based economy. If Europe wants to keep pace with North America and the Far East, then this is a must, but I

think that there are several problems.

The idea of a 'European Union' after 1945 was the wish of many politicians involved in the rebuilding of the historical continent. At the University of Zurich on September 19, 1946, Churchill talked about a United States of Europe as the only way to establish a conflict-free new Europe. He was justified in thinking that the nations and people of Europe surviving the terrors of the two World Wars were striving for a peaceful coexistence. Churchill said the following to the students:

``This noble continent, comprising on the whole the fairest and the most cultivated regions of the earth, is the home of all the great parent races of the western world. It is the fountain of Christian faith and Christian ethics. It is the origin of most of the culture, the arts, philosophy and science both of ancient and modern time. If Europe were once united in the sharing of its common inheritance, there would be no limit to the happiness, to the prosperity and the glory which its three or four hundred million people would enjoy."

And then he stated: "We must build a kind of United States of Europe." Jean Monnet, who more than any other single individual was responsible for creating the idea of a common European community among formerly divided European countries, understood how difficult it would be to fulfill Churchill's dream.

Unfortunately, this intention was even more challenged by the emerging bipolar world where the United States and the Soviet Union stood as enemies and where the countries and nations of Europe – instead of being unified – were increasingly against each other. This era was best symbolized by the Berlin Wall, not only dividing the city itself but the whole continent and the world.

Let me mention that President Gorbachev played a very significant role in changing the world

by bringing the cold war to an end, and the Soviet satellite states have succeeded in becoming independent. I think that this was one of the most important steps in the history of Europe. Hungary took the initiative in this process of transformation when it opened its borders to East German refugees, finally resulting in the fall of the Iron Curtain. The Foreign Minister at the time, Gyula Horn, later the Prime Minister of Hungary, took a leading role in this process. Unfortunately, he cannot be with us due to his illness, but I do greet him now in the name of us all.

I am convinced that a meeting such as this one is always a good opportunity to a visit another country, to meet people and to exchange ideas. On behalf of the Hungarian Academy of Sciences, it is great honour and pleasure for me to welcome all of you who have come all the way from different countries to Budapest. Thank you for coming, thank you for attending this Seminar.

Gordon Bajnai, Minister for Regional Development, Hungary

I would like to express some of the views of the Hungarian government on the future of Europe and the future of Hungary within the European Union. We firmly believe that the next seven years is going to see a significant turning point in the future of European and Hungarian history.

In a strange way the major issues that Europe is facing are also true for Hungary. Europe is facing the issue of not only consolidating the result that it has achieved until now, but also of taking major initiatives to improve its competitiveness, to modernise its institutions and also to address some of the new issues that were not in focus a couple of years ago, at least not to such an extent, like energy policy that is becoming more and more important together with

climate change. Hungary is also facing similar problems.

First of all though, Hungary needs to consolidate the very rapid pace of change that has happened to the country during the last 17 years. For many Hungarians it is now that we realise what it means to accept European freedom but also to accept a European level of responsibility at an individual level and that means new challenges for all the citizens of Hungary. This is the year, 2007, when Hungary among other new member countries will receive the first major influx of European Structural and Cohesion Funds, which will mean new roads, new bridges, new environmental instruments and new employment facilities throughout the country. We now have an unprecedented opportunity in our history to join Europe in an infrastructural and cultural sense.

Towards the end of the seven-year period, in 2011, Hungary will have the chance for the first time to hold the European Union presidency for the six month period. So, the next five years is in a way also an intellectual and emotional challenge for Hungary to regain fully a European identity. Achieving European membership has not simply been a diplomatic task but it has also been one of the major successes of Hungarian history. We believe that it is not only for Hungary to consolidate the results it has achieved by joining Europe but it is also for Europe to start on a new phase of consolidation.

Europe has just accepted a reform treaty which will establish a new framework of cooperation and this will also enable Europe to start a new period of development. We believe that the issues to be addressed here reach far beyond institutional and constitutional questions, therefore the major agenda points that Hungary would like to address as a member of the European Union are the following.

First of all, unity and co-operation. These principles mean for Hungary that the European

Union has to concentrate on maintaining its core values and deepening the cooperation between its countries step by step. This however, should not exclude the possibility of reinforced or strengthened cooperative arrangements between individual member states as long as they are open to all member states, and all of these cooperative arrangements have to serve the unity and the interests of the whole European Union in the long-term.

Second, and this is particularly important for Hungary these days, is modernisation and competitiveness. In practice, these principles mean for us that countries which have recently joined Europe or joined long ago have to benefit directly from being members of the European Union, in the sense of having a long-term, lasting and sustainable impact on the well-being and the quality of life of the citizens of each country and the citizens of the European Union. To achieve this, the European Union has to be one of the most competitive economic models in the world. The Lisbon agenda set this goal in 2000 and while there has been some progress in this respect we are far from achieving the original target of being the most competitive economic unit in the world by the year 2010. We believe that the Lisbon strategy goals have to be reinforced and economic growth and sustainable growth in employment have to be major targets for the European Union.

It may be symbolic that Hungary, when it launched its 2007 - 2013 New Hungary Development Plan, gave it the subtitle of "Growth and Employment". We wanted to show that Hungary's aims are united with the European Union's aims and are focused on a way of spending these European Structural and Cohesion Funds that will be identical to the major Lisbon agenda goals because we agree that stable societies can only exist long-term in a stable and growing economy.

Unity and cooperation is the first principle; modernisation and competitiveness is the second;

and the third is consolidation and openness. The enlarged European Union has to strengthen its internal cohesion in order to mobilise the existing but unused reserves that exist in it. This is one of the major targets of the National Development Plan here in Hungary too: how to bring in those regions which up to now have been losers in the rapid acceleration towards an accession to the European Union; how to bring in those who were on the losing side. Millions of people in Hungary and tens of millions of people in the new Europe have been excluded from the results of rapid development recently and we have to bring them on board, not just because it is a moral obligation, which it is, but also because the mobilisation of economic and cultural reserves could serve the further growth of Europe.

We also believe that the openness and the improvement of the foreign-policy initiatives of the European Union are important interests. Further expansion and extension of the European Union has to be based on the acceptance of common values and the fulfilment of the cohesion criteria. Hungary has very strong and clear interests - economic, national, policy and security interests - in cooperation with all the countries in our region, with those who are members of the European Union and with those who are not yet members. We intend to actively support these countries in the future.

The fourth principle is security. We believe that with the new challenges in our world, the European Union and its member states have to be able to produce all the proper criteria that secure the well-being and security of the members of the European Union. It is the key intention of Hungary to strengthen the whole of the security of the European Union. In order to achieve this, there is an urgent need to achieve a common foreign and security policy in the European Union and to further deepen and strengthen co-operation within it.

We see the year 2011, when Hungary will hold the European presidency, as a challenge and

as an opportunity. We believe that Hungary does have a character and a face within the European Union; however, over the next four years we intend to invest heavily to make this visible at a time when we will have this unique chance to show our face to the world. Unity, this is the Jubilee codeword for the 50-year-old European Union, this word contains a number of messages for us, probably more messages than before. We believe that with this union we will be able to bring closer all that Europe means to the citizens of Europe, the everyday citizens from Ireland to Cyprus, from Estonia to Portugal and all European citizens will be able to live, feel and experience what a greater Europe, a Europe working in union can mean for them. This is what we will work for in the coming years.

KEYNOTE ADDRESSES

Mikhail Gorbachev, President of the World Political Forum

I think we need to be very clear about the terms. Some think that Europe, as De Gaulle once said, is a Europe from the Atlantic to the Urals, but at the end of the 1980s we started to talk about something that really reflected what was happening at that time, that is Europe from Vancouver to Vladivostok. This, I think, is now being forgotten, some are now trying to say the European Union is now all of Europe; well, the European Union is the European Union but there is more than just that in Europe and I wanted to say that first.

We should build a Europe not just by expanding the European Union, we should be building Europe also from the East. There are enormous changes happening in the East of Europe, in Russia, in Ukraine and Belarus, in other countries that are not part of the European Union. I believe that we need to talk about a Greater Europe, we want Greater Europe to be built on the common values that we all recognize. We want it to develop, to come closer together, to be more co-operative and we should talk about the problems that really exist within this process because it is a difficult process.

I would like to say that it is notable that this conference coincides with the 50th anniversary of the signing of the Treaty of Rome. This was a historic initiative and I would like to say that it really has been a great success and it has showed the world an example of the potential of Europe. This conference is also taking place 18 years after the fall of the Berlin Wall and 17 years after the signing in Paris of the Charter for a New Europe. All of these landmarks, all of these steps were essential and the building of this new Europe that we talk about today, the new European Union that we see today, would have been impossible without these important

steps towards a new Europe. All of these steps are important, indispensable in building a new united and greater Europe. This would be a Europe that would really deserve the name of the common European house.

I remember that we started promoting this idea of a common European home at the very start of Perestroika. I think that we need to continue to develop our vision and to look beyond the horizon. It would not be an exaggeration to say that it was during those years in the late 1980s that our continent for the first time in many decades felt that it was a whole, felt that it had a single destiny, a common destiny. The Charter of Paris was a common strategy. This was the commitment that we took at the highest European level in Paris in 1990. Unfortunately, the Charter of Paris was undeservedly forgotten in the 1990s.

I think that what was written in the Charter of Paris was and continues to be the goal for all of us and that we should be guided by it. Those were not the demands of one state presented to others, it was not a document of pressure, it was a charter signed on behalf of the nations; the goal was a united and free Europe without dividing lines. You can expand on that idea but those are the most important points and I think that we have not yet achieved that goal.

During meetings within the World Political Forum we are always very frank, we talk frankly as a civil society organisation, we are not looking at the opinion of governments, we are engaged in a frank discussion and I am inviting you to discuss this issue that I have just outlined very frankly. On the one hand, there is the fact that Europe has overcome the Cold War confrontation. The European Union is now indeed an association of 27 European states with a strong economy and with a standard of living among the highest in the world. In the eastern part of our continent, as has been said already, there is also a process of transition to

democracy and I think that this too is a contribution to building a new Europe. Of course we must think about how best to establish cooperation between these two parts of Europe. These two parts of Europe need each other.

The goals, the objectives in Europe are the same: building a democratic state, building a market economy and building a civil society. On the other hand, if we look at our rapidly changing world, we see that the potential of Europe is not being used to its full extent. We should compare the dreams, the promises of politicians and the hopes of the peoples with what has really been achieved. Of course the accomplishments of the European Union cannot be denied. I am among those who think very highly of what has been achieved as part of the European process, of the process of building a united European Union, and I do not share the doubts that are sometimes expressed about the future of the European Union. Peace between nations that used to be at war, economic growth, the creation of an attractive social model, all of this has been achieved within a very short period of time and this I think indicates that we can characterise the European Union project as very successful.

Of course any system has its limits in terms of scope, in terms of scale and in terms of the pace of growth. Over the past few years we have seen that the European Union is probably reaching its limits in terms of the ability to absorb all that it has acquired over the years. This is very difficult; the fact that the draft European constitution was rejected in France and in Holland was very disturbing and people started using the term crisis. I think it is normal that when building a project such as the European project that there are such crises. I would say that there are difficulties but I do not think that it is the kind of crisis that would result in collapse, in total upheaval. Sometimes in Russia, people characterise it in this way, but I don't agree with that view.

I believe that the difficulties in certain countries that have recently acceded to the European Union sometimes create difficulties for the mechanisms of the European institutions. Now that the Lisbon treaty has been signed, the immediate crisis or difficulty within the European Union has been overcome. But the Lisbon agreement is a technical solution. What we need is political rethinking and this can only be the result of the common efforts of politicians, intellectuals and the society as a whole. We have to work with society, we should not exclude the people; these are not decisions taken behind closed doors. If that happens we will see a repetition of what we saw in Holland and in France. What happened there was perhaps partly a result of how the constitution had been drafted but it was also because, even though we all know that European Union countries are democratic countries, the process was not quite democratic and the referenda where people speak showed that - so another lesson has to be learned.

Our meeting is part of the effort to solve some of the difficulties that we are facing and move forward. I believe that one of the main priorities is for the European Union to find a clear and independent voice in global affairs. The voice of Europe, the involvement of Europe should be clear and visible. Once we've dealt with the internal problems of the new Europe we must make this greater Europe, the new Europe, the locomotive for the world. In building a new international order, Europe is the best partner because of its historical experience, its cultural experience and its experience in engaging people of different religions and ethnic groups. Europe in this sense is a marvellous example and has marvellous human potential; it is a laboratory for the world because in a global world all these processes become really important.

The fact that international politics today is stumbling, and this is disturbing for all of us, has

resulted from the break-up of the Soviet Union, from the coming on stage of a new generation of political leaders and from the lack of a united political voice in Europe. As a result we have seen a war in Europe. Let me repeat this, we saw a war in Europe, in the Balkans, in Yugoslavia. We should all be ashamed of that. Some of our colleagues here were involved or were silent when this was happening and I think that we should all be ashamed.

I also think that what we have seen recently in the world and what led us to the war in Iraq, and not only the war in Iraq, has raised a number of issues. It was a blow to the UN, to international law, a big blow; this too could have been avoided. This shows that here again Europe did not quite measure up to its potential, it actually put up with a situation in the world where the United States has monopoly leadership. I am convinced that this is because one major problem has not been solved and that is, how does Europe, the European Union, deal with Russia.

A greater Europe can only happen if Russia is part of it. Otherwise Europe will, I believe, not have a really big voice in the world.

Russia and Europe: We know today that Russia is not asking for membership of the European Union; the European Union too understands that she could not become a member any time soon. I am not saying that this is forever.

I believe that one of the central issues for building a new Europe is to search for a format of the relationship that would remove all the obstacles to co-operation and involvement of the European Union and Russia. This, I think, will give Europe a much bigger voice, it will give all of us a much better voice and will, I'm sure, reveal the true potential of all of us. So this is what I would like to raise for discussion and again repeat that without building a new relationship with Russia, the potential of Europe, the role of Europe that the world is looking

and waiting for, is really unthinkable.

Another very important priority is to develop a common European position on global problems. Europe must speak out on issues such as the environment, terrorism and non-proliferation of weapons of mass destruction. Europe must be an example in the development of a new alternative model of globalisation, an alternative to social Darwinism, to chaos, to the division of the world. I do believe that Europe can take this initiative and must take this initiative. Why should Europe be a follower of the policies of others? Europe should generate policies, Europe should defend its policies while, of course, respecting the interests of other countries; Europe cannot be a successful project if it is built on an anti-American basis.

Finally, the third priority is the relationship with Russia, based on some kind of treaty. There was a treaty between the European Union and Russia which is expiring but a new agreement has not been signed and attempts to draft it have not been successful. I think that the most acceptable formula for a future treaty between Russia and the European Union is that it should be some kind of advanced partnership. So, let's discuss what kind of advanced partnership. I'm concerned that more and more people in Russia are speaking about the possibility of Russia choosing a non-European path, re-orienting Russia's political and economic links to the east, to Asia, and many people in Europe doubt the ability of Russia to build a true democracy.

Russia, however, is often criticised unfairly. I believe that alienation between Russia and the European Union is a very dangerous tendency and we must not allow it to happen. It would be really destructive for all of us, not just for the Europeans but for the whole world. As a result of it, we could see a Europe not from the Atlantic to the Urals but from Brest to Brest. As a result of it, we would fail to make Europe a pole of great importance and influence in the

world, a centre of power in the world. This is important. It is not just an ambition for Europe to become a power centre, it is important for the world and for balance in the world. If this does not happen, the global processes will be even more unpredictable and this is why I believe it would be dangerous and unacceptable if this negative inertia in relations between the European Union and Russia continued. I fully understand that responsibility for the current unsatisfactory relationship between Russia and the European Union is borne by both sides but this also means that efforts to correct the situation should be made by both sides too.

So trust Russia, trust the people of Russia. When things were bad in Russia, when Russia was in a state of upheaval, when it was not at all clear what the future of Russia would be, our western partners were applauding Russia; now our western partners are unhappy. At that time they were saying: 'Why are you selling natural gas at different prices to the former Soviet republics? Why are you providing price benefits to Georgia, to Ukraine, to Belarus, to Armenia? Prices should be set by the market'. Now we have market-based prices and we're being criticised by our partners for that.

So what happens is a situation similar to the story of Hodja Nasreddin and Bukhara. When he was riding a donkey he was criticised for being an old donkey riding a young donkey, but then he wanted to carry the donkey on his back he was criticised for that as well. So we in Russia are always being criticised. I think that we should get more understanding and I would like to add that for Russia the most important partner for the sale of natural gas, for the sale of our resources and also for modernising our country is the European Union.

So, we should set this goal for an advanced partnership between Russia and the European Union, we should get closer economically and culturally and technologically without any

political constraints, without any political pretensions. Russia will continue to move along its democratic path but you have to understand that we are, at best, only halfway through that process, we still have a long way to go. If we do not get real understanding from our partners, it will make the path more difficult and it will make understanding more difficult.

Finally, let me say that we have gathered at a time when there is a lot of talk in the world that the centre of gravity in world development is moving towards Asia, to the Pacific region.

I have great respect for the East, I have made great efforts to improve relations between our country and our neighbours in the region, with Japan, China, India and Korea. I believe that underestimating Europe and its strategic potential would be a major mistake.

Still, I believe that what is happening is that the hour of Europe is coming in international affairs. I believe that Europe is coming, that Europe has a chance, an opportunity that it must not miss. If it does not become a Greater Europe, if it does not contribute robustly to building a new international order then I am afraid that we will see a global time of troubles; but if Europe does live up to its mission, then everyone will gain, the Europeans and the world will gain from that.

Ferenc Gyurcsány, Prime Minister of the Republic of Hungary

Please allow me to respect the traditions of this forum and so I will not make political statements but rather share some dilemmas with you.

I can see that this current period in global politics is defined more by mechanisms that are trying to pull down existing systems rather than construct new ones. I would like to refer to three major deconstruction mechanisms. The first, if I go in chronological order, is something that started 350 years ago with the tradition that was created with the Treaty of Westphalia whereby the main protagonists of international politics, states, became the main

protagonists of public law. There is a challenge to this from two sides. One is the growing strength of the organised civil world that often appear as anti-globalisation movements and question traditional institutional systems. I can see a number of positive elements behind these movements even if they can be very conflictual in appearance. The second element is perhaps more tragic, namely that there are non-public stakeholders in the international arena such as international terrorists who do not fit into the public state structure created at Westphalia. The traditional public systems and the challenges that they pose cannot be managed in this framework.

The second deconstruction process is all that happened in the 40 or 50 years up until the 1990s. I do not want to go into detail on the deconstruction of this bipolar world. The third is the restructuring of Europe, the redrawing of Europe if you like, where the most complicated and painful events are what is happening in the Balkans. These are the three major transformation or deconstruction processes that we have seen in the past few decades. What can the response to these be? I have to admit that as a politician I see the greatest challenges in the strongly globalising economic and commercial world and the cultural integration needed to keep pace with this process. Neither human nor institutional globalisation can sustain the pace. There are no strong actors, no strong institutions able to maintain a balance with regard to a global commercial business world. That former balance has toppled and with it the earlier conditions within the nation states that existed. Maybe the political and economic factors in the public structures could maintain a kind of balance but in general it has resulted in a number of disappointments.

I believe that our aim should be to strengthen global political integration through bodies such as the United Nations and I also believe that with globalisation we will not need less but more

political integration. I also believe that we should support and urge trade unions and NGOs to follow the traditional path and play a strong global role in achieving integration.

I am a deeply committed pro-European but I also agree with those who think that Europe and the European Union are not necessarily concepts that correspond to each other. The success of Europe was secured by the fact that it was a receptive culture, it was able to absorb within its own culture different religious and cultural identities and I would like to warn the European Union against looking at itself as the sole representative of Europe's historical and cultural heritage because I think the reality is more colourful, open and complex than what we can see in the organisational forms of the European Union. I think that it is our obligation to extend enlargement to countries of the western Balkans but I think it is equally important for the European Union to use a wide palette of enhanced cooperation measures and have intensive neighbourhood policies to respond to the challenges that come from both the Mediterranean and eastern areas. The only way to respond to these challenges is not to think in black-and-white terms of whether someone either is or is not a member of the European Union but between the extremes of full membership and independent nation state there should be multilevel partnership relationships and other institutional forms.

There are several challenges that Europe has to face and one of those of course is Russia, we cannot avoid that. I believe that our interest is to make sure that Europe can maintain an open strategic partnership with Russia. Russia has taken a very difficult and complicated direction in the last 17 years and this transformation involves political and economic systems alike. Some signs of this transformation are very similar to what we saw in certain countries of the European Union and some elements are very different. Because of this very

characteristic development in Russia there will be long-term differences as concerns democracy and human rights; there will be differences between Russia and the European Union, there is no doubt about that. In terms of the standpoint of the European Union we have to work towards making sure that there is open, sustained dialogue that is not about lecturing or scolding each other but rather about understanding. Criticism from either side should not be from a position of assumed supremacy but from the full knowledge that the different countries of this huge area have very different histories and of course the consequences are still to be seen today.

I would like to be even more specific, if I may. Russia is claiming its place in shaping global politics ever more assertively, there is an increase in national self-confidence and self-consciousness and this is partly supported by that internal strength one source of which is obviously energy resources and the tremendous revenues that they generate. My impression is that Russia is testing its possible role and I can also see the world testing and checking how to co-operate with Russia in this situation. In recent times we have heard so much about conflict on both sides, I can see a certain oversensitivity and overreaction, there is a certain tendency towards mutual fear governing our politics and I can see that there is perhaps a little less openness to find solutions and that is what is needed.

I think the real lesson we have learned from the 20th century is that neither Europe nor the world can think about long term stability, peace and quiet without first seeing peace and stability in Russia and an open partnership between the world and Russia. I am very definitely against any kind of policy that would be directed towards isolation of any kind and anyone who tries to lock out the other party will end up locking out themselves.

Many people raise the question of whether energy in the hands of Russia is more than just a

simple natural resource or commodity. It has not become a strategic asset in the hands of Russia and independently of Russia, energy itself has become of strategic importance. It is a strategic resource and it is very obvious that an imbalance has developed. This imbalance is mutual, it is not one-sided. On the one hand, it is true that Europe is largely dependent on energy supplies from Russia but let us make it very clear, in terms of gas Russia practically has no other buyer apart from Turkey and the European Union – there is mutual interdependence. This is of course not a balanced mutual interdependence because Russia has some \$500 billion in reserves. Russia can go on without supplies for two months but we cannot. However, I think it is true that on both sides there is less mutual threat than the parties try to demonstrate.

On the other hand, it is also true that this situation is not symmetrical, the seller is dominant and this is strengthening the position of Russia and I do not think there has been the necessary political reaction from the European side. We have this fragmented structure on the European side: nation-state based competitive energy buyers, while on the seller's side you see oligopolistic or monopolistic state control. I think the solution has to be consolidation on an economic and commercial basis with political support.

My impression is that in terms of the military partnership and competition there is no alternative to partnership and co-operation. Much more trust and stronger partnership arrangements are necessary because certain developments over the past few months are certainly risky even though I do not think we face a return to the 70s and the 80s.

I think that in the Middle East we will continue to see a certain level of insecurity in the long term and there are several reasons for this. We will see it in Islamic fundamentalism and terrorism and Iran's nuclear programme and the trans-Caucasian and trans-Caspian region -

this profound transformation that is in progress in our region. Obviously, there are competitive aspects that we have to respect and this is equally true for Russia and the United States. In the short term I think this rivalry will continue because this instability is fed by a number of sources and this will remain for a number of decades.

I think that Kosovo is basically a European challenge and if the European Union is unable to contribute to an effective settlement in Kosovo then our common foreign and security policy will prove to be an illusion. We cannot expect the United States to play a leading role in Kosovo, this is something where the European Union must be a protagonist. I think Hungary has a thousand and one reasons to be supportive and vigilant and I think we should try to avoid a situation where a lot of effort invested in a settlement in Kosovo leads to new types of insecurities generated in the region. We should make sure that there is peace and stability not only in Kosovo but in the entire region, Serbia included. I think it is very important that while solving one problem, we should not generate others. This is why we should make substantial efforts in the coming weeks and months to make sure that we can see all of these matters in the proper context.

This region of Europe is not very easy to understand for those who are not very aware of the history of the region. There has been so much trouble with peoples and religions, the intermingling of all of these, wars between neighbours, unjustified unreasonable conflicts generated by feelings of national supremacy, it is very easy to be nationalistic in this region, you do not need to be brave to feel this way. In this region radicalism and nationalism are the weapons of the cowards, the weapon of those who do not dare to apply proper openness to neighbouring people, those who labour under facile impressions of national supremacy. The only solution is to be respectful of each other, to be democratic and to co-operate and

the European Union provides an excellent framework for that, even if we see that the Union itself does not solve the issues, it is just a framework.

I am very pro-European here but we must solve these issues at home, it is not Brussels that will solve the debates arising from national policies and we need a bilateral sensitivity here. The nation-states of this region have not been independent for a long time and some of these nation-states are in a historical sense very young. They must have openness to understand that these nation-states have a different level of national sensitivity. The transition to democracy is very difficult, teaching or educating each other is very easy, but I say that first of all we have to do our homework, we have to become democratic ourselves on an individual basis and only then can we go on with real partnership and co-operation.

Mikhail Gorbachev

I think that the most important thing happening today in Europe and in the world is that we are living in a new framework and we do not yet know how to master this process. We can only do that if we co-operate strongly and in this regard the European Union is a successful project and is a good laboratory, not only for Europe but also for the world. But I also agree that we are still far from the creation of a new mechanism for this new reality and these new times.

When people say Europe and Russia, I do not think it is the correct way to put it. Russia is also Europe. Here in Hungary, too, we hear people speaking about Russia as though it were not part of Europe. I think that squeezing Russia out of Europe would be a serious mistake, maybe it is just a semantic kind of thing when we talk about Russia and the European Union (and that is the right way of putting it) because there are other countries that are not part of the European Union and relations are important with those countries. When we say relations between Russia and the European Union we are referring to intra-European relations, to a relationship within Europe and that relationship is very important. I very much share your views that we should bear in mind both the past, and the lessons that we should learn from the past, and the fact that only by uniting our efforts can we make Europe a powerful centre in the world. And the world needs such a centre of gravity, such a centre of power. I do appreciate your remarks on this.

Some people think that building a new Europe is mostly about expanding the European Union. What about the events in the Soviet Union and the changes that happened in our country? That had an impact on Europe and the world. The process of change in Russia is continuing and we are just halfway through. You are totally right when you say that Russia is

a challenge, Russia is a difficult country to reform but we are reforming it and we are in that transition phase and we should convey that thought to our European friends.

PLENARY SESSION I

European example: security, integration, democracy

Chair: Sir Rodric Braithwaite, Former Ambassador of the UK to the USSR

The subject we have is the European example: in terms of security, integration and democracy. It seems to me that we can look at it in two ways. We can look at what we have achieved and perhaps congratulate ourselves on that. We can look at the problems we face in the field of security, integration and democracy and consider whether Europe is still, for the outside world, the example that we like to think it has been up till now, with the successive waves of enlargement, which have indeed brought security. They have increased the economic integration of the continent and they have strengthened democracy in the number of European countries where democracy was very insecure up till now. I think that in all those areas we now face substantial challenges in Europe on security; we are trying to develop a common security and foreign policy. On integration there is a question about how much further economic integration can go in Europe. On democracy of course there is a real problem amongst the older as well as the new members of the European Union as to whether the democratic aspirations of ordinary people are in fact recognized and reflected in Brussels.

Lászlo Kovács, European Commissioner for Taxation and Custom Union

We can all agree that the 50 years of European integration starting with the signing of the Rome Treaty has really been a success story. The Cold War division has faded away, now we have a strong community of 27 countries with a population of nearly half a billion people. There is no single member state that would like to leave the European Union, to abandon

integration. But there are nearly 10 states from the Balkans, from Eastern Europe which would like to join. The values and principles on which European integration has been established and extended are now shared throughout Europe, including even non-EU countries. Values and principles like freedom, democracy and the rule of law, respect for human rights, human dignity and fundamental freedoms, market economy and social inclusion.

The historic mission of European integration enshrined in the Rome Treaty has been fulfilled. But today there are two new, closely interrelated historic missions. The first is to meet the expectations of more than 490 million citizens who expect better life, more security, more solidarity and sustainability because they want to share the achievements of integration with their children and grandchildren. And the twin of this mission is the package of global challenges which are to be tackled. The global competition in which the European Union and its member states should be successful otherwise we will not have the resources to meet the expectations of our citizens. The security of our energy supplies since we are very much dependent on energy imports. The new challenge of climate change and global warming, closely interrelated with energy production. Furthermore, helping the developing countries, managing and possibly preventing regional crises more successfully, combating organised crime and international terrorism. These are the global challenges that the European Union should tackle.

The European Union has got proper instruments. Flagship strategies like the Lisbon strategy for growth, jobs and competitiveness, the integrated strategy of energy and climate change policy, the common foreign and security policy. We also have community policies that target each and every major issue.

The European Union has more or less the same economic power and potentials as the USA. It is the number one trading bloc, it has got by far the largest competitive single market. But there are some other important features like its ethnic, cultural, linguistic and even religious diversity, political and ideological pluralism. These make the European Union an attractive place for individuals who want to come to work or to live here, for companies who come and invest and for countries who would like to join. These features make the European Union a target of dreams for many people, mostly those living in poor countries in Africa, Asia or Latin America. There are hundreds of thousands of refugees arriving in order to save their lives from civil wars, epidemics, poverty, misery. Hundreds of thousands coming to seek jobs or simply to have a better life. On their way to Europe, thousands are risking and even losing their lives and the EU does have the moral obligation to save them. However, we have to be realistic. These refugees, these immigrants are considered as a threat by many EU citizens, a threat to their jobs, to their social system, to their pension or to their security.

The total rejection of migration to the European Union is of course unacceptable from a moral point of view, from the point of view of solidarity but also from the point of view of ageing of our societies, which is another major challenge. By the year of 2010 the rate of mortality will be higher in Europe than the rate of fertility and it will result in a shortage of labour-force, it will result in serious pressure on and a serious challenge to the pension system and the rules of retirement. We need to open channels for legal migration as the appropriate alternative to black labour, even slave labour, to the social exclusion of migrants, which is the hotbed of criminality and even sometimes the hotbed of terrorism. Legal migration however is a contribution to prosperity and cultural diversity. That is what we Europeans should promote.

Recently the European Commission adopted a package of measures to save the lives of illegal

migrants by sending them back home but at the same time to facilitate legal migration and establish the socio-economic rights for migrant workers and even their families. The integration of migrants and migrant communities is of extreme importance because social exclusion of migrants fuels criminality. On the other hand it also fuels populist, extremist, xenophobic forces and parties who try to profit from the fears and even try to further increase the fears of the public in Europe. Integration is a process of mutual accommodation. Both by the authorities and, I underline, by the society of the European home countries of migrants, and also on the other side, the process of accommodation on behalf of the migrant communities. We have the appropriate instruments to raise public awareness and tolerance in the member states of the European Union, to make them understand that integrated migrant labour can contribute to the Lisbon objectives of growth, jobs and competitiveness. Another effective instrument is interfaith and intercultural dialogue and I just want to remind you that the year of 2008 will be the year of international cultural dialogue.

Samir Amin: Director of the Third World Forum, Egypt

Is The European Project Viable?

Euphoric discourses about the « European Project » provide daily bread and butter for the majority of politicians on the continent, both from the left and right wing. Only, so it would seem, “populist” extremist supporters (supposedly divided up into far right and far left wingers) oppose the project which would be without alternative for the future of the concerned peoples. And yet, indicators of growing disillusionment of these peoples are not lacking.

The European Project is, in fact rather odd: it attempts, especially since the Maastricht Treaty

(1992), to reducing the margins of manoeuvre of national economic policies without making a governance of substitution emerge in return at the level of the Union! In other words, the European Union operates, in actual terms, as the most perfectly "globalised" region on Earth in the most brutal sense of the word (annihilation of the margin of autonomy of the States). This is not of course the case for the United States, or not even the case in the other regions of the world where, the State, even if fragile and vulnerable, remains in principle master of the decisions it makes, the "only" restriction being the rules imposed by the WTO (which also has in perspective the same project of progressive annihilation of the rights and prerogatives of States). Europe is then ahead of the rest of the world in the Great Leap into regression.

This self-inflicted mutilation by European States relates to all aspects of economic life: there no longer exists in Europe any monetary or foreign exchange, budgetary, employment or industrial policies.

The ECB has prohibited itself implementing any kind of monetary policy, to which, it has substituted the exclusive objective of guaranteed "price stability through absolute prohibition imposed to States to finance their deficit via « their » central banks"; so it claims. By operating thus, it no longer has any public interlocutor (neither the States, nor the Union) it would be accountable for its policy. That deflationist option constitutes in principle a permanent additional obstacle to revitalizing the economy.

The ECB cannot implement any active foreign exchange policy either, the objective of which (a « strong » or « weak » Euro) should be defined by a public interlocutor which no longer exists. The government of the United States has, on the contrary, kept all its authority in the area of monetary policy. Consequently, Washington decides whether the dollar will be strong or weak, while the euro can only acknowledge that decision and adjust to it. Let us add that

the dollar standard is in fact an oil/dollar standard: oil prices are set in dollar and the United States make all possible efforts, if necessary through military interventions (as was the case in Iraq) to prohibit producer countries to sell their oil against payments in euro. As a fact, European States have so far refused to play that game and “grieve” their friend of the other side of the Atlantic. Thus weakened, the euro cannot, like the dollar, become an international currency. The actual potential competitor of the dollar is not so much the euro than the Chinese yuan.

The «Stability Pact» has tolled the bell to all possibilities of implementing budgetary policies. That option was justified by resorting to a doubtful theory of the equivalence of coverage of a deficit of public finance by taxation or borrowings. That justification is, as a fact, futile as the Pact limits to 3% maximum authorized deficit, and to 60% of the GDP maximum level of indebtedness! Neither the United States, nor any other country in the world (to the exception of semi-colonies under domination of the IMF’s administration!), have inflicted themselves such a mutilation qualified as simply “ridiculous” – rightfully so – by Prodi (who did not draw any consequences from his assessment).

The abolition on principle of all forms of national industrial policy (under the pretext that transparent « competition » - i.e., without protection or subsidies – lead to the most efficient allocation of investments) and employment policy, which is abandoned to the sole laws of the market (flexibility being thought to resolve the problems!), reinforced by the dismantlement of public services and privatisation, has not been compensated – if only partially – by community policies. There is no “industrial Europe” or “social Europe” on the immediate agenda. No doubt that, from this view, Europe is drawing closer to the model which has always been the one adopted by the United States; having, at present, very far on the path

to committing itself to breaking away with all traditions, which in the XIXth, then XXth centuries were at the origin of its successes. Still in the United States, however, there exists indeed a strategy of the military-industrial industry which is strongly backed by the State (in spite of the "liberal" discourse which is, by far, more advanced than the one held in Europe. It is amusing to note that the only couple of breakthroughs achieved by European technology (Airbus and the Arian rocket launcher) were achieved through public service interventions, and that, if these were left to private initiative, these two successes would simply never have occurred!

In a specific area – the one of agriculture – Europe has indeed implemented an active and community based policy, freed from doctrinaire liberalism. That policy has given enviable results; it has enabled modernisation of family agriculture, extension of farm areas and intensive use of equipment, greater specialisation, guaranteed prices that ensure balanced income between farm workers and urban workers, and finally produced important (even too important!) surpluses for export. How much did that policy cost? No doubt, half the budget of the European Community, but that budget is insignificant (less than 1% of member countries GDP). It is common knowledge that today, the CAP is being questioned.

Being the second most important area of expenditure of the Union (a third of the budget), regional policies are based on serious ambiguities and convey outdated political ambitions. Their objective is not so much the reduction of inequalities (among the States of the Union and within the individual regions which constitute them) than supporting their capacities to "face competition", which supposedly, is by itself holder of progress for all (doctrinaire liberalism is never questioned, in spite of its utter state of incoherence highlighted both by history and present times). In that logic, support to the least developed countries is thus

compelled to decrease in importance (at least relatively) after the inclusion of CEEC in the Union. Being principally articulated around the support to regions for their expenditures on infrastructure and education, the implemented regionalisation policies have rather made inequalities more acute and given preference to the "promising regions" in places opened to global competition (like Bavaria, Lombardy or Catalonia). Here, the pursued political objective is, in fact, to reduce the importance of "national entities" to the advantage of "regional" preferences. Globalised liberalism has always had preference for smaller rather than larger States, because dismantling of State prerogatives is always easier in the first case. Within the European Union, preference is given to "Bavarian", "Catalan", or "Lombard" positions rather than to the positions of Nations (always suspected of being "chauvinistic" drifts).

In the end, the conceptions which dominate the visions of the enlargement of the Union are not of a different nature than the ones on which the United States have based their project of integrating Latin America into a vast free trade zone of the Americas. These forms of union are designed to widen the gaps, within peripheral partners, (Latin America on the one hand, and Eastern Europe on the other) between well integrated and advantaged small zones under control of dominant capitalist centres (the United States on the one hand, and Germany on the other) and huge fallow reserves left adrift. The discourse – which contends "catching up" will occur by itself thanks to growing flows of private foreign direct investment – has evidently no other function than propaganda. But, while the peoples of Latin America reject the extension of the free trade zone at continental scale and fight the United States on that ground, Eastern Europe is welcoming with the most basic naivety its twin project concocted by the oligopolies of Western Europe!

Cooperation policies between the Union and Sub-Saharan Africa have never been other than

“neo-colonial” and have perpetuated confinement of the continent in a « pre-industrial » state. The liberal stand of the Union, which governs the Cotonou Agreement (2000) and so called “regional economic partnership” agreements (REPA) worsen that adverse evolution. Africa is, from that perspective, subject to a “programmed exclusion” (Cf. S. Amin et alii, *Afrique: renaissance ou exclusion programme?* 2005). In fact, “open globalisation” associated with the fettering of the continent in a pre-industrial state is, indeed, a strategy implemented to give dominant transnational capital the means to loot the natural resources of Africa at low expense. But then, one needs to know that looting will benefit more US transnational firms than European ones. In that perspective of the planned decline of Africa, cooperation policies (now qualified as being a “partnership”!) between the European Union and ACP countries are bound to progressively decrease in importance to the benefit of other initiatives in the direction of Latin America, Asia and the Mediterranean. But, up to now, nothing indicates those initiatives could innovate and take distance from the logics of expansion of transnational capital. As for so-called Euro-Mediterranean projects, they are deprived of all potential impact because of the de-facto adhesion of Europeans to Washington and Tel Aviv’s initiatives, in spite of rhetoric gymnastics performed here and there. (Cf. S. Amin et A. El Kenz, *le monde arabe*, 2005).

The European project, as it stands, pushes to the absurd adhesion to logics systematically unfavourable to a successful economic expansion of the continent. The question needs then to be asked; why take such options.

The only reasonable answer that could be given to that question is that the option was taken dominant big capital because this was its means – the only possible one – to crush the social power that workers in Europe (in the first place, working classes) had conquered after two

centuries of struggle. The collapse of the soviet system offered that opportunity. The option was then perfectly "rational", but of course, stemmed from short-term policy logic which has always had spontaneous preference of the capital. Absurd was the behaviour of socialist and socio-democratic European parties which believed the collapse of communist parties would benefit them, when, the objective of the liberal strategy was eliminating them all, the ones after the others.

The project then, as it stands, suits the United States, and this is indeed the reason why Washington sees no "menace" looming from a "competition efficient" Europe. As a fact, the relative stagnation in which Europe trapped itself because of that extreme form of liberal option facilitates the financing of the US deficit which, in turn, is caused by the leadership position that Washington persists claiming it has. Stagnation produces indeed excess profits which, from lack of investment opportunities in the expansion of European productive systems, are invested on the United States' financial markets.

For all those reasons mentioned above a "European" productive system does not exist, and the European institutions have not been conceived in a way conducive to it. The ruling liberalism, inbuilt into those institutions, is dismantling the national productive systems without replacing them by an integrated real European system, just as they dismantle the national States without creating a European alternative State. Yet competition is that of productive systems rather than that of units which constitute them. Therefore the discourse on Europe becoming competitive with the US – which is a State and a productive system – is irrelevant. Figures produced to that effect –volumes of production and exports- are nothing more than the addition of national figures. They do not refer to a "Europe", which does not exist.

The prevailing discourse attributes Europe's handicap to the difficulty its societies supposedly have to openly and fully adopt « American style » liberalism, without ever making any reference to the asymmetry which characterises the relationships between the two sides of the Atlantic. In fact, if Europe made the decision to use in its domestic economy the surplus it lends to the United States – and this is the only decision which could take the continent out of stagnation – the US would then face the obligation to readjust its economy and reduce their waste-making-based mode of consumption and military expenditure. This would not happen without a major crisis.

Policies implemented by Europe do not go in the required direction that would express its potential economic power, but exactly reverse way. Privatisation and dismantling of truly efficient public services in Europe (SNCF, EDF and others are highly telling examples) provide US financial capital, especially Pension Funds, exceptional opportunity of profit-creaming on the most lucrative segments of its economies, reducing proportionally the means available to Europeans to exit the crisis.

Should we give in to despair and accept Washington's prognostic according to which nothing will run counter European choices, however absurd they may be? The risk is real and should not be underestimated by alter globalist movements. The dominant ruling class, in the narrow sense of the term – the big capital of oligopolies – is tempted to lock itself up on that dead end path for European peoples because, it benefits in return of advantages its participation in collective imperialism grants. Undoubtedly, the gendarme who neutralises the effects of the chaos incurred by that imperialist expansion – the United States – can make their servile partners pay for services they provide. But these do not have the choice, and consequently, accept the slavish positions they are assigned. After all, this will be neither first time in history

nor, the only occasion such a situation occurs in today's world.

Consequently, I do not believe the European project in its extreme liberal dimension as much as in its alignment on Washington's geo-strategy is sustainable.

The answer to the question as to how it will be challenged and to the constraints of which evolution it will be submitted remains open however.

Can this docility of the leading segments of ruling classes and their political debtors (from right wing and left wing) be indefinitely imposed to European societies? I doubt so, precisely because – and here is the central idea of my thesis on that issue – European political cultures would not allow such a thing. I will not, here, come over on the thesis I developed in *The Liberal Virus* (Pluto, 2004) and *Beyond US Hegemony* (Zed, 2006), the conclusion of which I summed up in the sentence below: the development of the logic of the economies of prevailing oligopolies closes the gap between United States and Europe, the one of their respective political cultures widens it.

I will then come back to the point of my analysis which focuses on "political cultures". The political cultures of an important part of the European continent can be analysed as a succession of major developments which shaped the right wing/left wing divide: the Philosophy of Enlightenment, the French Revolution, and the Convention, the formation of the labour and socialist movement in the XIXth century, Marxism and the Commune of Paris, the Russian Revolution and the formation of communist parties. The right wing movement stood as a counterpoint during the Restoration ("the Holy Alliance"), through the formulation of "anti-Marxist" ideologies (drifting towards forms of fascism), pro-colonial (and racist) ideological corruption, and the anti-soviet movement. The stages of the formation of the United States' political culture have nothing to do with that history. That culture was shaped

by a succession of major events: immigration to New England of anti-Enlightenment sects, the genocide of American Indians and slavery within society (the impact of which is other than the one practiced in far away colonies), the abortion of political class consciousness to which successive flows of immigrants substituted communitarianisms. The political culture produced by that history is not one born from a strong left wing (potentially socialist)/right wing contrast but, the off-spring of a pro-capitalist "consensus" which strongly relativizes electoral bipolarity (Democrats/Republicans).

The question raised in Europe today is to know whether the heritage of the political culture is set for erosion (and see the left wing die out as holder of a post-capitalist project) to the advantage of an "Americanisation" in progress (socio-liberal parties are joining the concert of the advocates of "perpetual capitalism") or, whether a "new left wing" is capable of crystallising around programmes up to the challenges. In my view, both evolutions remain possible.

Beyond the praxis of the European project, it would then be useful to analyse the discourse which drapes it. In that discourse, any reference to the heritage of European political culture is viewed as "old hat": the defence of the interests of social classes (is invariably qualified as "corporatism"!), patriotism (preference goes to powerless regionalisms vis à vis the capital, communitarianisms, or even, Baltic or Croat style ethnocracies, etc.). On the contrary: glorification of competition among workers, regions and countries (whatever their social cost), or anti-secular concepts (such as the Polish style pope worshiping) are viewed as modern. The reconstruction of a European political left wing evidently demands radical criticism of all these discourses. It furthermore demands identifying the principles on the basis of which the alternative can be constructed, and, from that, concretely draws consequences in terms of

short-term and long-term programmes.

Views above constitute a severe analysis not only of the "European project" as it is but also the reactions it produces, even within committed progressive social movements. The project as it should certainly be qualified as a non "European project" but as the "European component of the Atlanticist project under the hegemony of the United States". The major critical reactions to the project seem to me more articulated around a search of a less asymmetrical balance within the imperialist triad (through the organisation, in that framework, of the relationships between Europe and the United States) than to a search of a world balance less unfavourable for the "rest of the world".

Under these conditions the question remains open: can the European project "change direction" or is it necessary, for that to be possible, to go through the phase of open recognition of its failure?

We know that the main argument – may be even the exclusive argument – of Europe's political left wing advocates is based on their fear that rejection of the European project may bring about vigorous resurrection of nationalisms which caused the misfortune of the continent in the XXth century. I certainly share that fear with these friends, and have no illusions on the necessarily demagogical and retrograde character of these apparent autism. I am saying apparent because, in fact, these far right wing movements will never challenge the leaderships of the plutocracy of the oligopolies. I contend that persistence in "the defence of the European idea at all cost" and the de facto acceptance of the realities of its formulation inside the project in place that it incurs (under the pretext that situation is "less worse" than what the far right populist alternative would represent) are indeed the guaranteed means to prepare for the right wing collapse of the project. Thinking it possible to make Social Europe

move slow motion is perfectly unrealistic. The existing institutional framework will never allow but cosmetic reforms without impact. The peoples know it already. The political left wing has understood the impact of that and drawn consequences.

The United States are perfectly lucid and neutral on that issue: the Europe of Brussels institutions, as it stands, suits perfectly their plans; a Europe divided into States under domination of populisms would equally suit them.

That evolution, – safeguarding at all cost the European project, or falling into chaos – if it was the only possible alternative, would mean that Europe has engaged on the path to inexorable decline. If I remain optimistic, it is because I believe the reconstruction of authentic political left wing movements on the continent is possible through the renaissance of its political culture of the conflict.

Rudolph Schuster, Former President of Slovakia

I am particularly pleased to be able to present the example of Slovakia, a vivid and living example of what the process of European integration brings for every area of a country's life. But, alongside the positive, I would also like to comment on a few of the unfulfilled expectations of EU membership in Slovakia, and the other new Member States.

Entry into the European Union was a priority of the Slovak Republic since its establishment in 1993, though the greatest intensity of integration was felt from 1998 onwards. Why was membership of the EU such a priority for us? Integration into the Euro-Atlantic structures was to a great extent a response to the need for economic and social reform, and the general modernisation of the country. We understood that this was a process with interconnected elements, which is why the Slovak Republic simultaneously pursued membership in the

European Union, NATO and the OECD. The accession process had a positive influence on the stability of the domestic political environment and on relationships in the region.

It is now more than three years since we became a full member of the Union, and our first, infant steps in the European institutions are now well behind us. The last 12 months have shown that we can be active - and that we can be successful – in the formulation of the EU's European policy. But this does not mean that we can be completely content with the position of the Slovak Republic in the European Union's decision-making processes.

There is still room for improvement, for example, in increasing the representation of our citizens in the personnel of the various European institutions. At the same time, the Slovak Republic is trying to deepen its own process of integration, and achieve the gradual elimination of the differences between old and new member states. Slovakia would like to see the abolition of the transitional measures limiting the free movement of labour which have been invoked regarding citizens of Slovakia by other EU Member States.

It is important that Western European countries understand that opening their labour markets to citizens of the new Member States will not create competition for jobs which are in short supply. More importantly, this is a question of principle, regarding the extension of liberties to the new Member States. That is how the Slovak Republic understood it, when we decided to open our own labour market to Romanians and Bulgarians, after their countries joined the EU.

The current priority of the Slovak government, announced in their Manifesto, is the introduction of the Euro as Slovakia's currency, from 1 January 2009. The Slovak government has chosen to enter the Euro zone following a thorough analysis, which confirmed that benefits for Slovakia significantly outweighed possible negative consequences. The full

political spectrum accepts this analysis. Developments in the last few weeks and months have shown strong confidence in the Slovak economy and currency, and in government policy, as basic preconditions for entry to the Euro zone.

Without in any way questioning our commitment, I must say that the Maastricht criteria for Euro zone entry are very demanding. After all, they were created for the old Member States, in a period of low inflation and relatively low levels of economic growth. They are not adapted to the economies of the new Member States, which have high rates of economic growth, which is not compatible with low inflation. The limit on the budget deficit is therefore a deficiency within the criteria. It means, among other things, the slowing down of our development programmes.

European integration will remain popular in Slovakia, and will be viewed positively, as long as the citizens perceive it as positive.

The external frontier of the European Union, and the introduction of the Schengen system is an important challenge. Citizens have the right to travel without their ID cards and passports, and the right to security of the Schengen Area, as the fulfilment of one of the four freedoms. We were embarrassed to see some Member States worried about opening their borders because they were worried about illegal migration, and did not trust the frontier defence systems deployed in the new Member States.

Another aspect of illegal migration is the fact that the new Member States of the European Union evolve from the position of transit countries into the position of target countries for migrants, thanks to the improving economic parameters and the achievement of a higher level of well-being. Migration, legal or illegal, and irrespective of which part of the world the migrants are coming from, is therefore a question for the whole Union, and close cooperation

here is very important.

The European Neighbourhood Policy is an important tool, which we want to continue using for the development of cooperation with the partner countries. States like Slovakia can only benefit from this, because our potential in these relationships can be based on the entire EU and its policies. That is particularly important when negotiating with large partner countries outside the Union. Of course, the readiness and capacity of the partner countries to adopt the value base of the European Union plays an important role. I believe it is very important that the EU as a whole continues to be interested in maintaining the European Neighbourhood Policy, including its eastern dimension. It would be wrong if the southern part of the EU persisted in seeing the eastern dimension of the European Neighbourhood Policy as a kind of competition to the Barcelona process, rather than the fulfilment of the goals of the European Neighbourhood Policy, through integration of the East European, European Neighbourhood Policy partner countries into a common shared space of liberty, security and prosperity.

The European Union must fulfil its original principles and liberties, and only then define new ones. I therefore welcome the changes offered by the Reform Treaty. These changes will create conditions for a more democratic functioning and a more transparent decision-making process in the European Union, which will allow the Member States to act more effectively in areas of common interest. But, in addition to institutional reforms on the basis of an agreement between the Member States, we also need to gradually overcome various psychological barriers, and introduce into the consciousness of all our citizens a greater feeling of responsibility for the solution of common European questions. Unfortunately, my dream of displacing the dialogue on the effective functioning and the future of the Union down from the institutional and government level toward the regions, towns and

communities, with a broad participation of our citizens has remained unfulfilled. Nevertheless, I believe that we are moving in the direction of a Europe which will be open and receptive to its citizens and their rights, and which will be oriented towards modernisation, the knowledge economy, and the social needs of its citizens.

Vladimir Petrovsky, Former Secretary General to the Conference on Disarmament

In my statement I intend to speak on the concept of security, its implementation in the European Union and the UN, as well as learning lessons from this experience.

It is well known that the dream of security on a national as well as an international level was born in Europe.

The creation of the League of Nations in 1919 and of the UN in 1945 was justified by the necessity of collective security from outside aggression.

However, in the political conditions of the 20th century a collective security dilemma rose each time the efforts of a state to increase its own military security in disregard of others decreased common security. That is why until the end of the Cold War security was thought of in terms of external military threats or risks posed to a state by another state or by internal armed threats coming from non-state actors.

It was only as we moved away from the Cold War that the concept of security began to change. The major breakthrough indicating the new approach to security took place in autumn 1989 when Moscow and Washington, after three years of negotiations, jointly introduced to the 44th Session of the United Nations General Assembly the draft resolution on security in all aspects, which, with the strong support of European countries, was unanimously adopted as Resolution 44/21. According to this Resolution, security should be

treated not only in its traditional military dimension, but in a comprehensive multi-faceted manner as security from outside aggression, as well as from internal conflicts, poverty, hunger, diseases, environmental degradation and any violation of human rights.

To-date a strategic comprehensive approach to security is the only answer to the “hard and soft threats” in our interdependent world. From the instrumental point of view, the countries speak about cooperative security. It implies common actions and constructive parallelism in security efforts of all the states.

The basic outlines of a comprehensive approach are implicit in the thinking of Jean Monnet, one of the key architects of European unity, who was the first to understand that following World War II European security depended not only on the balance of power, but had to be based on strong political, economic and cultural ties, as well as on the highest possible efficiency through decision-making.

Over the past decades this belief has evolved into a strong European Union which is at the center of the pan-national structures in Europe, such as transcontinental, regional and subregional ones.

The EU is deeply involved in interaction with the UN which has special relations with all European institutions.

On September 24, 2003 the UN and the EU adopted the Declaration on Cooperation in Crisis Management. They expressed their support for effective multilateralism and tangible cooperation between the UN and the EU in the area of crisis management. Guided by its new strategy the EU stresses that a “fundamental framework for international relations is the UN Charter.”

Learning from each other’s experience in institutional and conceptual matters is top priority

today.

The UN is the only organization of all states which represents a major platform for multilateral diplomacy and plays a key role in bridge-building in the new world architecture.

Discussions of the role of the UN often raise the question of the necessity of reforming the Organization. This is a fair approach. In fact, the reform is already underway and has brought some tangible results. But one should remember that because of the existing rules of procedure the reform of the UN Charter cannot be accomplished overnight. However, much can be done if the UN member states, in particular the EU countries, will come up with a new reading of the UN Charter.

Take, for example, arms regulation and disarmament. The UN Charter does not emphasize the priority of disarmament. The major task is arms regulation which is smaller in scope than disarmament, but larger than arms control. Given political will, the arms regulation approach can help to reactivate six existing regimes (NPT, prohibition of chemical weapons, prohibition of biological weapons, missile technology control regime (MTCR), export control (CoCom), control of the transfer of weapons of double assignment). The ratification of the CTBT can be also achieved. Moreover, reorganization of the existing disarmament machinery within the UN can be undertaken without the reform of the UN Charter.

On its part, the EU gives its own examples of responsible political behavior faced with the challenges of a globalizing world.

Process rather than structure is a characteristic feature of the EU. Process implies the coordination of multiple players in political negotiations, regulation and administration. The emphasis is placed on networks and self-organizational qualities. In addition to forming a security web, European organizations address a multitude of issues; the overlapping of many

of them adds to the effectiveness in creating a system of interlocking institutions.

As European experience clearly demonstrates, ideals cannot survive without deals. The history of Europe is a good example of finding solutions for conflicts. The Aaland Islands, the whole of Scandinavia, as well as new relations between Germany and France serve as living models of sustainable peace and stability.

The attractiveness of ideals transformed into deals provides Europe with "soft power."

The good lessons of the UN and the EU, their interaction should become the subject of discussions both at the official and non-governmental levels. These lessons should be used for training and capacity building, especially of the younger generation which is bound to play an important role in future politics. Such education is rightly characterized by international law as an indirect guarantee of peace. To make this educational process more convincing, it would be desirable to involve in it former leaders who could share their views on political behavior and its varying patterns. It would be appropriate to organize these educational discussions in such places in Europe which serve as visible examples of words transformed into deeds.

In conclusion I would like to emphasize that the time is ripe for practical steps drawing on the positive experience of the UN and the EU. Using the ancient Roman expression, *res non verba*.

PLENARY SESSION II

European identity: Europe of values, states, regions, citizens

Chair: Philippe Herzog, MEP, President of Confrontations Europe

Our panel is looking at the European identity and I would like to refer to Carl Jaspers who at a famous conference in 1946 said that Europe was a never-ending task. Liberty, history, science were never achieved, so Europe will never end, this is the spirit in which we are working, in other words Europe is still under construction. However, there are many doubts that arise in this regard, so what does an European identity really mean in the case of a country like France?

Many people wonder whether an identity is really necessary at all, it is not just food for thought for philosophers but in some places this question is not even raised. It is extremely difficult to speak about this matter. In the past we had an identity and with regard to the future what will identity mean? This is the line we should take without thinking about how we can formulate a future European identity.

There are several sides to this question. The most important point is to attend to Europe and the world, after the Second World War the Founding Fathers knew how Europe could contribute to the world and this is a key issue for today as well. This spirit was also present in Mikhail Gorbachev's address.

How should the identity of Europe for the 21st century be constructed?

How do we interpret how we progress together in the difficult areas of unity and diversity?

They are difficult to manage jointly and we can see this in the extraordinary events of the

recent past which caused many of our citizens real hardship.

We also have to think about competition. Competition and cohesion evidently cannot be managed together so Europe must have borderlines and many of our citizens can only define Europe in terms of constraints within borders. I do not agree with this concept and as President Gorbachev said, Europe does not mean the European Union but we should be open towards this issue. Europe has always represented openness throughout its history. How can we guarantee that citizens, who live fragmented in nation states, can feel Europe as their common fatherland? The constitution was intended to give Europe a common roof but we did not succeed. So what is to be done with progress?

Ruslan Grinberg, Institute of Economy, Russia

I would like to start by talking about the Common European Home and also about the Charter of Paris. With the euphoria that greeted the Charter of Paris, confrontation and the fragmentation of Europe was gone for good, a huge sense of optimism prevailed but some people say that it was exaggerated. However, it made it possible for us to expect a new page to open for the peoples of Europe and this was really a fulfilment of the dreams they had had for many generations. What is the end result? How far have we got with these efforts? Europe has achieved a lot and although mine may be a minority voice in Russia, I believe that despite all the problems that we face and that we will face in the future, by the end of the first decade of this century European civilisation will show tremendous political dynamism and development. This makes it extremely attractive.

The best model for this joint existence in the second half of the 20th century was implemented in Europe. Many people say that it is over and will not last for ever; however,

this is a golden age in the history of humankind and this is what we are living through now. Greater Europe has not been able to consolidate itself and what is more, we can see the threats of new divisions emerging. Some people tend to think that now perhaps there is a technological "curtain" being established and wonder about the consequences that this will bring. Having said that, whether people like Europe or not, everybody in Russia recognizes that our values are identical and whether we believe in God or not, irrespective of our faith, our ideas of good and evil are based on Judeo-Christian values. I think that anyone who lives in Vladivostok would be considered a citizen of Europe even if he or she technically speaking does not reside in Europe. Maybe he or she is more European than a citizen of Turkey though of course by this I do not mean every citizen of Turkey.

Let me come back to the Charter. What was the concept of the Charter back then? What was the concept in the west, in the east and also in the Soviet Union and then in Russia? It was a huge success, a victory of common sense attributable to President Gorbachev. Fear was eliminated and Europe had relations with the Soviet Union and Russia, which was interesting for Europe because Europe had a market and it also had supplies of raw materials. Without stable and friendly relations it was recognized that it would be difficult to safeguard security. What was the concept of the people in Russia who wanted change? It was very obvious to everyone that we wanted friendly relations with Europe and this meant primarily that these were the conditions for the transformation and modernisation of the country. What we see now is that these expectations have proven to be naive on both sides. Relations between Europe and Russia, to put it mildly, are controversial in their development. There are huge differences in terms of international security, Europe does not accept the domestic policies and foreign policy solutions of Russia and I will touch upon that subject later. A lack of

confidence characterises these relations and there is no possibility for real partnership. I do not want to go into details at this point but I think we can say that between Russia and the West right now there is a crisis in relations. It is not an exaggeration to say that confrontation is getting stronger and that confrontational elements are escalating. This is a dangerous trend. So what are the deeper reasons for this crisis and can we overcome it?

For us in Russia there is also another important issue. What has Russia done to Europe, is there a reason for these regular attacks against Russia? I would like to know whether these attacks against Russia are founded. You very often hear Europeans ask why Russia reacts so harshly to criticism because they say that this is friendly criticism on Europe's part, we are just trying to make sure that everything works fine in your country. We want to believe this and it is also extremely important for us because power and public discourse in Russia, whatever their nature and whatever their colour, follow European opinion closely. The opinion of Europe today plays a sort of opposition role and criticises those in power. This weakness of the opposition within Russia is an important element in the healthy development of Russian society. Why? It is because an opposition is just like medicine, it does not have to taste good but be useful.

However, the question is whether all recommendations and criticism that we receive are justified because they say that we do not respect human rights. There are serious problems with the independence of the courts. I do see that there is a concentration of power taking place in the Kremlin and this gives good reason for preoccupation but it has its positive features as well. Many claims are groundless, for example blackmail in the field of energy supplies. This is not true, Russia is fulfilling its obligations in terms of supplying gas and electricity and I do not know why the European Union is making a fuss about this. Power

plays a special role in Russia and the leaders are nominated by the Kremlin but I do not understand how this can be a threat to Europe.

Another groundless accusation is the neo-imperialistic attribute that we are given and this again is not true because Russia wants to have peaceful relations with its neighbours. So we are a constant target of criticism and Russia is criticised for pursuing imperialistic goals and is accused of wanting to play the role of protagonist. I think this is an awkward accusation because obviously in the 1990s Russia mistakenly calculated the transition period after the break-up of the Soviet Union. We thought that the former states of the Soviet Union would gradually come back under Russia's umbrella. The new countries are facing economic problems but they can live on their own and they are standing on their own two feet. So these accusations of being neo-imperialistic, that Russia has these aims and that we increase prices and so on, I think there is an explanation for all of this. Back in the 90s we did extend some grants of aid because we thought this was for a transitional period and we thought that a new form of integration would develop but this did not happen. These countries wanted to join another club, namely the club of the European Union, like for example Ukraine, which would very much like to become a member of the European Union. Moscow realised the need to establish a new kind of relationship with that country and I think what we can talk about is the replacement of this semi-anarchic situation created by Yeltsin

I think it is pretty obvious that Russia and Europe are two important conglomerations, there is no alternative to being friendly with one another, we cannot be enemies or hostile to each other. One last thing, I personally believe in the intellectual potential and I also believe in the technological genius that characterises our nation and I think this is fertile soil for peaceful co-operation with other civilisations.

Piero Bassetti, President of Globus et Locus, Italy

I'm glad to have the opportunity to pick up something that has been said about the fact that building Europe would certainly be "une tâche infinie". Duty without limit. Another fact which is too little stressed generally is that our challenge is society building, which cannot be limited to state building. I think this difference is very important for Europe during these phases.

I think we are at a crossroads with a need to redefine Europe in its essence and not only in its organisation. Therefore one point I want to stress is that a redefinition of Europe cannot ignore the fact that the world has changed since we signed the Treaty of Rome. Globalisation is something that has occurred and is irreversible and it does not affect problems of quantity but rather problems of political quality, in the sense of what is a society when you assume it is "glocalised"? What political organisation does there have to be when you have to adapt a new continent to a new world?

I think we have to bear in mind that when we ask ourselves which Europe for which world, we cannot forget that the most distinctive feature of the European political and historical experience over these last 50 years has been that of experiencing new forms of state which are not only post-national but in a sense post-Westphalian. We are working on states whose borders do not change but these states change from within in their relations with the main factor of a modern society. We complain about Europe giving space to interests (Mr Amin discussed this point this morning) we complain that offshore firms and companies have assumed a strong role in the life of Europe and we see that relations between a European company and a multinational (Mr Monti knows all about this) have affected the political life of our continent. The type of state and political organisation is as important as the other points

which have been raised such as the size, values, and relationships with the other states on the continent. Europe is still very vague on these points, it is very insecure and we have not made clear choices in their regard. Are we going to build a Europe of traditional nation states? Are we going back to the Monnet assumption of organising Europe with an emphasis on functionalism? What type of territorial organisation do we assume when we discuss redefining Europe?

The state remains the basic constitutive units of the International order, and notwithstanding a certain pooling and redistribution of sovereignty, of the continent, as organized in European Union. But, under the growing influence of external and domestic forces, it is undergoing a gradual process of "disaggregation". Which implies the transfer of authority and responsibility to sub national entities as loci of more effective, and potentially just, centers of transnational relations and communications. If one takes an historical view of the phenomenon, the dispersion of institutional competences for authoritative decision making to regions and localities is very significant. But more needs to be done to further this trend. In this perspective one must stress the importance of the regional and local input in its formulation and implementation at the national and European level. The Italian experience demonstrates the potentiality of human and material resources present at the sub national level ready to be awakened and activated.

This is a point that globalisation has stressed. Globalisation means that time and space equal zero, it means mobility prevailing over permanence and a different organisation of territory. A territory is no longer a part of a state, a territory is a place where a different network of interests and powers get together in combinations which are extremely diversified. If we forget the necessity to take not only citizens but also territories and the new organisation of

territory into consideration when we discuss a Europe made from the bottom up, then we will not go very far. If we assume that, we rediscover that not only the national borders but the borders inside the nation are changing. The relationship between Lombardy and Bavaria has nothing to do with relations between Rome and Berlin, they are two different things.

The only issue I wanted to highlight is that we have to go back to a point that was stressed at the beginning of Europe. Not the regional federalism of Spinelli but the idea of Europe as a network of regions. In my opinion, this would make it easier to overcome the difficult relations between states. We must also remember that borders are disappearing, and I am not referring only to Schengen here, because interests now take no account of borders as they used to when economies were national economies. We tried to build a European market and now what we discuss is a world market and there is nothing that can be done to stop it. My recommendation is that if we really want to redefine Europe, if we really want to overcome the crisis (and remember that in the Greek "crisis" does not carry negative connotations but means "transformation"), if we want to overcome this difficult situation, we have to go back to regional problems. If we change territorial organisation, we will find it far easier to defend the democratic principle which has to be connected with the real location of interest.

Milos Zeman, Former Prime Minister of the Czech Republic

The crucial point is the relationship between the European Union and the Russian Federation. We were asked to respond to this question or at least to express our views. I will try to formulate some intellectual provocation because only provocation moves our discussion and thinking forward.

I will start with the situation that existed inside the European Union 10 years ago. If you remember there was a big dispute about widening and deepening the European Union and these processes were formulated in the style of "either...or", contradictory processes. I do not think so, I think these are complementary processes because reasonable deepening is an impulse for reasonable widening and vice versa. Based on this experience my response is full integration of the European Union and the Russian Federation. Not enhanced partnership only, (it might be a transitive phase - why not?) but full partnership. What are the reasons for full membership of the Russian Federation? There are three reasons and the first is economic because 85% of exports of the Russian Federation is represented by raw materials. On the other side, the Russian Federation could import modern technology so both economies would be complementary, there is no substitution but complementarity. The second reason is cultural. If I take literature alone, you have Dostoyevsky, Solzhenitsyn, Tolstoy and so on, it is European culture without a doubt. But I would like to stress the political factor, the third factor, because I think that such a form of long-term integration might be reached within the next 20 years. Such integration would be reasonable in the fight against Islamic terrorism and Islamic fundamentalism because I think this is the main danger that the 21st century faces, not only for political but also for military reasons.

I would like to stress that if there is such a thing as a European dream we must try to remove the obstacles which exist. One of the main obstacles is the proposed radar station on Czech territory. I do not believe that this is against Iran, I have a strong suspicion that it is against Russia and if so I consider it to be an unnecessary provocation.

If we try to integrate the Russian Federation and the European Union we must avoid the risk of radar bases in my country because I consider them as a provocation and I do not believe

that they could be effective against Iran. It would be something like the Maginot line which was built in France in the 30s to no effect.

For five years I participated at the Rhodes conference called "Dialogue of Civilisation" and I tell my Russian friends that when you disagree with my idea of full membership of the Russian Federation in the European Union, let us imagine it instead as the European Union entering the Russian Federation. The result would be the same.

Mikhail Gorbachev

We had a conference in Passau where we talked about constructing Europe and I was a speaker there and so was Mr Kohl. The public were asking questions and there was a very lively dialogue and suddenly someone asked if he could make a proposal instead of asking a question. The proposal was that since everybody understands that Russia cannot exist without Europe and vice versa then why continue to irritate each other, make Russia a member of the European Union. He was not even allowed to finish, my friend Helmut Kohl jumped up and asked him what he was talking about, how could you possibly admit Russia to the European Union? Kohl's very quick reaction is very significant because he is a respected politician but his instinct was: how would Germany feel within the European Union if Russia were a member. My answer is they would feel normal and it would be good for Russia if Germany, Poland, France and the Czech Republic were there as supporters because these are the powers that we are working with. However, I think that today democratic changes have only been implemented halfway and we are still not prepared for such a change. I believe though that we need something more than a simple partnership and I would just like to add one thing: if Russia became part of the European Union, we would be forced to consider

having a new European capital too as Brussels would no longer be central, Prague would be in the centre then.

Theo Weigel, Former Federal Minister of Finances-Germany

I remember the assembly in Passau when President Gorbachev had his talk with Helmut Kohl and it is not true that Prague would have to be the new capital, perhaps Berlin would be ideal for that role. I think the best we can do for Europe would be for most politicians to speak better and more positively about it. All politicians criticise firstly Europe and then when they come to the end of their speech they admit that there is no alternative. How will we be able to convince young people if every politician is always criticising Europe. They blame Europe for the mistakes they make at a local, regional and national level. And this is not the right way. Europe has been a continent of peace and freedom for more than 60 years, a boundless area for people, goods and ideas. It practices international understanding and is the most successful peace movement in recent history. I think young people need to be told this more often.

Europe looks back on a century with many shadows. At the beginning of the new millennium Europe can look into the future optimistically, of course there are many challenges, many problems have not been solved but we should look back and see that a lot has been achieved. There are many success stories. The old continent has gained a new sense of self-confidence. Europe takes a leading role in the economy and technology and it is developing into a responsible player on the stage of world politics.

Enlargement of the euro area towards the east has run smoothly overall and the aim of this enlargement is a new architecture for peace throughout the continent. In the long run it

would not be politically maintainable to replace the former Iron Curtain with another wall, one of economic prosperity, and I think back to the Hungarians who with President Gorbachev were able to destroy the old iron curtain. The Baltic states, the Poles, Hungarians, Czechs and Slovaks are a part of Europe historically and culturally and enlargement of the EU is in the logic of European co-operation. Eastern Europe is a growing market for the future and many German and Austrian banks have earned more money in Eastern Europe over the last five years than in their home countries. The goal is to establish a people-oriented Europe which so far can only be seen in outline. A Europe which brings tangible benefits for individuals would be a real historical change. The writer Jeremy Rifkin speaks better of Europe than any of Europe's editors and he says that the American Dream in the world no longer exists but maybe regions of Africa and Asia dream the European Dream. In former times we said that the American dream was worth dying for, but at the end of the book he writes that it is better to consider the European dream worth living for and I think that it is very important for us to convince our young people with such stories.

You mentioned my 10 years as finance minister in Germany; well, those years should be multiplied by seven because every year as the German finance minister was a dog year, in other words it was not easy. Not easy but it was successful with the Treaty of Maastricht and the introduction of the new currency. It was not easy to convince the colleagues in my own party, the Christian Social Union in Bavaria, but together with Helmut Kohl and other very convinced people from other countries we were successful. Ten years ago I asked Alan Greenspan what he would say about the euro when he came to write his memoirs. He laughed and said, "Theo, ten years ago I thought the prospects for the euro were zero or below zero, but now I have to recognize that it is a success and I am glad and happy to have

a second currency in the world.” If you read his memoirs he says that he did not expect the euro to be so successful. What would have happened in the last 10 years? What would have happened after September 11th 2001? What would have happened in the last four or five months? We would have had a major crisis in the European financial system if the Federal Reserve and ECB had not been able to cooperate. We have been able to cooperate during major crises and we have been able to cooperate over interest rates and give more liquidity in recent months.

Maastricht was not only an economic task but also had political potential and with Maastricht we were able to have non-reversibility of the process and therefore it was very important for us. Mario Monti's competition policy in Europe had more success in developing the German economy than all the ministers in Germany. Thank you very much Mario. People have not always talked about you as positively as I am doing now, but after a number of years people now say you did a very good job and only by having a European target was it possible for Germany to become more competitive.

Maastricht opened the way to political union but the European currency was one of the targets and we were able to achieve this and I think more countries will join it in the future if they fulfil the criteria; that is absolutely necessary. We have huge potential for the euro, both internal and very importantly, external. But the euro is not only an institution of nations, I agree with you that it is an institution of regions and therefore maybe we should see more subsidiarity or federalism, as we call it in Germany. However, in the UK it is quite another thing, so I am very cautious about mentioning it.

What new targets could there be? I think a common European army and why not? I think it was far more difficult to introduce a new currency than it would be to create a European

army and if we can start discussing targets such as these I think we can convince young people and this is the most important thing we can do in Europe and in our individual countries.

Mario Monti, Former EC Commissioner Competition, Italy

After working for many years in Brussels I am in rather a good position to know the sins of Europe quite well, the sins of the European institutions as well as of the member states. In fact I was planning to focus my remarks on both sins and virtues and the euro, of which Theo Weigel was one of the key architects, is of course one of the virtues. But I have decided to change and I will concentrate not on the sins and virtues in Europe but on the "original sin" in the European Union. He did not use this expression but Samir Amin clearly pointed to what is, in his view, the original sin of Europe. I think I quote him faithfully: "Europe was conceived as antidemocratic, it was conceived to reduce the power of Parliaments and to shift power to technocracy, which means to capitalism." I share many of the concerns expressed by Samir Amin on global financial capitalism. In my view though, he fails to see the very essence of the EU project, which is public governance of market integration and doing so on democratic foundations. This, I believe, is the feature that leads President Gorbachev to see a potential contribution of Europe to a new international order. I am fascinated by the impressive collection of statements by Mr Amin, except that in my view they denote a disregard for reality. I will pick up just a couple.

Europe was conceived as antidemocratic in order to reduce the power of parliaments. Of course, of national parliaments and national governments, in both cases the answer is yes. It is a project of integration and so by definition there is a transfusion of powers to a higher

level, willingly done. Perhaps Mr Amin would like to see a parliament dismissing a government one day. Well, in March 1999 the European Parliament did dismiss an executive of Europe, the Santerre Commission, which had lost the confidence of the European Parliament. Perhaps Mr Amin and even perhaps Ambassador Braithwaite might wish to see one day a parliament with the capacity and will to scrutinise individual members of the government before they are able to take office - something that, if I am not wrong, does not even exist in the birthplace of our democracies, Westminster. Well, this happens in Strasbourg at the European Parliament, which has to express a positive assessment of each individual member of the European Commission, the executive of Europe, before he or she is allowed to take office. And this is carried out through an extensive written and oral examination transparently made public in each language and not a single national government in Europe has this feature, a feature they do have in Washington with the hearings of the US Senate.

Oligopolistic capitalism and the way in which Europe has shifted power to technocracy, which means to capitalism. Perhaps Mr Amin would like to see some entity, some force in the world, with the capacity and the will to face up to the most powerful multinationals and oligopolies and submit them to discipline in the interests of citizens and consumers. I will go further, perhaps he would like to see someone blocking a big merger, say between the largest corporation in the world, General Electric, and another very big company, Honeywell. Exactly that was done on 3rd July 2001 with the European Commission block to the G. E. - Honeywell merger despite President Bush publicly warning the Commission not to stand in its way as the merger had been authorised by the Department of Justice in Washington. Or perhaps Mr Amin would like to see someone with the capacity and the will to block not a merger, but the abuse of a dominant position by a company holding 95% of the market for the operating

systems of personal computers, namely Microsoft. That is exactly what was done by the European Commission in March 2004 and I am ready to provide Mr Amin and others with all the details if they wish because I was in charge of both cases at the Commission.

Does this mean shifting power to technocracy and therefore to capitalism? I am not sure. Of course these actions and many, many others are taken by the European Commission, not against the US obviously, not against the market economy but to provide a well-functioning social market economy where public policy powers are submitted neither to corporate powers, nor to the power of business and nor to national political powers when they try to violate the rules that member states themselves have given to the European Union.

Last year the government of France did not want Mittel to merge with Arcelor, the European Commission was there, the merger happened. Minister Weigel and Germany very definitely did not want the public guarantees to be eliminated from the *Landesbanken* or the Volkswagen Law in Niedersachsen to be changed in order to make even Volkswagen a competitive player open to the market. The European Commission intervened and the law has now gone through.

I want to conclude by saying these may be considered down-to-earth, technical, irrelevant, practical examples. Allow me to have a contrary view, these are examples of values. This is a construction based on the community method of M. Monnet, who you said was inherently undemocratic. This is the community method which treats, and I have given you some concrete illustrations, large and small governments, old and new member states, equally. Is not this an ethical and value principle? I remember Mr Lipponen, the former Prime Minister of Finland, a small member state regardless of its landmass, saying during the European Convention discussions in 2002, that we had to try to preserve the validity of the community

method and a strong commission because if that was not done Europe would go back to what it had been in the 19th century and all the small countries of Europe would be forced to choose between the two or three big countries, to seek alliances and protection.

General Debate

Philippe Herzog

We have different points of view around the table. I think what you say about democracy at the European level must be heard but my question concerning the future is this difficulty in achieving common policies. It is a space based on rules and it is true that there is public governance of market integration but when we want to share policies it is always very difficult, as you know. Don't you think that in the future we will have to proceed more urgently towards building a common infrastructure, some dimension for education because integration is only halfway and we are not sure if we can make it to the other side of the river? This brings a lot of uncertainty.

Rodric Braithwaite

I do have some views on some of these things, particularly on three of them. Firstly, on the question of democracy. There is a problem that however true it is that the European Parliament dismissed the Commission and this was a very important event, ordinary people in all our countries believe that there is a democratic deficit. They do, I think you will find in all our countries, see Brussels as distant and undemocratic. They also see most of their governments as distant and undemocratic, there is a real problem about how you make

democracy function in a very complicated world. I think we all have the problem of bringing ordinary people out into the democratic process in a convincing way.

Gordon Brown, the current British prime minister, has proposed that ministers should be subjected to hearings in the House of Commons, I should be very interested to see when, if and how it happens.

My second point is on the relationships, particularly with Russia, and the future size and shape of the European Union. My own personal feeling is that for Russia to join the European Union is an extremely distant project for a variety of reasons. However, if the European Union does enlarge to include Turkey and the Ukraine then the question of bringing Russia into some form of structured relationship with the European Union will be impossible to postpone for very much longer.

The third point is about the subject of a European army raised by Herr Weigel. I do not think you can actually compare the construction of a European army with the construction of a single currency. The construction of a single currency was an extremely complex affair which raised a lot of, I think still unresolved, questions about national authority and national economic policy but there is something very fundamental about the construction of a genuine multinational army. Very few of our countries, including the smallest ones in their deepest emotions, are willing to see their young people sent abroad to die under the command of a foreign general. I think that is a very deeply rooted thought. Take Afghanistan for example, you see all of us behaving like that and I think it is quite a fundamental emotion in all our states, namely the idea that if we are to die it must be under the command of our own people. I do not know how we get round that because obviously it would be useful if we could strengthen our capacity to follow a European policy but we do not yet have the

instruments and we are not at the moment, I think, constructing them.

Bernard Guetta, Journalist, L'Express, France

I would also like to say something in connection with Theo Weigel's point and it is also related to Mario Monti quoting Samir Amin. Let me tell you the following. Many of his comments and remarks were absolutely correct and I was quite pleased to listen to them, especially his remarks that referred to how worrying this imbalance is, especially as regards the European Central Bank, and that common economic governance is missing. Indeed, there is an imbalance within the European Union but having said that, I think there are two more things that you have to keep in mind, namely that the common currency was made possible because the political will existed. Today fewer and fewer people express the idea that the common currency leads to a strengthening of policies in Europe. There is a dynamism in it and this dynamism has been hindered and unfortunately for a very long period of time. It would seem that different political trends, especially in France, have focused mostly on the role of the European Central Bank and the absence of a common economic policy. This is something that we are still suffering from, even today, so there is no balance and there is no political dynamism either. All these different political streams and politicians have a responsibility for this because they could have contributed in a more positive way and they have failed to do so, and this is a mistake which it is very difficult to forgive.

Samir Amin, Director of the Third World Forum, Egypt

Four points. One, the rate of exchange between the euro and the dollar is not decided by a European political authority, it is the result of an American political decision. That is the

imbalance. The relative merits of a high or a low euro can be discussed but it is not the result of a European decision. The relative merits of whether a strong or weak dollar is good for the US or not can be discussed but this is a decision of the US Treasury and the Federal Reserve. That is the imbalance and it is different from the relation between the dollar and the yuan, the yuan is run by the Chinese government, good or bad, that can be discussed. It is very different, it is a symmetrical relationship.

I remember having a discussion with Jacques Delors long ago before the creation of the euro when it was still the ECU. I told him I could not imagine a currency created without political power, without a state to run that currency. Jacques Delors agreed with me but said that the creation of that currency would compel Europe to create the political power to run it. I said that was putting the cart before the horse and he again agreed but said that this would be reversed. I assured him if it happened I would be very pleased but it would take a miracle and he would have won the challenge, but if it did not happen then there would be a catastrophe at some point and that is what I am afraid of. That is the imbalance.

The second point. Of course, the EC bureaucracy regulates the relations between oligopolies to some extent, there is not a vacuum of law nor of procedures and administration but it regulates those relations within a framework where those oligopolies regulate the market and that is much more fundamental.

The third point is about the question of democracy. Democracy's loss of credibility preoccupies me a lot and I think it is losing ground in Europe in the sense that if a parliament has been correctly elected at a national level but then comes and says we cannot do anything because firstly it is the market that decides, and secondly it is the European Commission that decides, then why do we vote? That is terrible; it is bringing politics, the European political

tradition, down to a very low level.

The fourth point is that the process of building Europe has achieved a lot, there have been successes as long as there were no big problems. The system can face day-to-day running only on condition that there are no big problems. What I am afraid of is that when the global market economy or the global oligopolistic market-run economy runs into major problems, and this will come, then Europe will not be equipped to face it. That is the disaster to come that I am afraid of.

Thierry Jeantet, Forum du MontBlanc

It has been said that we are trying to achieve a Europe without borders and I think there have been three new points made in the comments this morning that are worth thinking about. We have often raised the issue of openness towards other countries and I remember Paul Valerie, the French poet, who said that Europe was the western tentacle of Asia, it's a small piece of Asia towards the West. So we should not forget that there is also such a standpoint. And even though it is not about abolishing borders completely what we want to emphasise is that openness is related to values, democracy and respect for diversity and is also an effort towards peace. This is something that has been mentioned quite emphatically this morning and in this regard I think we should also look at opening towards Turkey and also opening towards Russia and other countries. Currently we are only 27 of the 40 countries of Europe, if we look at the member countries of the Council of Europe.

Philippe Herzog

This morning we also talked about the opening of Europe towards its own citizens because

there have been certain criticisms and not only because technocracy plays a dominant role in so many areas. It is not sufficiently open because this political construction process puts different political orders side by side, republics with kingdoms for example, and there is very little common policy in this. Why should we not set as an ambitious target the establishment of a new political democracy which would allow perhaps certain difficulties to be overcome? Then the European Union would become more attractive for countries that are being criticised justly or unjustly for not providing sufficient democracy at home. We could turn Europe into a more democratic establishment and bring it closer to its citizens and we could achieve some progress in this field either through referenda or through the work of Parliament. A third type of opening would be towards innovation in economics but we can also raise this issue for any aspect of society because it is not enough to see these systems side by side, we should also strive for innovation in the area of social market economics.

Ion Iliescu, Former President of Rumania

The reforms that he has began in the 80th of the last century in the Soviet Union led finally to the removal of the Iron Curtain and the cease of the cold war, allowing to the people of the former socialist camp to put an end to the totalitarian regimes in Eastern Europe, to recover their identities and national values, to come back to democracy in the great European family, where they do belong.

Expansion towards East of the European Union was a strategic decision of maximum importance.

The European Union succeeded to become an example of success of a project that many regarded with scepticism and considered utopian, precisely because it considered the

existence of differences as an opportunity to succeed in the member states, instead of an obstacle, and made of reducing the existing discrepancies a central target of the action of the member states.

On the other hand, the new states brought with them in the Union a series of specific problems, some fears, conflicts and misunderstandings with the neighbours, fact generating tensions and threats to the internal and external security of the ensemble. There are elements that must be taken into consideration when we analyze the divisions on the continent and the threats towards its security.

At the same time, we do assist, at the deterioration of the democratic governing, at global level, although, most of the states may be formally catalogued as "democracies".

How will this decline mirror in structuring the international relations? I think that a first consequence of the democracy decline will be the decrease of the quality of the governing act, with repercussions at social and economic level. We will assist to the increase of social trouble and violence, which may lead to the generation of conflicts more or less local or global.

A second consequence would be a decline of the parliamentarianism and a hardening of authoritarian tendencies. The phenomenon is obvious both in new or old Europe, but also in other regions.

A third consequence of the decline of democracy is represented by the populism which is affirming with strength, occurring from the mark of the speeches against the system. Populism withdraw from the democracy equation the so called "political class", identified as the source of all social evils.

A fourth consequence of the democracy decline is represented by the ideologies with religion

and the re-born religious fundamentalisms. The laic state is put under debate all over the world. Based on this background of "religion renaissance" we do assist to the affirmation of new conservatism in Eastern Europe.

A special mention for the civil rights and freedoms in the context of the decline of democracy. On the pretext of the fight against terrorism and corruption, severe harm of the free exercise of these rights and freedoms was brought and it is continuing to be brought to.

A second element which may generate new divisions: the attitude of the major players at global level towards the process of globalization. Globalization has not, as we know, winners only and the capitalism suffers a change of substance, stimulated by the opportunities offered by the globalization.

Each major player at global level is obviously preoccupied how to choose the most suitable instruments by means of which to exercise its influence.

The powers in ascending, especially China, will bat on soft power, those under decline, as the USA, on hard power. It is difficult to say what the European Union will do, as long as it does not break the present deadlock on constitution and does not elaborate a common foreign policy. The armed forces came back as an essential stake in the international relations.

An essential element is represented by the attitude towards phenomena which require to be administrated collectively and globally, as the climatic changes, terrorist threats, access to raw materials, people migration flows, etc.

At present, we do assist to a generalized tendency of the increase of raw materials and especially of food. As concerns the food, the crisis is aggravated by the explosion of request of bio-fuels.

Some of the countries would like to administrate in common these risks, other act on their

own account, even when this is counter-productive for the ensemble of the international community. The most illustrative example is the position of the big players on the international political scene in relation with the Kyoto protocol.

A few words about the collective administration of risks related to the migratory flows, the more so as, at present, both the European Union as a whole as well as Romania, in particular, are confronted with such problems.

The 21 century will be marked by the humanity passing from the economic, social and political structures, born and developed under the sign of industrial revolution, to the new structure of the society of knowledge, based on information technologies, an intensive intellectual and cultural society. At the same time, the post-industrial civilization has to administrate the issues inherited from the industrial era, which generated high development discrepancies and social inequalities, accentuated social polarization and poverty in many regions of the planet, affected the environment, the costs of the economic development of the last hundred years needing to be paid from now on.

The main crisis of the 21 century will be structured on the conflict between the civilization and the environment. The future confrontations will have on their center the imperative of access to natural, energetic resources, to water, food for some and the desire of absolute control of these resources by the others. Acceleration of the economic and social development increases the pressure upon the natural resources, especially upon those which are not re-generable. The costs of the development will increase, as these resources will have to be replaced and the climate changes will influence more and more the human activities.

The migratory flows are due mainly to the demographic and development lack of balance existing between the industrialized states and those under development. The disparities of

development have thus generated flows in the bosom of the European Union as of its founding. Let's remember the migration of the Italians, Spanish, Portuguese people, during the 60th, 70th and 80th of the last century, followed by the migration of the citizens of Eastern European countries during the 90th and the next to come. We had to deal with a migration justified by economic reasons, favoured also by the decline of the countries in the Western Europe.

At present, to the migration from economic reasons is added the migration determined by the climate change, which will be harder to administrate than the migration motivated economically.

The pressure of those migratory flows upon the developed countries will increase. The solution of selective migration is only a method of delaying to find solutions on global scale. In the first place the selective migration will accentuate the run of the brains from the countries under development, aggravating their domestic problems, at political, economic and social level. Thus, instead of decreasing, the flows will increase.

The total opening of the borders cannot also be a solution, no nation, as wealthy and as tolerant would it be, having no resources needed to administrate such important migratory flows.

In exchange, we can do more for limiting the effect of the climate change and to reduce the underdevelopment in the countries source of migration motivated economically and by the climate. A suggestive example: in 2006 the migrants from economic reasons sent in their countries of origin about \$300 billion, over three times more than the total of the aids for development allocated to poor countries. The Romanian migrants have sent in 2006 about Euro 4.5 million in the country, helping the finance of the deficit of current account.

In case of the countries recently admitted in the European Union, the migration of the labour force is a problem which tends to affect their capacity to use the opportunities of development and of reducing the discrepancies towards the western countries. The absorption of the development funds ranks at an unsatisfactory level in these countries, not only because their poor administrative capacity, but also because of the lack of labour force, which left seeking higher salaries. As consequence, all the Eastern European countries must at their turn import labour force, if they wish to maintain the process of economic increase. And, unlike the Western European countries, they have no experience as concerns the social integration of the immigrants.

I have to bring into your attention a crisis which cannot be administrate but only at European level. It is about the Roma people, which problems generated tensions in the relation of Romania with a series of European states, where conflicts took place between the Roma and the local people. As the evolution of the crisis proved it, including in the way the decree of the Italian government was received, which provided the expulsion of the Romanian citizens which committed offences on the territory of Italy, any deviation from the founding values of the Union may led to the reborn of all the demons of racism and right extremism.

Can we afford to encourage xenophobia under the conditions we need labour force from outside Europe? Can we solve the issues we confront without this import of labour force? I hope we will give together the best solutions to these problems, the more the new conjuncture brings again Europe in the center of globalization and integration processes.

Most of the risks we confront are of social nature, determined by the accentuation of work insecurity, of unemployment increase, the increase of social costs of restructuring the economic apparatus, in order to face the exigencies of the post – industrial era.

Europe have proved that it can reject social Darwinism, market fundamentalism and governing without citizens, and this may be a structuring factor of the European political project, which to offer solution to the new problems at this beginning of century.

The model of United Europe is the one of a social cohesion and shared solidarity. This social model is one powerfully redistributive, promoting social integration and admitting no exclusion or marginalisation of large social categories.

The strength and attractiveness of this model will grow as we prove the fact it is open, adjustable, flexible, able to a prompt response to the changes of economy and society. I do not believe it is in the interest of the enlarged European Union to cease to the pressure of conjuncture factors and to put under discussion the continuity and coherence of the European social model. I, personally, do believe that those attributing to the existence of this model the failures of Europe in matters of economic competitiveness, are wrong, simplifying the things in a not allowable way.

These are a few aspects that must stay in the attention of the political responsible and of the representatives of civil society, who must offer appropriate answers for these risks.

Theo Weigel, Former Federal Minister of Finances, Germany

I totally disagree with Mr Amin. I think the euro is a success and it is not dependent on the policy of the United States. I think Mr Greenspan would not repeat his remark that the dollar is our currency and your problem. 50% of the emissions are now in euros and 30% of the world reserves are in euros. Fifty countries are coupled with the European currency. Of course it is not a new state but we have rules and they are functioning, we have the rule of Maastricht with its criteria and the stability pact, and these work.

I think having checks and balances and a very independent European Central Bank is right and we need cooperation. We need the members of the euro zone to do more to consolidate, to make the labour market more liberal and more flexible but we have better financial figures than ever before regarding deficits and other issues. Most figures are better than the figures in the United States and so I think it is a success and it works without having a new state and a new institution.

Horst Mahr, Foreign Affairs Association, Germany

Just a short comment for Mr Braithwaite with regard to the European army. I think no soldier would want to die either under a national general or under a European one but we are at a very good stage in the development of a European army. First, may I remind you of the European Corps unit of 60,000 people and we are in Kosovo at the moment with 18,000 soldiers from different nations of the European Union. That was under German command until two months ago and is now under French command. If there were a crisis of course they would follow the commands of the respective commander.

We have to develop this army also as regards the development of armaments. It makes no sense to produce different jets in Europe, we have to concentrate production and we also have to strengthen our nuclear armaments because we only have a small capability in France and in Britain. If Pakistan and Israel have nuclear armaments then an economic superpower like the European Union needs them too, especially in the changing world that has been mentioned so many times today. So I would say there is no option but to develop this army. The problem, however, is not so much in the command structure at a staff level but in the command structure as regards the infantry. It is much easier in the air force and in the navy

but if you go to the infantry fighting forces you have to have national command at a battalion level because they will not understand the commanders and you have to establish a common European language like the Habsburg monarchy had with all the different nations in their empire. I think we have no other option. -

Daniel Daianu, Professor of Economics, National School of Administrative and Political Studies (SNSPA), Bucharest, former Finance Minister of Romania

After the fall of communism most analysts viewed global competition as, essentially, pitting an Anglo-Saxon model (US, UK), more market-based, against a *Continental model* (France, Germany, etc.). There was talk, also, of a tri-polar world economy, with Japan as a third center. But China's formidable economic ascent in the last couple of decades and an unbound India have entailed tectonic shifts in the global economy –against the backdrop of the new information and communication technologies. China's and India's vitality is illustrated by economic growth rates, export expansion, the size of forex reserves, the absorption of and, increasingly, the generation of modern technologies. Together, they produce over ½ million engineers yearly and their scientists are ever more present in top professional journals; they make inroads in the remaking of the institutional setup that has ordered international economic affairs after the second world war. Major Chinese and Indian companies have got global reach and acquire stakes in firms around the world, including western economies.

China (in particular), India, Brazil are increasingly visible in regions of the world for the sake of controlling scarce, exhaustible resources (oil and gas). China uses international economic aid as a means to bolster its credentials in poor countries that have major natural resources - in Africa, for example. This poses a challenge to the US and the EU. Russia is staging a

comeback on the international scene owing to its enormous natural resources; Lukoil, Gazprom have been expanding their operations in Europe by capitalizing on EU's high dependence on external supplies of energy and its lack of a common energy policy. The results of the recent NATO summit in Bucharest show Russia's leverage on EU heavyweights and a lesser American clout inside the Alliance.

In Asia, except India and, partly, Japan, the prevailing form of capitalism has an authoritarian nature and hinges on state structures. This capitalism relies on corporatist networks, on industrial policies and selective protectionism; it operates in Russia too, where the state controls major groups in the energy field. And it goes without saying that economic rationality can blend with other motives when state interests are heavily at stake, in a world which is increasingly worried about the scarcity of non-renewable energy resources, in which global warming creates highly complicated policy tradeoffs; in a world in which food, too, is becoming less plentiful under the pressure of global warming and rising demand. The controversy surrounding sovereign wealth funds is to be seen from this perspective.

Globalization pressures have not created a "flat world economy", as Thomas Friedman would say. Zero-sum games can, frequently, be the norm, especially during periods of rapid and frantic changes, when adjustment costs vary enormously among countries. The redistribution of world economic power induces geopolitical effects, which concern regional political and economic dynamics, political and security alliances, the structures of global governance, the struggle for the control of strategic resources, etc.

The western world will stay as the most powerful, economically and militarily (hard power), for the foreseeable future. But the US has been weakened by external deficits (over-consumption) and military overstretch (Iraq, Afghanistan, etc). A new financial crisis (after

the Enron, LTCM, and Dotcom. episodes) points the finger at major weaknesses of a model of financial governance, with its under-regulation and inadequate supervision, as well as an excessive belief in the self-equilibrating virtues of markets. Likewise, the EU is at pain in managing its increasing organizational complexity while demographics and a strained welfare state compound an agenda which is overwhelmed by policy trade-offs. *The Reform Treaty* is a significant step forward, but it has yet to show its concrete benefits. This said, it is fair to observe a wide variety of economic and social performance in the EU.

Authoritarian temptations, or direct state involvement in the economy/society, find new ways in the western world, too, because of the worries created by terrorism, the effects of global warming, the need to secure energy supplies and summon resources rapidly in order to attain major objectives. The rise in economic nationalism (patriotism) is to be seen in this context, as is a resurrection of a policy paradigm which sees in state action an optimal means for achieving results when being under terrible constraints. Elements of a *war economy* type of policy-making may proliferate, be it in a hectic, convoluted way, in the years to come.

Moreover, the spreading financial strains around the world provides a strong vindication to those who have cautioned against market fundamentalism and reckless deregulation since long. Financial innovation does bring benefits, But the way it has proceeded in the past decade has made financial markets opaque and identified, frequently, more with casino trading. Ironically, what was designed to diminish risk at the individual level has exacerbated it at the macro level, thus increasing systemic risk. Pretty insightfully Warren Buffet had called some of the synthetic products “financial weapons of mass destruction”. This financial crisis has tarnished business practices the western world has been preaching to others. Now, it is the high time to enact policies that value pragmatism and distinguish between free and

non-regulated markets.

The world we are heading to does not secure the supremacy of “liberal democracy” automatically, everywhere. And a relative decline of the economic power of the US and EU in the world is quite likely in the decades to come. However, this relative decline can be accompanied by a rise of *soft power*, especially if liberal values would spread more and more. But the West’s expansion of soft power implies more concern for global issues and the involvement of the emerging global powers in their management; it also implies less hubris and arrogance in the conduct of foreign and security policy, pragmatism and open-mindedness in policy-making and, not least, a reappraisal of ethical values which have brought prosperity and citizens’ empowerment during modern history. This reappraisal would include paying genuine attention to the concerns of the rest of the world.

Mikhail Gorbachev

Maybe Russia joining the EU is a very distant objective and perhaps it is too early to talk about it, but I think that what we should talk about is what the European Union should do so that we have the same understanding and stand on the same side. Nobody is saying say that Russia should join Europe right now, but there is Europe and there is the EU and there is Russia and they have very substantial external interests. How can you build relations if this treaty that we used to have, the partnership and cooperation agreement, has become obsolete? This is one point and the other is that I believe that there must be something that can allow a partnership, that would give a form to a partnership or that could deepen our relations and co-operation even before accession. Of course, it is a long-term objective but there is a certain reality which compels us to find those forms that suit the needs of both

parties. So we should enhance our partnership. Wherever I go [in Europe], everybody says that we should cooperate with Russia and it is the same in Russia as well, but every time the EU and Russia meet they make no progress, and I think this is where we should search for a solution.

Philippe Herzog

I think this is a very important statement with regard to Russia and we have to dream about a future where there is a coming together of the European Union and Russia. We should dream about integration and I share this opinion. In terms of democracy I would like to point out that Europe is a task, it is a democratic work in progress and I have the same experience as Mario Monti. Our citizens have been kept away from this work in progress for a long time. Admittedly, this was also true in the nation states. Further, the nation states do not always do all they could to make sure that citizens can get more involved in and closer to Europe. There are many things happening in Brussels, there is a more representative democracy being built, but I believe that very often states are more of an obstacle than a facilitator when forwarding information from Brussels to citizens. Most politicians blame Brussels, albeit light-heartedly on occasion, when a problem arises and of course this does not endear us to European citizens, so I think that institutional reform is very important for the future and after the reform treaty and after a debate of 10 to 15 years we can overcome this stage.

Our institutions will never be optimal but this is what we should work towards and what is important is what we do together. We cannot continue to go over the debate again and again on how political union can be achieved. This morning we identified various internal and external challenges and we should re-examine these external challenges and reshape our policy towards Russia and Turkey and with our friends in various countries we should renew

our relations in every field where they are not working properly.

In multilateral terms the failure of Dohar shows that there are massive problems in the solution of global problems as well. We have a lot of responsibility and other tasks ahead, our citizens want answers and as regards internal issues I think we should further consolidate the union and at the same time make it more transparent. Various programmes and measures should be implemented and we should not acquiesce and say that there are certain difficulties as we did with the Galileo project.

WORKSHOP 1

How to unite after the enlargement: Europe of variable geometry, different speeds, asymmetric expectations

Chair: Vilmos Szabó, Vice-Chairman, Foreign Affairs and Hungarians Abroad Committee, Hungarian Parliament

We have experienced the past decade and a half as a success story because Europe has managed to find its identity, its European self and it has integrated all the countries it had lost during previous centuries. None of the newly joint countries decided to live apart from Europe, we were forced to do that and I think that it was very lucky that in 1990 the situation changed and enabled us to decide in a sovereign and independent manner whether we wanted to belong to the European Union or not. So, it is a success story, that is not yet over and nor is the enlargement process over and it will continue to be a success story if the new enlarged Europe proves to be functional and operational. This means that Europe will be able to meet and find solutions to all challenges which not only Europe but the world, now faces. We know from previous experience it is not an easy task to achieve this, it is enough to remember the constitutional treaty and the procedure leading to it and its outcome.

Zakhari Zakhariiev, President of the Slaviani Foundation, Bulgaria

I would like to start by stating that the European Union has been enlarged, and mostly towards the east, and I think this is a very important step and it is also important to bear this in mind when we want to analyse the processes that are currently taking place on our continent and also outside the European Union. If we look at the very strict criteria imposed

on the countries that would like to join, I think that with few exceptions there are hardly any countries that could meet these strict criteria. These are issues and questions both for the old countries and for the new.

The first issue is whether this family of the European Union is ready to stand up for a common European future or will there be a transition period. Will there be an uncertainty period both economically and politically and will the European Union be able to act as a counterweight to all the external influences, which are destructive from the point of view of building a European house?

The second question concerns those countries that in some ways lag behind the rest of Europe. To what extent will these countries be able to catch up? Will the European Union be ready to sacrifice their own well-being, their own position, their own wealth in order to achieve a certain balance and help these countries to catch up?

The third question concerns the possibilities for these countries within the framework of the European Union. Will these countries be able to redefine European civilisation or redefine what European development means?

Many elements in terms of politics and the economy have been inherited from the past. Can we take all of these into account in a constructive way when we are looking for the new ways to lead us to the future? In what way will the European Union be able to find a future for itself?

These are the questions that do not have clear answers. At this stage after enlargement, the European Union has still not found the answers. For example, what the Union means by full integration is, in my opinion, one of the main hindrances to development.

Unfortunately history never gives us time to sit down and think about what the next step

should be. That is why the problem is a new one because there is an unofficial agreement that there will be a sort of pause, a period of thinking - this is an issue that was launched by our German friends. This is not a formal thing, that has not been clarified either.

The Kosovo problem is yet another question that is open and it really is a challenge and it will test how we formulate integrated policies and the extent to which the European Union will be able to defend the principles and desires it represents.

From the Bulgarian point of view we can get out of this if we widen towards the Balkan area. I am not only referring to the destiny of Serbia, the question is not only the fate of Kosovo but also that of Macedonia. What kind of future can we imagine for Macedonia? It is something that is in the back of everybody's minds and I think the solution to all these problems is if we manage to join all these countries into a federation of states together with Serbia, Montenegro and Macedonia. These countries can be invited to join us and Albania would be the next step. It will require a political decision, but will the European Union be able to digest all this? Won't it just trigger a chain reaction? I'm thinking of Moldova and other countries. What kind of an answer are we going to give to that? I am saying this because we are aware of the challenges of a very rapidly changing world and this creates a highly complicated situation and the European Union seemingly is unable to react properly and, most of all, in time. I am personally convinced that the only solution we have is enlargement and integration and if the European Union wants to act as a union and not only as a common market then it has obligations to fulfil.

This brings me to the decision-making mechanisms, the constitutional treaty and all related matters. I think the European Union now has reached a crossroads, more questions than ever before are still open and we have more questions than answers. I am not talking about crises

but I would dare say that there are at least critical challenges, so the problems have a critical character and unfortunately it seems the European Union is not prepared to find or give answers.

My very last thought: we have talked extensively here among ourselves about what kind of institutional possibilities exist but we tend to forget about one thing, namely that the European Union cannot have a future without involving the so-called civil factor. We have talked a lot about a civil society but there is no such thing as a civil society yet in any of our countries and if we are unable to take a step forward in this regard I do not think that either we or the union will be able to find an answer.

Pierre Chevallet, ICEO – Institute for Studies of Oriental Europe

I was once in Budapest attending a scientific symposium. One evening after dinner the chief of my department suggested we go to the bar for a last drink. At the bar we met many fellow members of our symposium and we began talking and everybody was speaking in English. After some time the lone American in the group said goodnight and left; however, the conversation continued in English. A few minutes later a Swiss-German colleague said, "I think I know you well enough to tell you that if we wanted we could speak in French." In fact all the members around the table were able to speak perfect French, even those who were not of French origin. This means that often we have no need or obligation to speak in English but we do it unconsciously and out of habit. The British SAS troops' motto is: *Where there is a will, there is a way* (sic), this should be the motto of the European Union. Let me go on in French because I support the marvellous and important and noble work of the interpreters, so I will speak in French if you don't mind.

Jean Monnet is often quoted as having said: "If I could do everything all over again, I would start with culture". Fortunately, not everything needs to be redone. However, the main points have to be strengthened to make the EU viable and livable in the long term. To live together and understand one another, we need to learn to know one another. This is why the different languages used within the European Community institutions and in the European Union are so important. It is very obvious that there is a crisis of democracy in the European Union but especially in France.

In this very difficult climate, we use a single language in trade and commerce and this can only reinforce the feelings of European citizens that the politics of the European Union are carried out without them or even against them. Europe is the common heritage of all Europeans and they should all take an active part in its political and cultural construction. As with any other construction, to be solid, Europe needs good cement and the essential factor of cohesion and identification in any group of humans is language.

The European Union is faced with increasing difficulty especially with the increase of official languages from 20 to 22. The most important documents today are only discussed in English. As far as multilingualism is concerned, we only talk about a single language and that is English. American English has become a real international lingua franca, anyone who knows a few words immediately starts speaking this language when exchanging information and talking about scientific issues. Do people really know this language sufficiently? Churchill once said that English is the easiest language to speak badly, and English today has become the most common language but it is still not the language of Europe.

None of the European languages can claim to be the only language while Latin should be or could be one of those. In addition to English, in addition to Anglo-Saxon culture, it would be

very useful in general terms to use a Roman language too. Which language could this be? It could be French, which used to be a universal language and is recognized at the United Nations and other institutions as such. The European Parliament should formulate clear regulations on how different European languages can be used within the European Union. Leaders from Polish universities and leaders from French universities had a meeting in Kraków in June 2001 and they reached a clear decision: tri-lingualism is what is acceptable, this is how we can protect the existence of various European languages and also their culture. I think we should respect these languages and this is why we make the following suggestions, which have already been channelled to European leaders. We suggest that everybody should use their mother tongue and this really would give a sense to democracy. This proposal would oblige people to use at least three European Union languages, this means everybody should learn two foreign languages and in that way bilateral and multilateral relations in Europe could go on more smoothly.

I am pleading for cultural language diversity to be preserved throughout Europe and every single country has an interest in this. The rectors of Polish and French universities are working in this direction and they would like to make sure we teach a number of foreign languages and we should not only focus on language learning but also on motivation in order to solve these language problems.

A trilingual Europe would also mean that we could preserve European humanism, the achievements of the Age of Enlightenment, and please allow me to point out once again that language is not just a vessel or carrier of ideas, it is a support and the soil for seeds of thought.

Rodric Braithwaite, Former Ambassador of the UK to the USSR and the Russian Federation

I just wanted to make one point. In the European Union, which is based on law, all formal acts have to be translated into all the languages because the laws have to be executed by people in France, in Hungary, in Greece in their own languages and by people who do not speak anything else. In Bulgaria there are lots of officials who speak only Bulgarian and therefore the question of a dominant or a group of dominant languages in the European Union seems to me to fall away, you cannot have it. Lots of people in my country cannot understand why there have to be so many languages and the answer is perfectly simple - because everything has to be reduced to a law in 27 different countries. It is not a cultural problem at all it is a technical one.

Pierre Chevallet, ICEO – Institute for Studies of Oriental Europe

You are perfectly right. Everything is translated into all the languages but that is not democratic. In the end you receive the translated paper but democracy means that you participate in the discussion. We need translators of course but not with the minimum of efficiency. Efficiency is three languages a mother language and two main languages. There is no other solution. I can tell you another thing, I am involved in a lot of cooperation programmes for example the Erasmus programme. The Erasmus programme is perfect, we receive students from Italy, we receive students from Spain and when they arrive they all speak English. It is perfect, they have poor English, we have poor English and the more we speak , the poorer the English gets. You must be very careful, we do not push people to learn many languages and I think trilingualism is the only solution.

Vilmos Szabó, Vice-Chairman of the Foreign Affairs and Hungarians Abroad Committee of the Hungarian Parliament

I think German would have been equally suitable as a lingua franca, at least among the Hungarians. German used to be a very important language in Hungary but now Hungary has joined the Francophone family. Our previous prime minister (Péter Medgyessy) spoke very good French and loved French culture. We have a saying in Hungary that a nation can survive through its language. This means that each country can preserve its culture if they preserve the language.

Adam Michnik, Editor-in-Chief of Gazeta Wyborcza, Poland

This initiative taken by Mikhail Sergeevich Gorbachev is tremendously important, and why is this so? Because it enhances dialogue. Mikhail Gorbachev said some time ago that this attitude of dialogue is not shared by many in Moscow. As has already been said, Russia is Europe, Russia is a democratic country and this is very important if we mean dialogue seriously and if we want to pursue the philosophy of peace sincerely. Over the past couple of months, all of us have heard Mr Putin, who favours the language of confrontation, which is quite threatening. It is not threatening because I come from a neighbouring country and because I am aware of our shared history, but I think this is a threat to Russians themselves. I know that I am debating with my friend Grinberg who, in a very graphic manner, explained the perspectives of the Russian intelligentsia. May I call this debate a confrontation between friends? For the Poles, the European Union is a brilliant thing, it is a truly revolutionary idea

and a positive revolution. There is one question that arises here, what we see in Poland is that there are many who are eurosceptic. I really do not understand why because European enlargement, at least in Poland's case, has had very positive outcomes and has brought many good things with it.

Some two years ago, a coalition came to power that was outspokenly anti-European, it was nationalistic from an ethnic point of view, it was populist and xenophobic and it was explicitly so. They said that Poland was a country surrounded by enemies and that the main enemy was Russia, followed by Germany. European integration now has a twofold meaning, the first trend is the integration process itself and the second is separatism. When perestroika happened, some of its outcomes were very dubious. There was democratisation and the effect was that not only liberal or democratic ideas came to the forefront but chauvinism, nationalism and separatism came to the surface, too. This was a tragic event which led to the war in the Balkans, but let us look at what happened in the Caucasus region or the Velvet Revolution in the Czech Republic or the upheaval in Transylvania. This is a disease that affects not only the post-communist countries but it can also be seen in France, in Spain, in Corsica and even in Belgium and we are just watching. I can say that today's conference is extremely important as well as being very interesting. The reason it is important is because the subjects raised have no solution so far and so it is very important to talk about these problems. So I fully second Mr Zakhariev's opinion.

The Poles who voted against the previous government think the European Union is a good answer to dictatorship, wars and totalitarian regimes. We have had to establish and define both who the enemies and supporters of democracy are. We saw our Polish colleague Ewa Zadrzyńska, who made cultural programmes about poetry for Polish television and what we

see is that men and women discuss poetry. This happened before the elections. Then we saw the Parliamentary debate and the impression was of being in a zoo where normal Poles became abnormal and on television we saw people who loved poetry and others who behaved as though they were in a circus. Culture is very important to all of us and it is also important in terms of integration but there is one question that remains open: what will happen to the frontiers? Where are the boundaries of Europe and what kind of relationship does Europe want to have with the United States? This is a question that is fiercely debated all across Europe.

For example, when the intervention in Iraq happened discussion was stimulated because there were some who supported intervention. Today I think this was not a good decision. Some arguments used to support intervention were questionable - that is what they say, especially in Moscow. Taliban and Al Qaeda followers, however, will see it as a very different issue. Another question is Turkey or the question of Islam. I fully agree with you that so far we have been unable to give a clear answer to these questions. What would the layman's approach be today? In France this is not something that people are particularly concerned about but they are in Poland. Poland is very divided on this question and there are very extreme opinions in terms of secular and religious viewpoints. How can you delineate Polish identity? Is it Christian? Is it Catholic? A secular existence is a fundamental pillar of the European Union. Russia is also a huge question in this regard, so it is a real challenge.

Ruslan Grinberg mentioned these energy issues and talked about energy blackmail, which unfortunately is not a joke, it is true. If we face this problem in Europe, we have to analyse this issue and not only as regards Poland, the Czech Republic and Hungary.

Three weeks ago in Prague I talked about this with Victor Orban, an old friend from the days

of the democratic opposition, and he told me that this old Russian clientele is now coming out of the deep freeze. So Gazprom and Schroder are not members of the old Soviet clientele, they stand on a very different basis but the problem is still there. If I look at the foreign policy rhetoric used by, for example President Putin, then it is not foreign policy but domestic policy that is being built. This means he wants to reinforce this impression that the enemy is everywhere. We will often find that Europeans are not prepared enough for Russia but we must look at the events in Russia, President Putin has achieved a number of successes and he is highly efficient. If you look at the policy of Jaroslav Kaczyński, it is like listening to a President Bush but he also repeats the deeds of a President Putin, this is a very dangerous attitude. I think that not only is the European Union at a watershed but Russia itself is at a crossroads.

Finally, I believe that what we are witnessing now is an important transformation process in Western Europe and also in Eastern Europe and Russia. The major question is whether Russia is indeed a part of Europe or not. For Mikhail Gorbachev or for Andrei Grachev this question is a non issue, but for Russian nationalists is an issue, it is an open question. Many people say they are Euro-Asian, not European; or they say that Europe and Russia should go their separate ways. Then there is the issue of human rights: is it a specialty of the house of Europe or is it a universal value? If we agree that it is a universal value then we should look at every country, not only the members of the European Union. We should also look at Poland. Look at human rights in Poland, the rights of homosexuals, and decide whether they are respected by the public and by government agencies - I can confirm we are looking for intervention from Brussels in this regard. I do not believe this would be intervention in our domestic affairs because discrimination against citizens is something that is widely debated

and contested. The European Union is a guarantee not only for us, for Polish people, but for everybody else, it is a guarantee for democracy.

Victor Kuvaldin, Gorbachev Foundation

I would also like to use the time available to me to focus on the topic of the European dream. A few figures, if I may, to start. The European Union today represents 7% of the population of the world and 14% of all the states in the world and more than 20% of the total GDP of the world. This series of figures indicates that it is a relatively small space with this incredibly huge accumulated human potential. When we talk about the state of Europe I think it is very important to be conscious of this, that we have three points of reference in time: the middle of the 20th century, the start of the 21st century and the middle of the 21st century. I would like to draw everyone's attention to the fact that the construction of Europe, and as a result the European Union, is not really the result of a dream, but rather a very rationalistic and very pragmatic political intention. At the end of a global war they tried to find a response to three questions. The first was that historical peace between France and Germany had to be secured and that Europe had to be rid of this ever recurring plague. Secondly, the economic revival of Europe had to be secured because the very serious after-effects of the war were to be seen all over Europe. The third was to oppose the historical dangers and risks of communism, as it was called back then. These practical day-to-day issues needed an answer and this is how the EU was created and in effect gave a lot more than people had ever planned. As a result of that, Europe today can offer a very original and successful world order project.

It is also a captive of its own successes, it has become exaggeratedly attractive and now

Europe has to pay the bills. The European building of supranational regions, the fundamental building blocks combining together to form Europe – to show that these are not just empty words I want to give you an example of how the ten new member states got their admission to the European Union in 2004 or how Mexico managed to join the Free Trade Area in 1994. Why these examples? If we compare the GDP figures, area and population numbers of Mexico on the one side and the ten new countries on the other, they represent approximately equal strengths. So the accession of the new member states did not involve any particular limitations, I am aware of those few that were there but people quickly had a right to travel, to find jobs abroad or participate in a number of programmes. Canada and the United States, which were just as strong as the European Union, did not secure the same rights to Mexico. Mexico only got the right to join the Free Trade Area, that was the only right they were given, nothing more. There was no realignment of Mexico to the United States.

So Europe has chosen a theoretically different path and by comparing it to other successful integration models I do not want to give the impression that Europe has had it so easy. My viewpoint, looking at things from Moscow, is very different. Those people who participated in the construction of Europe had a much better perception of this, but how do we see this from Moscow? I would like to innumerate seven problems. The first is the autonomous security issue, and I think it would be silly if Europe were to break with the United States and I find it inconceivable, as long as Europe is theoretically unable to guarantee its own security. World leaders and the world's leading powers will never recognize Europe as one of them.

The other is internal concerning self organisation after enlargement with the accession of the last Balkan countries an extremely serious issue. An efficient workable model has to be found because Europe does not want to create an empire, but rather a club where everyone enjoys

equal rights and where small countries and weak countries even receive certain benefits when compared to large countries like France or Germany. So the small countries are really loved here in the European Union and this makes it very attractive, but it is also a source of problems.

The next point is economic efficiency and productivity. The European Union should do everything in its power to avoid the situation whereby the closer you come to Brussels the lower your growth rate is, but this problem will never be solved on a stand-alone basis. This is linked to another problem which is that Europe must regain its leading position in science, education and high-tech because it will be even more difficult tomorrow with not only the United States but also eastern Asia competing in this regard. Asia is gearing up for a major breakthrough.

The fourth problem, and this is something that our colleague from Bulgaria was talking about, this entire European space should become more unified because what happened in Italy should not be allowed to repeat itself where there are at least two Italys, north and south. This is unacceptable for Europe.

The next point is that we must return culture to its traditional role. Europe has always played a major role in this and now it has been lost.

The sixth problem concerns the partnership that should be established with neighbouring areas and which should not be an arena for strategic or geopolitical games. Russia and North Africa are particularly important, these regions should not be opposed to each other, we should aim for partnership instead.

The seventh and last issue in my view is that Europe has very tough limitations on further enlargement. The entry of Turkey, the Ukraine and Russia would make for a very different

Europe and Europe is not yet prepared for this and I do not think it ever will be. I do not believe that this is the proper recipe so other ways should be chosen especially because the European model has become so attractive and every other continent is following it with such keen attention. We should actively co-operate in the creation of models and try to multiply them. Of course by this I do not mean unlimited development, we should define borders if you like, but we should try to push Europe towards a leading role and then towards becoming a foundation for a safe, democratic and flourishing world.

Horst Teltschik, Former President of Boeing Germany

I would like to come back to the question of whether to move forward at either different speeds or together at the same speed. If you look at the history of the European Union since 1990 there has been a twofold strategy. On the one side, enlargement, and I think it was absolutely right, and on the other, because of enlargement we are forced to reshape the institutional framework of the European Union. The question is what it means and whether it means further integration or not. The problem is how to answer such a question, whether to move ahead at different speeds or not and what kind of objectives we will have. Is further integration a real objective? A United States of Europe, for example? The United States of Europe must not be the same as the United States of America. There have been parties in Germany with two different programmes who have always spoken of the United Nations of Europe, why not? The question is whether this is a real objective and whether a confederation of national states is our objective or a kind of Commonwealth or just a common market. What is the objective? If we do not know what our objective is we cannot know how to move ahead.

Nobody is answering the question of where the final borders of the European Union are to be. There are now 27 member states, somebody said this morning that a further ten are waiting for accession and even Russia is discussed as a potential member of the European Union. This will change the nature of the European Union and what if we also enlarged to include Morocco, Tunisia and Israel? Everyone is talking about whether they should join NATO and the European Union, so where is the border? What we can do is what we usually do, which is to move from crisis to crisis. If you look at the history of the European Union it is a history of crisis, I am very much in favour of crisis within the European Union because otherwise we will not get progress. That is the history, therefore I am not afraid of crisis. So far we have no answers and no government is really answering the question of how to move ahead. Mostly we are just muddling through.

If we decide to move ahead with further enlargement then it will be difficult to move ahead with integration. Therefore the real question is whether we should accept those countries who are eager to integrate, who are eager to move ahead with political integration, and those who are not ready for that should opt out and wait and see. Perhaps they should not close the door to the latter, but let the former move ahead with integration.

I am very much in favour of different speeds, it is enough to look at the euro or look at Schengen. However, if some countries decide we are interested in further integration then which country should take the lead? Is there any engine to push integration as we had in the past with France and Germany? Italy joined this engine, then Spain, the Benelux countries and even Great Britain on occasion. The internal market was very successful because of the support of Margaret Thatcher, she helped more than Francois Mitterrand at that time. So sometimes even Great Britain is helpful. My experience in politics is that without anyone to

take the lead, nothing will happen. This is the same as the relationship with Russia, I will come back to this tomorrow morning in my speech. The question is, who can it be today and who should it be?

Horst Mahr, Foreign Affairs Association, Germany

Thank you very much. First, I must say I have partly the impression that we are having an Alice in Wonderland discussion here. I have worked with my association for forty years and with the Pan Europa Union to develop and assist the enlargement of Europe then when I listen to all these comments all they consist of are complaints about the European Union. We took in states such as Bulgaria and Romania with extreme difficulty after convincing the original populations of the European Union to accept them. This was a very difficult task and now you are in and you have your members of Parliament in Brussels and Strasbourg, you have your billions of euros from the different assistance budgets, you have billions in investments from all the European Union members and there is a free market. Your workers can move and from December you will be able to travel straight from Sofia to Prague, for example. I am sorry to have to say this but all serious crimes in our country are carried out by Bulgarians and Romanians, so it is extremely difficult to convince the population to do this. Others constantly talk down the status of the European Union. We have 500 million people and we have the same GNP as the United States – 30,000 billion euros and Russia is not even 1000. What I expected us to discuss was the further development of the peace project of the European Union, not the Taliban and not Russia. What has to be solved today is the Balkans. We have the elections in Kosovo coming up and there are 18,000 soldiers there just to keep the peace, we should be talking about why we do not integrate Serbia and Kosovo into the

European Union; if we did the peace project would be effective immediately.

A last word on the language question. I understand our French friends very well, the French parliament has decided that in my field of international banking all documents have to be in the French language if you are importing and exporting. This has never succeeded because whether you like it or not English is the lingua franca of the day. I will stop here, but I am hurt personally by all this baseless criticism of the European Union and we should be looking forwards and not complaining all the time. We have a problem with the different speeds in development. Unicredit is one of the sponsors of the World Political Forum, a big company like Unicredit does more for European integration than a lot of politicians together. They have an Academy in Torino for all the managers, they are present in 27 other countries and have a staff of 170,000 people. They really are doing pragmatic work for Europe.

Ewa Zadrzynska, Executive Director of Evens Foundation

Allow me to get back to the title of the workshop: *How to unite after enlargement*. Adam Michnik has mentioned the programme that I have produced, *Poetry unites, my favourite poem* this project is sponsored by the Evens Foundation, which I represent in eastern Europe, and the idea of this project was to use the integrating force of poetry and the goal of the project is to promote poetry lovers and poetry with the hope that their enthusiasm will be contagious to thousands or millions of their European fellow citizens.

So far the programme is doing very well, we started the project in Poland and now we are moving to France and Belgium. Perhaps it would be very good to use this integrating force of poetry and introduce poetry as an instrument of mutual understanding. So far two foreign citizens have chosen Russian poems. Poles chose Shakespeare and Goethe and I find

this incredible.

Rodric Braithwaite, Former Ambassador of the UK to the USSR and the Russian Federation

It seems to me that discussions about the European Union are always bedevilled by the fact that we are all trying to get to grips with something which has no precedent in history and is not adequately understood by political science. We are stumbling around in the dark; we do not know where this thing is going to go. We cannot know because there is no analogy, it is not the Treaty of Westphalia and it is also not the destruction of national states or national cultures - it is something unprecedented. The British, of course, are very difficult in all this but in a way that fits better into our philosophy than it does into the German philosophy. We do not need an *Entstazion*, we do not need a *Blaue Blume*, we do not need to know where we're going, we stumble forward from one crisis to the next and then we find we have a United Kingdom and then, suddenly perhaps, we'll find we do not have a United Kingdom. All that was done without any theory. I think that is the way the European Union is going to go forward because the initial Treaty of Rome set simple concrete tasks and we achieved them, and since then we have not really known where we are going. We are experimenting. For the British, that ought to be all right, it isn't for reasons that you know, but it ought to be something we were comfortable with. In fact there is a political problem for the British because the continentals keep on telling our anti-Europeans that there is going to be a united Europe. I do not think there will be a united Europe as people have said, like the United States of America. People talk about the Confederation, historically every Confederation has failed, except the Swiss confederation which in fact is not a Confederation. So we are talking

about moving towards an unknown structure by small steps.

My next point is a Europe of variable speeds, as Horst Teltschik said. We already have a Europe of variable speeds and, in my view, that can only go a certain distance. If the Europe we construct has too many variable speeds, then it is no longer Europe; we can have a few exceptions but certainly a limited number. What about enlargement? I strongly agree that the next stage ought to be the Balkans, partly because it is *de minimis*, partly because they are small countries, partly because we know what happened in the 90s and it is in the middle of our Europe. Even so, if we are to be serious about the future of the institution these states have all got to evolve to the point of meeting the standards, being able to cope with the *acquis communautaires*, that is the mechanism by which they become full and effective members of the European Union. Otherwise we do something like we do with NATO, which is to set some criteria, ignore them and just bring everybody into NATO. The European Union is something different from that and that brings me to the last problem and that is the question of sovereignty.

In Britain we seem more afraid of losing our sovereignty to Brussels than we are of losing it to Washington. We are going to lose some sovereignty either this way or that way. I do not however think that we risk losing our sense of nationhood or our culture any more than the French do. Anyone who thinks that Britain has been Americanised does not know Britain and does not know America. We could hardly be more different, we speak something like a similar language but even the language is not the same. The Poles have had a problem recently about Polish nationhood and sovereignty, the whole point of this undertaking is that it produces a system whereby we can co-operate much more closely than nations have co-operated in the past but without losing our individual national character. This is what makes

it an interesting project, it makes it a difficult project and it does raise questions which we have touched on about how far you can extend the project without reducing it to the very lowest common denominator.

Andrei Grachev, Chairman of the Scientific Committee, The World Political Forum

As one of the authors of the agenda for this discussion, I am following the diversion that we have all accepted despite the fact that the question of Europe and Russia is supposed to be debated tomorrow.

It is important to say that Russia is not an external question to Europe, as Europe is not an external question to Russia. The European border is an internal border inside Russia and apparently the approach to Russia is dividing Europe internally as much as, I would say, the war in Iraq divided Europe just a couple of years ago. So I accept the rules of the game and I will make just a few comments on this question of Europe and Russia. I'm so pleased that we are having this open debate, we have Adam Michnik talking about the phantoms of gas blackmail and even if they are phantoms they are having devastating political effects and we have Victor Kuvshinov, who is drafting his seven-point agenda for the Europeans but I wish that each would draft his seven-, ten- or fifteen-point agenda for himself, for his own country. The phantom of Russian blackmail is a political reality for Poland and the phantom of the American missile bases in Poland is producing devastating effects inside Russia and it is playing into the hands of internal anti-European forces inside Russia.

The enumeration of demands that should be formulated for Russia is more than justified and perhaps Russia should not become immediately a European Union member but at least take some steps in this direction. Let us take a parallel with Turkey where Europe is using both the

carrot and the stick. You are imposing some conditions on Turkey that should help it to reach the status of a European country, but at least you use the carrot: the promise of Turkey at some distant point becoming a member of the European Union. With Russia the Europeans are doing two different things at the same time: you are demanding that Russia should change and become a true European country without offering it any real prospect of becoming a member of the club. Where is this dialectic of carrot and stick with regard to Russia? While I think it is the real way to accompany the European transformation of Russia internally.

NATO can well be one of Russia's phantoms but it is a phantom with which lives quite a real life and makes happy those who are nostalgic of the Cold War years both in Washington and in Moscow. I think all those who do not want a return to the Cold War years should be conscious of that.

Ion Iliescu, Former President of Rumania

In 1989 there was a real earthquake, a whole system collapsed economically, socially and politically. The transition period was a very complex one, all the different states had to be made compatible with the European Union.

The other idea raised was that we have to choose some sort of a solution to integration, integration inside or integration outside. Should integration start once we are in or should it start while we are still out? There were 10 or 12 candidates and the first six had 12 years to prepare for entry, which was useful because we had time to make our systems compatible in every sense with the structures of the European Union. Despite this, there were still significant problems left unresolved and that is why there are significant differences between

the countries not only in terms of GDP per capita but also in terms of salaries.

Many people, especially young people, are fleeing to western countries; very well prepared people are leaving the country precisely because of this lag that we are suffering from. Lagging behind is the reason for migration. It is understandable that these people should look towards the west and I think that when privatisation took place, when the banking system was privatised, that was the moment when vast numbers of people fled the country. Despite people in the banking sector being paid much higher salaries than those in the public sector, they still left the country in huge numbers, mainly because a simple employee in a western country earned as much as a minister in our country. We had to avoid a situation when everybody left the country, we do not want to have a country which is empty. This is why we were forced to raise salaries and wages on some occasions by as much as ten times. Salaries were increased in the public sector, for ministers and so on, and of course we could not increase everybody's salaries at once, and this meant that the differences in salary became quite marked - the gap was widened.

Then there was the case of the doctors. Medical schools in our country are very good, they provide very good training and many who left these schools left the country as well. Many skilled workers such as those working in shipyards left in order to earn higher salaries. Obviously this has an impact on the public sector, we had to retain people with expertise and knowledge and we had to stop this brain drain in some way and still we did not manage. So there is a substantial lack of trained people in our country, there is a social dimension to these economic changes and we have to bear this in mind.

Let me come back to enlargement and the lessons that can be drawn from it. First of all, there were substantial differences depending on when enlargement took place, in terms of

the level of development of the countries that were admitted, and also in terms of to what extent the Union was prepared to accept these countries. In 1970-72 it was very different to how it is now. Back then it was just an economic unity and now it is the European Union with much wider authority. Members should now make much greater efforts than those who joined the common market back then. One conclusion is that there is a huge difference in terms of the economic level of development when considering a multi-speed Europe. It is logical that we forecast temporary periods when new member states have to be helped. On the other hand, states that have come from totalitarian or fascist systems, such as Greece, Spain or Portugal have to be helped to facilitate their adaptation to laws.

There are also countries that are not willing to join certain common policies or join certain forms of integration that the majority desire because they want to safeguard their sovereignty. This is a very different issue. Some of these countries have not joined the euro zone or the Schengen area, they are not willing to accept certain majority decisions. This kind of behaviour is against the concept of Europe and some states which economically, democratically or legally speaking are fully prepared to switch into the highest gear, refused to do so of their own will and that is against the concept of Europe.

Adam Michnik, Editor-in-Chief of Gazeta Wyborcza, Poland

I would like to reflect very briefly on some of the ideas that have been raised. The first question is the presence of American missiles in Poland, I think this really depends on the context. I am convinced that the citizens of Poland who accept this, and this is a very big group and they operate on very simple arguments: they do not know what is going to

happen in Russia in the future. We are watching very closely, we are looking at the propaganda and the rhetoric but we also think that a totalitarian resurgence is possible. Russian imperialistic traditions are based on a totalitarian system in domestic policy as well. These traditions really represent an expansionist trend in foreign policy as well, while on the other hand there is a certain kind of isolation that we can see within Russian politics, which means that also here there is this drift towards totalitarianism. So this question is still open today.

I completely agree that there has been some hysteria on the part of the Polish government and this kind of hysteria can also generate nationalistic statements from Moscow. I hate the representations of Kaczyński and our foreign minister where they expressed their hatred towards Russia. I hate these statements but should we remain silent when we see what negative trends there are in Russia? Is silence the best answer?

With regard to blackmail: if Moscow says to the Ukraine: vote for Yanukovich and the price of low oil will be low, but vote for Yushchenko and you will see what happens, then that is classic blackmail. This remains an open question. Is it silence that the Russian intelligentsia or the Polish intelligentsia want or should we respect our national dignity?

WORKSHOP 2

European social model: how to reconcile national experiences, economic interests, survive in the global economy

Chair: Thierry Jeantet, Forum du MontBlanc

I think this morning it was clearly stated that this small Europe, even though it consists of 27 members, cannot withdraw itself from a larger Europe which used to have 50 members, that is the Council of Europe. This afternoon's discussion is even more important because the European Union has an obligation towards a larger Europe. This issue of a Europe without boundaries, which was discussed this morning, is very important because of its geographical position. As regards its social aspects, the European Union is a little bit torn apart, in the sense that all of us who are sitting here are very well aware that over the past few years the European Union has been unable to hold back the development of inequalities. Despite this fact, the concept of a social model is used in a very wide sense for political reasons. In a larger Europe, and you know this very well, 20% or 30% of the people live on barely three or four euros a day and this should give us cause for concern. So Europe is a bit fragmented and even within the European Union the employment situation is very uneven and unequal. Unemployment in my own country is 8.5% and in our fight against unemployment we have not yet been successful.

Europe is divided into different systems regarding social protection even if there are certain agreements such as those between the European Trade Union Federation and the various industrialists' organisations. There are certain so-called public systems in place but in some countries they are losing their importance, for example in Italy regarding health care or

health insurance. These systems are very often called into question as, for example, in the Nordic countries where these systems used to be a model, but nowadays we can see what is happening in Sweden or in France.

Our immigration policies are very different because some countries are very transparent and there are tremendous tensions between countries regarding this. Perhaps I am painting an exaggerated picture because there is an effort to try to achieve a minimum social foundation and make sure that basic rights prevail. We have a charter underscoring the importance of this effort even though we are aware that Poland and Great Britain withdrew. So this is a situation full of contradictions which makes it very difficult for us to say that here we have a European social model which everybody is happy with. Historically, Europe has always produced all sorts of social models such as the welfare state, which stood its ground for a certain period of time.

Sweden worked out a model for a social market economy and there is an important German social model which is slightly more liberal. Yet it is still a kind of compromise as there is an attempt to find some kind of balance between economic goals and social goals. This Europe is full of contradictions and we cannot say which model is best because there are certain models which are more popular at certain times. We have to face the whole problem of globalisation, very often we try to hide behind Brussels and some people say that there is nothing you can do about globalisation and people become inactive because of this and they blame it on globalisation. In the meantime other countries are trying to make progress like Brazil, and some people react to these phenomena and say we have to cut back on our social models, because there is no other way. We cannot have a sustainable Europe if there is no social identity behind it and we do not provide some level of harmonisation. The question is

whether we need to target something more than that.

This morning I raised the issue of the development of an attractive social model. Should we not withdraw from this patchwork approach, this policy of compromise with different systems in conflict with each other? We have to break away from this. My answer is that the first phase could be the development of some kind of social convergence act where we could set some kind of a social horizon for ourselves. If you Europeans give up trying to find a quality life, if you give up building a social Europe, then your whole existence will be questioned and this is a key issue. Instead of an economic driven social trend which is already on track, should we not focus more on the social element and make it a central element of the European dimension? There should be access to social security and to employment and economic activities, the social economy includes not only the economy but also cooperatives and organisations that work on social assistance and so on.

The question might arise whether we should concentrate on this issue in this afternoon's debate. We would like to build economic and social solidarity because a lot of countries started to tackle this issue during Europe's golden age and European social welfare is the one that we would like to aim at, making it possible for yesterday's welfare state and future social ambitions to be reconciled in some way. What we would need to do is to pool all our tools and instruments in a common foundation in order to bring all our possibilities together, legal assets too. This means that governments aiming at a social type of governance need to be put into a multilateral concept. Europe cannot function in an international arena if it does not take account of international organisations, even though it must be said that the International Labour Office, for example, does not make its voice heard as much as it should. The different UN organisations are not progressing enough and in the meantime the IMF is going through a

crisis period. Put in a different way, the question is whether this European social model can really help us in reorienting international policy towards the social aspects. At the same time we would need to achieve some kind of constitutional revolution, we have a European Parliament, we have a social council, we have trade unions, there are economic forces involved - these players should be brought around a single table.

Erkki Liikanen, Former European Commissioner, President Central Bank of Finland

I agree that there is no single European social model, there are many models. If you look at it broadly there are a couple of concepts that we often considered to be part of European thinking, values such as solidarity and social cohesion which we need to respect. Even though most people say that market forces need to have a prominent role in the economy, they say they cannot serve all we need to take care of solidarity and social cohesion. André Sapir, the Belgian economist, divided Europe into four social models. The last one he mentioned, the Nordic social model, is the only one that can combine equality and efficiency. I would like to look at the Nordic social model and ask whether it could be applied to other areas.

My friend the governor of the Bank of Hungary told me this morning that the political problem in Hungary is that they want to have both a Nordic model and an Anglo-Saxon model, the public service of the Nordic model and the taxation of the Anglo-Saxon model. That creates quite a big deficit. If you look at the Nordic economies even they differ a lot from each other though they share some characteristic features. First, they have a large government sector; second, high tax rates; they have generous social protection and a highly compressed wage structure. Normally when you see these kinds of characteristics you say that they distort economic activity. So why is it that these economies have been performing so well

economically? I would say that there are three characteristics which go against this simple social model. First of all, all these countries have very open competition, they are in favour of free trade and they are in favour of deregulation. The logic is very simple, if you are a small economy and you want to have companies that grow to be global, you cannot be protectionist. So they are open to foreign trade. The second, if they want to have efficient domestic markets they must open those to competition too.

The second point. Even though they all have a generous welfare state they have very sound macroeconomic policy. These countries have a surplus in the annual budget and their debt ratio is very low. The idea is that if you want to keep your margin for manoeuvre in a globalised world, then the state must be running stable economic policies preferably with a surplus. If you are in a debt spiral you always react in a panic.

The third issue is that they have strong and relatively transparent institutional frameworks. This means that the rule of law is applied, the administration has high transparency requirements and there is a very low level of corruption. What the Nordic countries have been doing is also partly due to luck, good luck and bad luck. Bad luck came in the early 1990s because all the Nordic countries went into deep crisis, Finland was the deepest followed by Sweden, and Norway was also quite deep as they had an extremely bad financial market crisis. The banking sector had major difficulties, the state had to invest heavily there to get out of this long difficult period. At the same time the western world was in recession and Finland's trade with the Soviet Union deteriorated significantly. So this bad luck obliged countries to review their systems because in many countries we had negative growth due not only to recession but to depression.

Secondly, we had good luck because we happened to invest in areas that were about to be

growth areas like information technology and mobile communications. That was also due to Europe, partly because in Europe the research programmes which invested in information and communications technology led to common standards in Europe like GSM. At the same time we liberalised our telecoms sector because before liberalisation no new entrant could sell a single phone or a single network. When we liberalised, new entrants had a chance. Just to mention one Finnish name, Nokia. The key issue was that heavy investment in research and technology in Europe, European standards and the opening of competition to new entrants made it all possible and new companies could emerge that have become global success stories. Bad luck and good luck have both been critical.

There are two other critical issues, namely investment in education and an openness to change. The countries are characterised by very broad educational systems which are comprehensive, they create access for all. We had a reform in the 1970s when we created one publicly run, comprehensive school system for all. According to theory it should not have worked and it was a big surprise for many of us that it did. The study by the OECD reported that Finland's was amongst the best in three subjects, mathematical skills, literary skills and third in problem-solving skills. The well-known French newspaper *Liberation* sent three journalists to Finland to study the system and they wrote an eight-page supplement and came to the conclusion that there are two explanations for it. First, they are able to recruit good teachers and second, Finnish is an easy language to learn, which may be true. This broad investment in education is critical for creating the basic skills of the people and it is also critical for creating attitudes which are open to change.

Then we have globalisation on the one hand, and technological change on the other and they are both totally interrelated. We have Thomas Friedman's famous book *The World is Flat*

where we started to look at the world as one entity. So when the world was opened for competition it also made it possible for the spread of these technologies, it was not possible before. Even though we often see that they have created a lot of problems, just look at the growth performance of the world in the last seven or eight years. I looked at the figures again this morning. Since 2000 the fastest growing area, of course, has been Asia 8% to 10% - China and India. The lowest growth areas have been Europe and Japan and the US - 3% 4%. Between these two you have not only Latin America but also Africa which has been growing at around 6% since 2000. In Russia we have seen very steady growth since 2000. During the era of globalisation we have seen a catching-up process, the fruits of which have not only gone to China and India but also to Latin America and Africa. I was in Africa this week and sub-Saharan Africa has had a surprising performance recently - there is still the issue of how to share the fruits but growth is the basis. The problem of course is that it creates the pain of dislocation. When jobs move to areas with the lowest costs there is the pain of dislocation.

Of vital importance are safety nets and that is the job of government and the public sector. The critical issue is that we should create safety nets that help people to restart but which do not lock them up. The second issue is of course that of technological change and we have seen a higher dispersion of income which is not so much related to globalisation but to technology. High skills are better paid than others. You have two tools: one is of course taxation and the second, and more importantly, is education. Broaden the base of people who are well-educated and are able to handle technological change.

I do not think that this idea of putting the social and economic against each other will work. We must be strong economically in order to be strong in the social areas and I believe we

can do three things if we do it properly. First, have a private sector that is exposed to free competition with the conditions I mentioned, but then we need sound and transparent institutions and third we need an efficient and responsive public sector. The challenge for the public sector is especially relevant in Europe now with an ageing population. The demands on health and social services are growing, our net labour force is diminishing and we need to have a flexible, responsive and efficient public sector. We must be able to do all three at the same time. If you leave one out you are in trouble, you create exclusion and you also lose a lot of talent.

Thierry Jeantet

I was actually surprised by these words about the social model. It was not only free competition that you talked about but you also emphasised that we have to be very efficient, we have to perform and we have to apply the highest levels of technology so that we can create a developing economy and social aspects only come afterwards. This is the precondition for the social element to thrive. We have to have a very transparent and precise mechanism, this is a point of view I think we can discuss.

Daniel Daianu, Professor of Economics, National School of Administrative and Political Studies (SNSPA), Bucharest, former Finance Minister of Romania

I will try to provide a framework on how one could understand analytically what we call the European social model and what I would call a strained European social model. We have recurrent cycles of euro-pessimism and euro-optimism in modern history and some could argue in a very simplistic way about why we should care about the current bout of euro-

pessimism. We have had it before, we trust market forces, we trust liberal democracies and again we will make it. It is nothing new under the sun. One could juxtapose the current wave of euro pessimism, despite some good economic data, with similar cyclicality in the United States. I remember books extolling the virtues of Fortress Europe and talking disparagingly of the weaknesses of the so-called American model. And I remember the book by Michel Albert, *Capitalisme contre Capitalisme*, but I think there is something which is quite new. It is not history as usual and one should not be complacent.

I would like to make some preliminary remarks and one is that there is a surprising variety of circumstances in the EU. This should not surprise people, the EU has become so large that people often get confused and talk about Europe instead of the EU, they take this terminology for granted. There is a surprising variety of circumstances and this is why Andre Sapir and other economists have made an attempt to differentiate structurally among various models of the so-called model of European capitalism. Secondly, variety of circumstances combine with a variety of some models, the Scandinavian model and interestingly you mentioned a crisis in Finland but the same happened also in the Sweden. I remember a paper written by Lindeck published by the *Journal of Economic Literature* - there is a variety of models and one could talk about a cluster in central and eastern Europe.

Secondly, the European Union has become so complex that it does have a growing challenge in managing complexity. In my view there has been a rapidly diminishing ability of national politicians but also of eurocrats to manage complexity. The Union has become so complex and this is captured by the inner tension between enlargement and deepening. We know from organisational theory and the practice of running large organisations that size can block proper functioning unless there are reforms. It is easy to draw conclusions that they need to

have a constitutional treaty, a reform treaty has its origin in the need to improve the institutional functioning of an increasingly complex organisation.

What is strange about the European model in my view are its structural factors. I do not think one should shun mentioning an ageing population but there is also the fact that people do not have children any more in Europe - take the example of Italy, which used to be a traditional country of large families. Secondly, the welfare state is in crisis. Even if the Scandinavian model has shown a way to implement the Lisbon agenda and deal with a strained welfare system, the traditional construction of the welfare system is under terrible strain and this is growing. Consequently there is an erosion of the traditional social contract.

The social contract lies at the root of the functioning of a democracy, when people lose confidence in the government it is because their governments are seen as not being capable of delivering. The rule of law has to be framed through the way people see the social contract being observed by public authorities. If you examine the literature from France and Germany and Italy, even the optimists find it difficult to see a way out. The overwhelming patterns of thought and *zeitgeist* are that there are some things that are outdated - it has been good, it has brought peace and prosperity, it has led to enlargement, it gives people pride but something has to be changed otherwise we will be overwhelmed.

Last but not least among structural factors is technology. Technology has empowered the people from outside, the so-called barbarians, the people who for centuries have not been able to compete with us and this brings me to the pressure of globalisation. In my view the rise of Asia is something which is straining Europeans but also increasingly the Americans because it is so unusual. In modern history it is the only case where the western world has felt itself being threatened economically. When someone feels threatened economically, the

thinking goes into the realm of geopolitics. It is obvious why Americans view China as their strategic rivals in the 21st century. The rise of Asia, which from the EU demands more flexibility and innovation, makes the Lisbon agenda more than a *cri de coeur*, it means coming to terms with the need to face the new world which is looming over the horizon.

Another factor that I would mention is the systematic and fluctuating rise in the price of fossil fuels, energy and food. There are supply constraints but increasingly demand pressures cause the pricing in energy and food to rise. When Michel Albert wrote *Capitalism versus Capitalism* he had in mind the western world, Japan was the exception. Now, I believe that in years to come you will experience confrontation, hopefully peaceful confrontation, between two brands of capitalism: liberal capitalism, though it may sound strange, and authoritarian capitalism. Authoritarian capitalism can be seen in most of Asia and I would say that Russia too is an embodiment of a type of authoritarian capitalism. This competition has to be judged against the background of the struggle for control of natural resources including water, drinking water and food. So it has to be managed properly.

Why has there been this rise in authoritarian capitalism? One explanation is that there are some inner dynamics in Asia. In other parts of the world, even in the EU and in the United States we can sense a propensity of politicians and policymakers to use less than democratic means when dealing with various pressures. A propensity to deal with various pressures by not very democratic means is when people feel threatened. This happens in times of war, when dealing with non-conventional threats, fighting terrorism and so on or even when there are riots. Governor Liikanen is, I think, looking through rose tinted specs when he views globalisation, I am less optimistic in this respect because I also see rising polarisation inside economies and societies. It is not enough to talk about China and India, what matters is what

is happening inside China or inside India or what is happening inside France or the United States. The logic of globalisation should force us to look inside societies, not make a judgement by looking at societies as entities in themselves.

When it comes to trade there is clearly rising nationalism and rising patriotism and it is also happening inside the EU, which is contrary to the very logic and functioning of the EU. You could speculate a lot about what might lie in store and in the end it is global governance issues.

The European social model, I believe, will show increasing variety in years to come because of different circumstances and the different abilities of governments to deal with the pressures. I believe there is a need to redesign the social contract and this is very hard to achieve. We have seen a tiny portion of society in France keeping the rest of society hostage.

Thierry Jeantet

With globalisation states are under a great deal of pressure and the response of government to globalisation is that they are distancing themselves from social considerations. We need a social contract that must not make anyone desperate or bitter, neither those who control the economy nor those who carry out economic activity. We have to reform the system but there is no word about losing our faith, and those who can contribute to the national economy should not lose their faith either. If we take the various capitalist models that you have mentioned we can ask whether there is life after capitalism. You have mentioned different types of capitalism such as liberal capitalism and more authoritarian capitalism, but are there other models?

Philippe Herzog, President of Confrontations Europe

I will analyse a type that represents a different approach and I will also offer a few ideas about what sort of social policies should be implemented. The European social model is under debate and Sapir has pointed out there is no social model today in Europe. I cannot and do not agree because beyond the national differences there are also fundamentals in common and it is quite clear that if we make comparisons with Africa or Asia there is a great amount of social protection. So in this regard, apart from the differences among the various nations, there is a European model after all.

If you think about history since the 19th century we have the mutual insurance companies and the social solidarity systems, in other words clear evidence of the manifold nature of the European model. After the Second World War there was a great amount of progress and then came technological progress and globalisation which fractured the social model. We have to redefine what a social model is. There are difficulties but we all want to have flexibility and security. Today as a result of technological progress we have to constantly educate ourselves and be prepared to be more mobile and study. Learning is a fundamental requirement and flexibility derives from the European tradition and it must accompany security too. Solidarity is all important and new forms of solidarity are required and really we should endeavour to integrate them into the labour market. I must say that reform was not carried out to any great extent either in Finland or in England so we have not seen the end of reform in any country.

My second point is whether there is a common European idea at the community level today. We must make a lot of effort to develop the market and apply European social policies to security and European defence, these are the three main pillars. There are also excellent

structural funds and a lot of instruments were introduced with the Lisbon strategy. We also concentrated on social protection, the creation of jobs and we are looking for solutions. I do not want to go into detail at this point but these items are being criticised. The value added by the community and the position of the various nations and their efforts are not satisfactory as yet.

There are two major factors which make it very difficult to have a social Europe created at a world level. Competition has become stronger and more aggressive and we simply cannot ensure progress and energy sources have become a very difficult issue. There is worldwide competition so tomorrow we will be speaking about non-sustainability because sustainability will become difficult to maintain and solidarity will be missing because we simply cannot shape the budget properly. This also means that the French do not hesitate to tell the Poles and the Bulgarians that if they ask for money they will not pay.

The second factor is the heightened demand for protection. After World War II we saw a huge surge in demand followed by periods of economic difficulty. Harmonisation again leads to a very magnanimous attitude and it does not give us everything that we want and protectionism and harmonisation would not be my response. What I am talking about is highly problematic. The Lisbon strategy has to be recreated and we have to explore the risks that Daniel spoke about and I am very much in favour of indicating these risks to everyone.

We spoke this morning about consolidation but I will not be satisfied with that - we need a redefinition to recreate the Lisbon strategy even though it will be a struggle politically. So we have to build a future and cooperation is the only viable tool because without it we will fall apart and I think cooperation could be and should be the solution.

The redefinition of the Lisbon strategy is a gigantic topic and it consists of two essential structural elements. On the one hand, you have to differentiate because faced with such a complex picture you cannot use the same indicators and indices. If you take data from Bulgaria for the allocation of research and development funds then this data will not be comparable with the data from other European states. Let us see what the priorities are in Bulgaria in education and in the fight against bribery and corruption and if one meets the Bulgarians and consults with them we will be able to see clearly what their priorities are. So on the one hand we have to co-operate and on the other we need very lucid European objectives. We must have a political agenda which people can implement because the responsibilities of the European Community have never been defined. There is the issue of energy on the table and also climate change but these are really difficult things to implement and they are associated with training and skills. By 2015 or 2020 the ageing process will have reached a critical stage and will present us with serious problems.

So we need a European agenda with a lot more content and with a joint infrastructure comprising transport, gas and electricity and if we do not think along these lines then external supply problems will emerge with obvious social consequences. We expect more responsibility from businesses but in the short term that generates additional costs. In the long term there will be returns on investment but there are some companies which have to face the challenges of globalisation on their own and this is of course difficult and they really cannot accept their responsibilities to the full. This also raises the issue of how European businesses could be created that satisfy local demand but function responsibly in an international context. This will come to be a very important question because we are all going to retire some day and with so many pension funds being non-European it is necessary to

raise the issue of whether savings can be used to create funds that would put future pensions on a safer footing and would contribute to their future development.

The other important element on the agenda is the European labour market and its connection with migration, we need to integrate these migration processes with the European labour market. Each country takes its own position and tries to defend it but we have to be capable of generating collective treaties at a European level too and carrying them through.

A further question is that structural funds must be re-evaluated in this framework because regional equalisation represents only an unsatisfactory 2% and so we have to transfer some co-operation that would make it possible to fully build up an internal market. If I ask a Bulgarian colleague of mine what co-operation is like with Romania then the answer is that there is only one bridge for several hundred metres of river that represents the border. So in the new social contract a proper niche has to be ensured for the European area and transfer of co-operation is an important element. I have tried to paint a picture of the risks and hazards because we would like a larger Europe but we have to calculate what additional co-operation would be necessary and what kind of role new entrants can play. It should be made quite clear to new partners that direct capital investment from abroad based mainly on loans cannot be sustained in the long term.

Thierry Jeantet

One of the priorities of the European Union is to provide citizens with these foundations so that they have realistic access to these opportunities. Europe has to make progress on this policy and make it a priority. The policy's only chance of success is if it is based on inclusion. This is also true of the whole issue of migration, where in recent times all sorts of drastic

decisions have been taken, and so this new European policy must be very inclusive. The International Labour Office says economic growth in strictly financial terms is not enough and we have to have an inclusive type of growth. Naturally, we need new tools to help us to manage the changes, including technological changes, which are taking place. Philippe said it was very difficult to bring these things together, but there are some urgent social matters in Europe which need to be solved because we are talking about quite a significant part of the European population and not only that in Eastern Europe. If we ignore these problems then a major political, as well as social, crisis might develop and this crisis could question the whole existence of the European Union. This is why it is important to have these kinds of mutual operations in the future, especially in the most urgent social matters. Philippe also proposed radically transforming the Lisbon strategy and redefining it, a Europe of treaties is very important and this concerns the institutions as well.

There is one more thing I would like to say while in a position to take advantage of my role as chairman, and that is add something that Philippe was saying with regard to reorientation and transformation. I am talking about savings funds and pension funds. If these funds serve the sole purpose of handling incomes then that is not enough because we need to manage things differently and not only in a traditional capitalist way. Management models in Canada and northern Europe involve the mixed management of funds which include workers' representatives and the trade unions or NGOs or non-profit orientated financial institutions like the mutual assistance funds and they can orient these funds in such a way that they invest in areas that are efficient but which also have a positive social impact. For example, the whole reorientation of financial funds and their management could bring positive results to all those who would like to get some kind of return on their savings and those who enjoy

the use of these funds based on their original objectives. We also discussed the corporate models and how they must be questioned and renewed.

George Skorov, Haute Ecole du Commerce, Paris, France

There are two ways of defining the European social model: either as a social reality or as a vision of society. As things stand now, the first is hardly satisfactory; the second is hardly realisable, at least in the foreseeable future.

Despite social achievements that still make Europe look far better socially than most other places, notably the US, the erosion of the welfare state, stagnant living standards, the growth of poverty, homelessness and unemployment have significantly worsened the social reality in Europe during the past three decades or so. The widening income inequalities in the rich European societies have reached unacceptable proportions. The government record in social domain, except in Nordic countries, is unsatisfactory.

If we take the vision of society as another interpretation of the social model, we shall see that it has three essential components:

- Commitment to sustainable development;
- Preservation of the environment;
- Recognition of social equity and social justice as important goal of development.

Commitment to sustainable development, i. e. a development which meets the need of the present without compromising the ability of future generations to meet their own needs, is slowly gaining momentum. We are still far from it becoming the dominant philosophy, but the recognition of the need to modify the present pattern of development has won large segments of society, including those at the policy decision level.

Preservation of the environment has the best chance of becoming a reality. That is because we have reached the point beyond which the world must either move from discussion to real action or face the consequences. The climate change and approaching peak of oil production have contributed most to this change.

Social equity and social justice have the least chance of being implemented.

Since Adam Smith it has been thought that economic activity is a matter of “rational economic man” who maximises his own self interest in competition with the others. Milton Friedman has put in a sharper focus: “The only business of business is to make profits for the shareholders”.

The objective has been pushed to the extreme by the unrestrained economic liberalism in the last quarter of the 20th century. It is a philosophy which led to globalisation based on profit maximisation, unbridled competition, and survival of the fittest. There is no place in it for solidarity, social equity and social justice. Globalisation has been a controversial process which, among other things, contributed to lifting from poverty several hundred million people in China, India, Brazil and other emerging countries.

However, in the developed nations the key assumption of economic liberalism has often been questioned. Many people of different political orientation, including, surprisingly, some shareholders, believe that economic efficiency could not be the sole criteria of economic activity.

A new term has been coined – a socially responsible enterprise. It is an enterprise committed to sustainable development. It is also an enterprise which recognises equity and social justice as important criteria of successful development. But there is no consensus over how this idea ought to be applied.

Tierry Jeantet contends in his contribution and in his recent book “L'économie sociale

européenne" that social economy holds much promise for a better world. But we are still very far from general acceptance of the social economy as a foundation of economic activity. This trend in economic and political thinking has a long way to go before it could become a prevailing philosophy of economic development.

To change the market dominated mentality is not easy. It would require an agreement of millions economic agents, including shareholders for whom profit maximising is still the only motivation of business activity.

Is such change possible at all? In theory it is, but in real life it is so distant from every day's preoccupations of company's managers that it would take years, if not decades before it could become a practical proposition. What is interesting is that ordinary people are more willing to change the prevailing way of life than their governments.

According to recent polls, a significant proportion of citizens seem to be ready to alter their life-style and even make personal sacrifices to ensure greener and more equitable future. It is hard to believe that many of them realise what it really means to give up consumerism, renounce from the "throw away economy" and accept the concept of "enoughness", i.e. a more rational way of meeting human needs as compared to consumerism.

But the majority is ready to address such challenges as the destruction of ecosystems, climate change and rampant social inequality.

In Europe many people believe that a social model of economic development should be based on less money and more free time.

We are still far away from the revolution in prevailing thinking. But the awareness of the need of change is significant. Is that enough? Obviously, it is not.

Here comes another formidable obstacle, the new conditions of global competition resulting

from the emergence of China, India, Brazil and other emerging countries that have changed the rules of the game in the global economy.

Can the old industrial economies stay competitive against the countries that produce at one tenth of the average cost? Will they survive in the new conditions of world competition and preserve their social standards? Can they avoid outsourcing their industrial capacities and services to the emerging countries? And lastly, can they avoid mass immigration from the low wage countries, loss of jobs and fall of low skill wages of their own work force?

The crucial issue is how the levelling off of social conditions will occur in the global economy? To oppose it is neither possible, nor desirable, if we want to avoid worldwide conflicts. On the other hand, it is clear that the objective of reaching everywhere the level of affluence of the rich industrial countries is a dangerous dream. Can you imagine what will happen when the world automobile park, now about 800 mn vehicles, will double or treble? The planet simply will not be able to bear such a burden.

Does it mean that the levelling off the world standard of living will be done at the expense of the rich countries, similarly to what happens in the connecting vessels, i.e. when the level of liquid rises in one vessel, it goes automatically down in another vessel? That would hardly be an acceptable prospect. Then what remains? Changing the life style the world over. In the rich societies that would imply reducing waste, improving energy saving, ensuring resource conservation, avoiding disruption of ecosystems and minimising environmental damage.

In the light of this analysis it must be clear that the concept of unbridled globalisation from which all gain and nobody lose, (see: "The World Is Flat" by Thomas Friedman) is not an option. It is a myth.

A regulated globalisation, supported by Joseph Stiglitz, Hazel Henderson and many other

scholars and a number of politicians, can soften this process and make it gradual and less painful. But would it be acceptable to the peoples and the governments of the rich countries? If it would, then the vision of society called the "European social model" could turn from a dream to reality. If it wouldn't, the European social model will remain a wonderful dream. The stake is so high that it is worth trying to turn it to the reality.

Thierry Jeantet

The questions that have arisen basically indicate that we have to move towards sustainable growth and we have to pay attention to environmental factors and the social dimension as well. The emphasis is on comparing and combining the economic impact and social equality and the need for a gigantic step to be taken. The rich countries have to show an example and this presumes that our leadership styles within companies and businesses must be altered and we have to adapt ourselves to the changing objectives. We do not know how successful they will be as the present model is obsolescent.

We have also to be very careful with the idea of competitiveness because a business or productive arm of a given country or society can be more competitive than another. The two ideals of competitiveness and profitability quite often can be replaced by one another and get mixed up because the distinction between them is often not clear enough. I personally have this revolutionary idea that it is not the profit of the small businessman that is important. Over the past five centuries the profit of large monopolies has been in focus. When we speak about competitiveness it is often confused with profitability. Capitalism is currently based on the five monopolies, the so-called unshared benefits and advantages. The developed capitalist countries did not divide their profits compared to the other side of the world. One of

the monopolies is access to resources, in other words the wasteful use of these resources and at the same time the prevention of other people achieving access to these same resources. This is very important as all the countries with either non-renewable energy sources or ones that can only be renewed with difficulty are trading away their future and that of their own people for immediate advantage. This is an uneven bargain and can be described as writing off the interest.

The other monopoly is the so-called high-tech monopoly which is basically being defended by the World Trade Organisation. If someone has the right to enter a monopoly because they have worked on a particular job then they will have access to large financing assets which today are worldwide. Fifty years ago there were no globalised financing tools because national savings were used or rather wasted with the financial institutions organised on a national level, today banks and insurance companies are all working at an international level. How is it possible for the United States to show zero reserves and at the same time have access to equity to compensate their deficit? These financial resources are not produced by states any more but by financial oligopolies which can generate and use them and their headquarters are very rarely based in Europe but in the United States.

The third monopoly is that of information constituting a force in the political monopoly, the same political monopoly that controls the weapons of mass destruction. So the question raised is whether competitiveness is threatened by anything and to a certain extent the answer is yes. There are very low payroll costs in the Chinese textile industry for example with exports mainly produced by female workers in China, so imports of these textiles do reduce labour costs in the United States because the cost of living is reduced there and as a result lower wages can be paid.

Delocalisation occurs but this phenomenon represents only the tip of an iceberg, and the threat comes from the monopolies in countries such as China, which wants to absorb and use its technology for their own purposes and they can do so without any difficulty.

Samir Amin, Director of the Third World Forum, Egypt

The United States and the US Army must secure access to resources, we need only think of Saddam Hussein. He may have been a murderer but he was no terrorist, he had nothing to do with September 11th but he was selected because of his country's resources. In this context of access to natural resources I think the western world considers the Chinese to be dangerous because they have access to uranium in places like Chad and access to other raw materials and natural resources and that is confusing for the west. As far as financial issues are concerned, these are more political than technological but all of these are the threats which are emerging in the world today.

Thierry Jeantet

In the course of the debate it was said that the creation of the European social model is linked to a schedule of development. If you look at the history of the European communities, which I have followed since the very beginning, it can be seen that most progress in economic integration took place when significant economic growth characterised the European member states. How could we possibly imagine this nowadays when, according to forecasts, economic growth rates show a decline? How can we foresee a social model in the sense that Mr Herzog so correctly outlined? Even though I do not contest the idea of a social contract, in the situation in which we find ourselves what chances are there for this kind of

social model? Furthermore, it was pointed out that there are different sorts of social model, there are European ones and others from outside Europe. Should we not be making an effort at a global level to harmonise these models in some way? Earlier Mr Herzog mentioned this model, the way I understood it was that he actually talked about four different models in Europe but all of these models are built on the same factors: efficiency on the one hand, equity on the other hand. So the question arises that since these four different models are built on the same parameters, would it not be possible to bring them closer together? Now I would like to ask the last question and it is related to the development of our societies. We are living in a knowledge-based society characterised by innovation, by immaterial things, by services and so on. When we want to establish this type of social model do we take all these intangibles, which are transferred in space and in time, into account? Space and time used to be features of industrialised societies but now we have already entered an era, a post-industrial era, and this raises significant problems in connection with building a social model.

Vladimir Petrovsky, Former Secretary General to the Conference on Disarmament

At the beginning of this century the European Union announced a major strategy that would involve the creation of a knowledge-based society with a particular social implication, the education of all the people, not only the young, and an openness to innovation and technology. This ideal of the European Union has received broad support and nowadays it is recommended by the United Nations as a model for survival in a global economy for many countries around the world. I am a little surprised that no one has mentioned how this idea of a knowledge-based society is applied. They are beginning to look into this matter in Russia, too. I would be very interested to hear some comments and I am particularly interested

because the Nordic model of social development is very attractive to many countries and I would like to ask Mr Liikanen to what extent this idea of a knowledge-based society is applied in the Nordic countries.

Piero Bassetti, President of Globus et Locus, Italy

The discussion has been very analytical and therefore the agreement is on the method rather than on the solution. The point is this: you have been discussing the problem of the European social model mainly from the assumption that Europe is free to invent a social model. I think this is a basic mistake because I think no one in the modern "glocal" world can decide on a model without taking into account where the world model is going. We Europeans have always been proud of inventing the world, this is what we did but it is over. It is over because the social model is no longer invented by politics, it is basically invented by technology. This, in my opinion, is a point which is connected with the real acceptance of the knowledge society and is connected with the recent report by the EU written by a group of sociologists on how to take a knowledge society seriously. I think we should get used to the fact that Europe may be able to find a place in the world social model with some small differences rather than assume, as we have done for centuries, that we are in a position to invent a model. This is my first point.

Secondly, it seems to me that the type of revolution that has been introduced by globalisation is not political but due to technology and the changes introduced by time and space. If we assume this there is another change to make, namely the role of politics in establishing the social model. You were shifting from the role of politics to the role of economics but in my opinion we cannot forget the role of anthropology. I think bioengineering is changing the

anthropological basis of the builders of a social model. Men are different, not only groups or societies. Take the case of welfare; the demand for welfare has changed enormously. Take the case of the environment; the impact on our style of life is going to be stronger and stronger. So I think if we look for a social model in economics or sociology this is backward looking. I think we have to accept that technology is beginning to change men and we have to decide how to accept change without assuming some sort of control of this process. This is the real challenge. Therefore the construction of a social model cannot forget some sort of connection with the changes in the human model. Take for instance the problem of religion; we are faced with the fact that Europe has made choices concerning religion which have not been accepted by some other people, for example by Islam. In my opinion the Europeans should go back to their merits in changing not only the variables of the models but the models themselves. Just to give an example familiar to politicians: welfare. In my opinion the Keynesian New Deal Epoch is over - the relationship between the idea that there is a production system in the sense of a distribution system. The second is regulated by the logic of welfare, the first is regulated by competition logic. In that sense I agree that the control of a partner cannot be done on the basis of traditional entrepreneurial profit, it has to be done by the producer and users.

There is another point concerning the knowledge society that we should reflect on and decide if we accept the general model - information. We are practically dominated by the media organisations, we may accept it and in a sense decide to take this into consideration. There are challenges to European intellectuals on where to look for new social models.

Daniel Daianu

It bolsters my argument that it is not only competition seen from outside the boundaries of war by forgetting geopolitics and the struggle for the control of resources. This is what I believe is straining the mindset of politicians and policymakers in what they used to call the western world and what we still call the western world. When Servan-Schreiber wrote *Le Défi Américain* he was thinking about American companies versus European companies and Japanese companies were the exception, the strength is the rule. When thinking about competition nowadays we see the western world against the rising Asian world and this is what is straining the mindset of people in the west and straining the mindset of people in Romania and Bulgaria. We see that low-wage industries in our countries can no longer compete but it is more because it comes down to the control of scarce resources.

I believe there is cyclicity in the realm of political ideas and I believe that the irony of our times is that after decades of neo-liberalism there should have been presumably a new wave of neo-Keynesism with fostering of public works and so on, fostering more social cohesion and dealing with *les exclus*. Ironically the pressures of globalisation have forced governments to be not necessarily more cynical, but to ask citizens to accept more pain and accept the logic of market forces. How can one square the circle and blend social considerations with the need to introduce more flexibility and adaptability? This is the real task of Europe in this century and clearly formulated answers are very hard to find.

Erkki Liikanen

I talked about education, research and development and how the value of knowledge in both manufacturing and services is increasing. In countries where we have a high level of income there must be more knowledge content in order for our companies to remain competitive.

This means more research and development, intellectual property rights, more brands, more logistics, good management and so forth. When we spoke about a knowledge-based society and economy in Lisbon in 2000, there were some economists who wrote about a weightless economy and they turned out to be wrong because since then the price of steel, copper and gold have gone up. The huge growth of Asia has been based on strong competitiveness in many industrial areas and it was not that simple. Sometimes people overestimate change in the short term and underestimate the long-term but knowledge is critical.

The second point is on the question of whether European society or economies or companies can remain viable without outsourcing? If they want to be able to sell their tradeables at a competitive price and if their wage level is higher than others then of course they must take the competitive advantage also through the forms of outsourcing. It is evident that they will invest more and more in research and development, IPRs, brand management, logistics and they will outsource the areas where other countries can give them comparative advantages to stay in the game.

The third question is whether the old European industrial states can remain competitive and at the same time hold on to their social services models. If they do not stay competitive they cannot guarantee the services. The precondition here is that you have an open economy where your companies are competitive globally. If they are not able to do that they cannot create the resources that will make it possible to have flexible social services for the people. Moreover, we have the problem of ageing. If we live longer then it is natural that we will work longer and there will be more pressure on services. We will need higher productivity for services and we need a more flexible targeted service structure.

Thierry Jeantet

I do not agree with our friend because I think that technology is related to a worldwide social model. We have spoken about a European business model but what kind of quality can be ensured by this? This is fundamental to the type of capitalism that we choose. I think we have unsustainable growth in the world. The Chinese and others will not be able to make the same kind of progress that we did because they have to prepare for technological transfer. If we fail to defend our industry and we are unable to provide for sustainable industrial growth we will have no future. We can only build on the goods and services available. The economy is upset today in a world where Asia finances North America fully and in an unsustainable way. So we have to think about how we can turn these financial processes around because this is unsustainable. We all have to agree on a realistic social model that can encompass all the dimensions that have been discussed and we have to recreate a European social model. We have to think about sustainable growth and we have to meet all these requirements.

PLENARY SESSION III

EUROPE IN THE NEW WORLD

Security: Europe- how many divisions?

Chiar: Luigi Guidobono Cavalchini, President, Unicredit Private Banking

The Common Foreign Security Policy (CFSP) along with the European Security and Defense Policy, which continues its civil and military operational project, is one of the most dynamic fields of the European integration. And Europe's aspirations to be a real International Player have given a boost by the decision, taken in Helsinki in December 1999, to produce a "Headline Goal". In Helsinki EU Member States also agreed that they would need to develop new military structures to successfully implement the so-called Petersberg Tasks, covering - I remember – humanitarian and rescue tasks, peace-keeping tasks and tasks of combat forces in crisis management, including peacemaking.

The CFSP was conceived on the basis of the lessons learned from the crisis in former Yugoslavia and in particular in Bosnia. The Balkan wars and, above all, the tragedy of Srebrenica seriously put into question the weak equilibrium of European security. Faced with the return of barbarity to the Old Continent, the failure of the Europeans to end the conflict dealt a serious blow to the very essence of the European project. This project is based on democratic values that were flouted on its doorstep.

The Franco-British Summit, which took place in Saint-Malo in December 1998, enabled the launch of ESDP based on the Köln European Council Declaration adopted in June 1999.

The language used by the French and the British – referring to a 'capacity for autonomous

action' – represented a compromise between two different notions and the St-Malo Declaration must be read as a turning point in London's approach to Europe as much as a French concession to Atlantic legitimacy. (For France, Europe was becoming a way to exert influence, and, for UK, the Alliance was the designated framework of European autonomy).

There is no doubt that the Europeans may have found it difficult to adapt themselves to the new international framework created both by the terrorist threats, including the proliferation of weapons of mass destruction, and by the political and military developments in the US after September 11th.

In a certain sense, the United States became a destabilising factor of the traditional European security thinking. And that is particularly true if we add that the Western World had begun losing the monopoly of the history.

Since Maastricht (which established the CFSP) and Köln (which established ESDP), European Security and Defence Policy has been implemented within the limits of two essential constraints: the national sovereignty of Member States, on the one hand, and the US role in the Atlantic Alliance, on the other and the two basic dilemmas are how to reconcile national sovereignty and political integration, and how to reconcile a strategic and political Union with a strong and permanent NATO. ESDP has been created and implemented in the room for manoeuvre left by these two main issues.

In the light of what I said now, implementing CFSP and ESDP depends on one side, upon the discrepancy in the EU between interventionist and non-interventionist Countries and between the specific military strength of each of them. and, in the other side, upon the different perceptions of power among the Member States.

The result of this new Security context is clear: the paradoxical effect of terrorism is to make

the Petersberg tasks more urgent and more necessary. For the EU, ESDP is no longer an option but a necessity, whether the Europeans like it or not.

Security reasons play a crucial role because the Europeans will be the only ones able to carry the future burden of peacekeeping and crisis management. Moreover, the Europeans will feel more and more exposed and unprotected, if the US are so concerned by other strategic issues, in Asia notably, that European security becomes the last of their priorities.

Last but not least, if the Europeans want to remain capable of operating with the US in a military coalition, and if they want to be relevant to America in order to influence US policy, the EU will have to demonstrate that it can speak the same (military) language as the Americans. Less America in Europe, more ESDP: this could be the defining formula in Europe in the light of the new challenges we must face.

Looking back just eight years, we can appreciate how much this relatively new area of EU Policy has developed in such a short time. This is an important topic for three reasons.

First, with the creation of the post of High Representative, Security and Defense Policy Europe has also gained a face and voice.

Second, since 2003 – and that is just four years ago! – the EU has given the green light to 16 civilian and military operations. All of these play a role in managing crises, securing peace and preventing conflicts.

Third, what seems more interesting is the combination of military and civilian instruments, a strategy that incorporates conflict resolution and peace-keeping, on the one hand, and support in reconstruction, on the other. Like in Bosnia, where the EU provides security while also training police forces or in the DRC, where in addition to monitoring the elections, EU is carrying out two missions concerned with advising the police force and reforming the security

sector.

The Convention's draft Constitution proposed a mechanism aiming to accelerate integration among a restricted group of Member Countries.

Discussion of this proposal has been a central concern. It was not merely, or even primarily, a debate about military technicalities. It was pre-eminently a political debate about the nature of the European Union and its future role and standing in the world.

As the European Union has become bigger, the more integrationist-minded among the Union's Member States have felt themselves increasingly constrained by the need to secure unanimity to promote further integration within the Union's structure.

The Treaties of Maastricht, Amsterdam and Nice all attempted in different ways to resolve this problem, whether by opt-outs or various mechanisms for enhanced integration among smaller groups within the European Union.

The proposals of the European Convention on Defence questions were a culmination of this process, allowing an initially very small group of Member States to use the framework of the European Union to promote among themselves 'structured co-operation', a concept evolved specifically for application to the field of European Defence Policy.

The nature of 'structured co-operation' is described in the new Treaty, which will be subscribed by the Representatives of the EU Countries next december.

As a further contribution to the reinforcement of Defence Policy, the new Treaty introduces, and this is a major step, the principle of assistance among Member States, which is found in two provisions: the clause concerning solidarity within the EU in the event of a terrorist attack or a disaster or man-made disaster, and the clause concerning mutual assistance in the event of armed aggression.

These advances envisaged in the new Treaty call for two final general remarks:

- first, these institutional breakthroughs bear witness to a very strong will on the part of EU Members to make the ESDP an operational tool: that is the objective of the Armaments Agency, it is also that of the structured cooperation project which aims to encourage Member States to combine their efforts in terms of military capabilities;

- secondly, these advances testify to the growing maturity of the European Union in the construction of a Common Foreign Defence Policy. Despite the tensions among Europeans during the Iraq crisis, 2007 saw important progress for European defence.

It is also revealing that, even if we didn't yet succeed in adopting the draft constitutional treaty at the Brussels European Council in December 2003, the provisions concerning the ESDP were – admittedly after some difficult discussions – the subject of a broad agreement which should be confirmed when the other points under discussion have been settled.

Horst Teltschik, Former president of Boeing Germany

Twenty years ago when I was in government, I was approached by the Hungarian government to establish contacts with the European commissioner at that time, twenty years later you are a member of the European Union - that is a real success story. Having had many negotiations with my Hungarian friends Miklos Nemeth and Gyula Horn at the end of the 80s and again in 1990, I am grateful for what the Hungarians did for Germany and German unification. Talking about divisions in Europe - we had to ask: how many divisions do we have in Europe? I have a very short answer - too many. Nevertheless there is no reason for complaining, do not forget the years from 1989 to 1991. During those years we peacefully overcame the division of Germany and the division of Europe, we experienced the end of the

Cold War and the bipolar world order. US president George Bush in 1991 demanded a new world order but there was no response at that time from anybody else. We signed far-reaching arms control and arms reduction agreements about conventional, chemical and nuclear weapons.

It was in November 1990 in Paris, where all 35 CSCE member states signed a "Charter for a New Europe". The common objective was to initiate "a new age of democracy, peace and unity". This "Charter for a New Europe" includes three main objectives on how to shape All Europe: firstly, implementing human rights, democracy and the rule of law. Secondly, strengthening cooperation in politics, economics, environment and culture and thirdly, establishing the new structures and institutions of the CSCE process.

All in all, the thirty-five signing presidents and heads of government pursued one common idea - the idea of a common European House from the Atlantic to the Pacific. What a dream! What a vision . The Israeli prime minister Ben Gurion, once said he who does not have a dream is not a realist.

For the first time in its history the European continent had the unique and perhaps irretrievable opportunity to build a common European House, a safe and peaceful home with free and equal inhabitants. After a century of two world wars with millions of victims nothing else can grant lasting peace, security and prosperity to the Europeans more than a community based on an all-European peace and security order, on democracy, human rights and on the rule of law.

It was no surprise that people, mainly in western Europe, had started asking for a peace dividend and it was an American writer, Francis Fukuyama, who announced "the end of history" because democracy and the market economy would be implemented all over the

world. President Clinton's "Partnership for Peace" initiative was another effort to promote a transformation in central and Eastern Europe.

There were several steps to integration. Firstly, the enlargement of NATO to 26 member states; secondly, the expansion of the EU to 27 member states and 10 other countries applying to become members; and thirdly, EU agreements with neighbouring countries in the east and in the south establishing privileged relations.

We knew from the very beginning that we had to meet Russian security concerns and worries about political isolation and important steps were taken to integrate Russia into European cooperation. Firstly, since 1991 NATO and Russia have been working together on all matters concerning defence and security policy. In 1994 Russia joined the Partnership for Peace program and in May 1997 the "Permanent Joint NATO - Russia Council" was created. In 2001 NATO installed an office in Moscow and Russia opened a Permanent Representation in Brussels and with SHAPE in Bruns. Finally in 2002 the "NATO - Russia - Council" was founded, based on the principle of consensus.

President Clinton once offered President Yeltsin the chance for Russia to become a member of NATO. I do believe this offer should be repeated by NATO. Why not integrate Russia into NATO in the medium term? In 1996 Russia joined the Council of Europe, taking over the presidency in 2006. In 1997 EU and Russia signed a Partnership Agreement, which has to be renegotiated now and I do hope the new Polish government will not block it again. The EU wants to establish a strategic partnership with Russia, including a strategic partnership on energy supply. Germany, too, wants to build up a strategic partnership with Russia. From my point of view Germany must take the lead in developing close and friendly relations not only bilaterally but between EU, NATO and Russia as well. Otherwise nobody will do it. That is my

experience from my time in politics. If Germany does not take the intellectual lead, nobody will. For the present, we all have to work hard to get Russia into the WTO and the OEEC.

However, none of these steps seem to satisfy our Russian friends. President Putin has surprised all his western partners by raising in a very blunt manner a number of concerns about their policy towards Russia. In summary, Putin has asked the US and the Europeans how they want to shape their relations with Russia and whether they are ready to take Russian interests seriously or not.

His famous speech at the Munich Security Conference in February this year and his follow-up decisions as well as his domestic policy have raised many questions on the western side, too; mainly the question: Where is Russia going? Are we about to face a strong division between western and Eastern Europe or even a new Cold War again? Does it mean the end of the idea of a Common European House? Are we digging new moats or are we going to try to fill them in?

This is my main concern today, that a new divide will appear between Russia and the west. Such a divide will do harm to all of us. Gorbachev asked us yesterday to trust Russia and we should already be doing so but this requires an adequate response from the Russians as well. We are facing many other challenges in Europe. Firstly, Kosovo is on the brink of a new civil war. What will be the repercussions in Bosnia-Herzegovina or even in Macedonia, Abchasia, South-Ossetia or Transnistria or the Hungarian minorities if Kosovo announces its independence? The Caucasus remains a very fragile area. Central Asia is a potential crisis area. Where is the Ukraine going? What about Belorussia? How should we deal with a nuclear Iran? The Greater Middle East from Lebanon to Iran and Afghanistan is already a nightmare. What will the repercussions on Europe be? The whole Mediterranean region, including Black

Africa, holds many challenges and dangers for the Europeans.

Since the apocalyptic terrorist attacks on 9/11, 2001 in New York and Washington D.C. we are all more than ever aware of dramatic challenges and threats - the so-called asymmetric threats of terrorism, religious fundamentalism, failing states, the proliferation of weapons of mass destruction, global epidemics such as HIV, SARS and tuberculosis, organized crime, corruption, drug- trafficking, prostitution, the arms trade, a growing shortage of resources, climate change and environmental damage, poverty and the growing gap between rich and poor, globalisation of the economy with all its opportunities and risks.

All these challenges and asymmetric threats have assumed global dimensions. We cannot meet those challenges just by using national means. It will work no longer, neither for the US nor for the EU, nor for Russia, China or India. Think global, act local, is only partly right.

Today and henceforth we have to act and cooperate globally to overcome global asymmetric threats. Therefore we need neither a unipolar nor a multipolar world. What we do need is a multilateral world, developing common alliances to meet all the challenges and threats. There is no way to escape from the globalisation of the economy or from the impact of the new revolutionary technologies or from climate change. But it is up to us, how we react: alone or together. The latter is the only reasonable way.

There was once a graffiti in Hamburg, I would like to quote it: "We all are sitting in one boat. Why is nobody rowing?" .

Samir Amin, Director of the Third World Forum, Egypt

Let us call it a civilisational choice for the Europeans. Do the Europeans want to come closer together with the North Americans, the Russians and the Japanese, in other words, the north

from San Francisco to Tokyo through New York, London, Moscow to Vladivostok in order to keep the enormous privilege for themselves of having almost exclusive access to the natural resources of the planet, depriving the people of the south, including China, India and others from having equal and growing access to those resources? This would compel humankind to change its way of living, this is the basic choice that is challenging Europe, all the rest are secondary. I am very much afraid that in the so-called struggle against terrorism Europeans may make the wrong choice, that is of consolidating the common front of the privileged nations against the less privileged which would lead to a growing and terrible number of very savage conflicts which could spell the end of civilisation. I am optimistic because I think the history of the political culture of Europe from the Enlightenment allows us to think of a Europe capable of looking at its global relationship with the south, this I would call a non-imperialist stand; while the history of Europe has been the history of growing imperialist power, along with some others.

Jianmin Wu, Executive Vice-President of China National Association for International Studies, President of BIE (International Bureau of Exhibitions), China

I would like to ask a question about the relations between Russia and Europe. We Chinese are worried about tension between Russia and western countries and a few minutes ago Mr. Teltschik said that at some point Germany has to take actual leadership. We would like to see the tension between Russia and western countries eased because the international community needs it, world peace needs it. Yesterday we asked some colleagues the question:

is the tension between Russia and the west a permanent feature in international relations or is it a temporary phenomenon? How can we work together to reduce that tension? Another question is for you, Mr. President, you said that the United States has become a destabilising factor in international relations, how can we cope with that problem?

Luigi Guidobono Cavalchini, President, Unicredit Private Banking

Thank you very much for your question which has got to the very nub of the problem. I think this problem can be solved, perhaps through a balance between what is called hard power represented by the United States and soft power represented by Europe. This I think would be the way to try to get round the problem we now have with the United States.

Horst Teltschik, Former President of Boeing Germany

The relations between the European Union and Russia are of fundamental importance, mainly for ourselves, not only for the rest of the world. And if you look at our history, at two world wars - are 20 million or more victims good enough? - and therefore it plays a key role in how we shape relations with Russia. In 1989-90 when Gorbachev was in office, the German government signed 22 agreements and treaties with the Soviet Union. Our interest was to establish a close friendly relationship and we were quite successful. We signed many arms control and arms reduction agreements and now they are in danger. I am really afraid that there is nobody in Europe now who is ready to take care of the issue of how to shape relations with Russia.

The EU has to start renegotiating the partnership agreement with Russia, it was blocked by one member state and that, in my opinion, should not be allowed to happen. We need such

an agreement, we need a kind of association between Russia and the European Union.

The problem of the Europeans in my view is that very few people are ready to think globally, most Europeans focus on domestic issues, perhaps on neighbouring issues, perhaps on European affairs but to think of Africa or Asia or Latin America, forget about it. Unfortunately, this is my experience of over 20 years in politics, the only ones who really think globally are the Americans, whether we like it or not.

Milos Zeman, former President of the Czech Republic

My question is addressed to all the participants who have spoken about Kosovo. How do you evaluate the risk that if Kosovo wins independence, there will be the emergence of new terrorist Islamic states in the south of Europe

Andras Inotai, Director of Institute for World Economics of the Hungarian Academy of Sciences

I do not think that anybody today could predict the consequences of the western Balkans situation after the 10th of December. I know this is not the place for advertising but I have just published a book on the European Union and the western Balkans with all the scenarios but without a final answer. Concerning minorities, I think we have to take a number of issues in Europe into account. In the 19th century everybody was involved in creating ethnic nation-states which continued throughout the first half of the 20th century and we know what the consequences have been. In the western Balkans too there have been and there still are endeavours to create ethnically clean states. I do not think this is the way to the future, this is the way to the past. We have to create a multi-ethnic state even if it takes a long time,

even if it needs international control and we have to take into account that it is particularly dangerous if minority issues are embedded into the framework of so-called failed states. If it is not a failed state, if the state can control itself and can create internal security, then minority problems can be solved with international support. However, if minority problems evolve in failed states then we have a number of additional issues that have to be answered. I am personally convinced that one of the potential advantages of Europe for the 21st century is in its multicultural character. If you cannot become more multicultural, Europe will not be able to play any role after the first two or three decades of this century.

PLENARY SESSION IV

Europe in the new world's architecture (European borders, relations with USA, Russia, China, Muslim world, European answers to the world's problems)

Chair: Henri Froment-Meurice, former Ambassador of France to the USSR

We have waited for this for a long time and all the changes have taken place very smoothly and peacefully. I have visited Moscow three times, the first time in 1956 when I was first secretary at the French Embassy in the Soviet Union when the tanks entered the streets of Budapest, and then again in 1968 when they entered the streets of Prague and I was minister at the Embassy then and the third occasion when I was ambassador and many things happened. When the Berlin Wall came down in 1989 and Soviet tanks did not enter the streets of Berlin and they did not enter anywhere in Europe, it was a peaceful revolution. These countries wanted to regain their freedom. I am very sorry that Mr Gorbachev is not here and cannot hear my words because, to a great extent, it is thanks to him that all these changes have taken place and thanks to him there was no military intervention.

I was brought up by Jean Monnet and Robert Schumann as a European and so I gained my European identity from them and I have never stopped being grateful to them and remained in contact until the end of their lives. This philosophy of Schumann, Adenauer, Spaak and De Gasperi and all the first great Europeans was based on the principle that it was nationalism that caused the outbreak of wars. That is why we had to leave nationalism behind and we have to strengthen institutions which have the task of implementing common policy. Among all these institutions the first one was the European coal and steel community, the Treaty of

Rome whose 50th anniversary we are celebrating now.

Then there was the European Commission, a unique institution, so there is an organisation that plays the role of the Council of the Wise and provides continuity just as Mario Monti said yesterday. This is something that originated with the creation of the Common Market but then the start of this long march was made possible, the long march towards power, the power that we first managed to gain in the economic field, so there was a real European power. Within the WTO there is a European standpoint and there is also a European standpoint in other fields.

The next step was the creation of a single currency and this is something that led to political co-operation which needed tremendous effort. Today when people speak about Europe, most often they think of a continent that can play a role like China or Russia or the US, they think of a Union which is still in the cradle. It has been born but it is still small and it has to grow. It is a Europe that has its voice and is able to make its voice heard and once we have shaped a common economic policy then the next step should be a common foreign and security policy.

We have a chief commissioner who is a vice president of the Commission and there will probably also be a president of the European Council and at all these forums different efforts have been made in order to strengthen our institutions. The question is: will we be able to make a decision-making process which is faster? I think there is a long way to go. What will the role of Europe be within the global architecture?

Jianmin Wu, Executive Vice-President of China National Association for International Studies, President of BIE (International Bureau of Exhibitions),

China

I came to this beautiful city 46 years ago when I took my first overseas assignment. It is a real pleasure to be back in Hungary. I would like to make three points.

First, how we Chinese see Europe. We Chinese admire Europe because in modern history Europe played a central part in international relations, you have done a lot for the world. When the Chinese were humiliated, we came to Europe in search of a way to make the country strong. Among the Chinese students in Europe in the 1920s there were a lot of great revolutionaries like Premier Chou En-lai and Mr Deng Xiaoping who spent more than six years in France. So we Chinese came to Europe to learn from you and to be inspired by your experience.

China is a staunch supporter of European integration from the beginning. We established diplomatic relations in 1975 with the European Community and China was one of the first countries in the world to do so. We regard European integration as a positive phenomenon, a positive factor, good for the world, good for world peace and stability.

We regard Europe as a very important partner. Four years ago, Europe overtook Japan to become the number one trading partner of China. Co-operation between Europe and China is growing rapidly.

We believe Europe is in transition because of globalization and whether you like it or not, globalization exists and everybody has to adapt to this process. In 1978 we adopted a new policy, the policy of opening up to the outside world and reform. We opened up to the outside world because we realized we were lagging behind industrialised countries. The only way to catch up is to open the country to the outside world. Why reform? We had to change the old ways and embrace globalization. If you go to China and ask the men or women in the

street what they think of reform, they will tell you it is great because their lives have been much improved thanks to reform.

This, however, is not the case in Europe. In my career as a diplomat I spent roughly 15 years in Europe. As I see it, reform in Europe today is not very popular. It is almost a dirty word. Looking around the world, Europe has to adapt to globalization and for you it is not easy because reform means you have to change something and people are afraid of change, they will take to the streets to protest against any reform measures. This is your problem. However, I believe that sooner or later you will have to change.

We are very interested in European integration because peace has always been the dream of the human race. For centuries people tried to attain peace through intermarriage, through peace treaties and through balances of power, but all this failed. You Europeans succeeded in having peace in your continent through European integration. It is a remarkable achievement. We Asians admire it. What we are doing today in Asia is inspired by your experience. On December 12th 2005, ten ASEAN countries plus Korea, Japan and China made a joint declaration to form the East Asian Community as a long-term goal.

My second point is that co-operation between Europe and China has been a success story over the past 32 years. Since 1975 when we established diplomatic ties, there has been tremendous growth in co-operation between China and Europe. In 1975 the trade volume between Europe and China was US\$2.5 billion, last year it was 270 billion. In 1975 there were no Chinese tourists in Europe, last year there were more than ten million. Yet this is only the beginning. More Chinese tourists will come because we like your culture very much. In 1975 there were no Chinese students in Europe, today at least 120,000 students are here in Europe. In 1975, even the most optimistic people involved in Sino-European co-operation

would not dare to predict such a scale of development.

I think over the past thirty-two years both Europe and China have tried to focus on our common interests. China is China, Europe is Europe and of course we have differences, we have differences today and in 300 years we will still have differences. So what? In the past thirty-two years we have been focusing on common interests. First, we tried to identify common interests and then we did our utmost to develop and maximise them. This is a success story and it is a very important experience for all of us.

My third point is how to develop China-Europe relations further. First we have to put the China-Europe partnership in a global context. What kind of global context? In the world today there are two competing trends. The first trend stands for peace, development and co-operation. The foundation of this trend is firstly interdependence and secondly the common challenges facing the world - terrorism, climate change, environmental degradation, crime, pandemics and so on. No country, no matter how powerful, is able to meet these challenges alone. These two factors bring us together, interdependence and common challenges. This is the foundation of the trend that stands for peace, development and cooperation. The second trend is the trend of the Cold War – conflict and confrontation. This trend is a legacy of the past. The first trend represents the future and the second trend represents the past. To my understanding the destiny of mankind in the 21st century will be decided by competition between these two trends. Europe stands for the first trend, so does China. This is very large common ground between China and Europe.

The world is changing rapidly. I met Dr. Kissinger in April of this year in Beijing and he told me the centre of gravity of international relations is shifting from the Atlantic to the Pacific. I asked Dr. Kissinger whether this shift was just beginning, or in the middle or final phase. He

said it was still in the initial phase and I tend to agree with him that this shift of the centre of gravity in international relations is happening. At the dawn of the 21st century we saw quite a few developing countries rising. People talk a lot about China's rise but it is not just China that is rising. We have India, we have Asian countries, we have South Africa, we have Brazil, Mexico and Chile. If you add up the populations of these countries it comes to 3.3 billion people. Tell me, was there a time in the history of mankind when half of the world's population was rising? This is the first time.

This global trend of the rise of developing countries has Asia at its core because if you add up the populations of Asia, India and China it comes to 2.7 billion people, a very large number. Put Europe-China relations in a global context and we will see the importance of developing our common interests as we did in the past. At the same time we have to deal with our differences in a proper way. What is more, we have to be careful on both sides. On the Chinese side we have to be careful about nationalism.

We are very careful about this in China. On the European side, because Europe has been the centre of the world for so many centuries, you have developed a Euro-centrist mentality, you like to give others lectures, you believe that your way is the best way. If people do not behave your way, you think they are wrong. But the world is so diverse that we have to be careful. Even though the centre of gravity of the world is changing, Europe is still a major player although your importance is diminishing. How do you cope with that? It is not easy. That is why I believe that Europe and China will have to engage in dialogue in a frank and straightforward way to enhance mutual understanding.

Mesut Yilmaz, Former Prime Minister of Turkey

We talk about Europe, but we should be conscious about how we define it. There are no distinct geographic borders, which makes an easy delimitation impossible. I would also not confine Europe to the European Union. I rather advocate that Europe is held together by what the philosopher Sadik al-Azm calls "secular humanism"¹. It encompasses basic rights and freedoms, democracy, civil society and the separation between state and religion. The full commitment to these values makes a country European.

Europeans are very likely to pretend that secular humanism was a long-established, inherited principle. That is not the case: In Germany it was not before 1945 that freedom of speech had finally been installed. In Spain it was in 1975 that first steps towards parliamentary democracy could be gone. For a country like Slovakia it took even longer. We see that it is not good to look at Europe from within. We have to move to the side a bit to adopt a certain distance. From the Turkish position, we may just have the right perspective to see the future hot spots that demand European interest: the Balkans and the Middle East. Both are just along the defined European boundaries. Most of the entities of these two regions have not been able to embrace the values of "secular humanism" yet.

When thirty years ago, the European discourse came to the predominately Islamic countries of the Middle East, it focussed on the situation of minorities, the treatment and role of women, human rights, and sophisticated theological topics. Today, when we throw a glance at Islam, the only terms that we are capable to think of are jihad, violence and hatred.² We speak, to quote the Syrian poet Adonis, "of Islam as if all Muslims were either already evil or

¹ see Sadik Jalal al-Azm, *Der Islam und der säkulare Humanismus*, in: Khalid al-Maaly (Ed.), *Die Arabische Welt zwischen Tradition und Moderne*, Heidelberg, 2004, pp. 11-30

² see Nasr Hamid Abu Zaid, *Der Islam in Europa: Eine Krise des Wissens oder des Dialogs?*, p. 38, in: Khalid al-Maaly (Ed.), *Die Arabische Welt zwischen Tradition und Moderne*, Heidelberg, 2004, pp. 31-53

at least had the potential to turn evil"³. We thereby naturally deny the region the ability to ever acquire the principles of "secular humanism". We forget that it were these values that made Middle Eastern societies at the turn to the 20th century, the so-called "an-nahda", eagerly look to Europe – adopting its manners and tastes.

Europe, however, understood this affinity as weakness and answered the Middle Eastern demand for support by invasion. In an unprecedented act the ambassadors Sykes and Picot in 1916 agreed about the division of the region, and Lord Balfour availed himself of another part of the area as if it was his own property. We may very well agree with what an Arab intellectual said: "Whenever Europe came to our lands it brought war to us and commodities attendant on war. The European values thereby never reached us differently than in a poisoned way."⁴

The Middle Eastern elites that were brought to power by the European occupiers applied a strict regime of Europeanisation with a nationalistic backbone that had formerly been unknown in the region. They, by force, led the communities on a way of destruction: ancient poetry was made forgotten, traditional life styles were abolished, the native arts called worthless. The Islamic civilisation was destroyed – with a lasting affect.⁵

Europe favoured despotic rule over democratic government, religious and ethnic minorities over the development of a feeling of commonness, Islamistic splinter groups where a new state turned out to be too self-confident. Europe clearly showed: "Secular humanism" is reserved for itself, a marker of its own supremacy.

³ Adonis, *Die Masken herunterreißen: Über den europäisch-islamischen Dialog*, p. 59, in: Khalid al-Maaly (Ed.), *Die Arabische Welt zwischen Tradition und Moderne*, Heidelberg, 2004, pp. 54-72

⁴ Adonis, *Die Masken herunterreißen: Über den europäisch-islamischen Dialog*, p. 64, in: Khalid al-Maaly (Ed.), *Die Arabische Welt zwischen Tradition und Moderne*, Heidelberg, 2004, pp. 54-72

⁵ see for example Abbas Beydoun, *Der Orient ist ein anderer Okzident und die islamische Gewalt ist ein westliches Findelkind*, in: Khalid al-Maaly (Ed.), *Die Arabische Welt zwischen Tradition und Moderne*, Heidelberg, 2004, pp. 102-110

The Lebanese academic Abbas Beydoun argues that the aggressiveness which Islam currently displays is not a home-made phenomenon but rather a condensation of all the lessons learned from colonialism: "Its brutality, collective punishment, and cultural disrespect".⁶ Homicide has never been in Muslim history an accepted form of religious expression.

Terrorism is one of the last real taboos of our European societies. But, considering the state of the societies as explored above, terrorism isn't as much nihilistic as we seem to assume. It rather is "the product of disillusion, helplessness and desperation. It is nourished by cruelty and despair; that's also where it derives its legitimation from."⁷

It is interesting that Europe and the USA were so successful in letting the Middle Eastern countries think that they would need their interference. This is also the winning principle that lies behind *Moralpolitik* – the new paradigm in International Relations which supports humanitarian intervention to further foreign-imposed democracy and act against terrorism. However labelled: *Moralpolitik* finally is old wine in new bottles, namely another term for *Realpolitik*.

This fact became especially obvious in Europe's own courtyard: on the Balkans. There are voices asserting that the American initiated NATO bombings of Serbia saved Europe from a more large-scale fire in the area. I, however, argue that European gratefulness for the American action is not due. This first real humanitarian intervention ever was plain *Realpolitik* too: By reviving NATO, the USA brought themselves back as a European might with a strong anchoring in the continent.⁸ That this assumption is not all wrong prove current events: The

⁶ Abbas Beydoun, *Der Orient ist ein anderer Okzident und die islamische Gewalt ist ein westliches Findelkind*, p. 108, in: Khalid al-Maaly (Ed.), *Die Arabische Welt zwischen Tradition und Moderne*, Heidelberg, 2004, pp. 102-110

⁷ Adonis, *Die Masken herunterreißen: Über den europäisch-islamischen Dialog*, p. 68, in: Khalid al-Maaly (Ed.), *Die Arabische Welt zwischen Tradition und Moderne*, Heidelberg, 2004, pp. 54-72

⁸ see Ignacio Ramonet, *Preisgabe der Souveränität*, in: *Le Monde diplomatique*, Nr. 5857, 11.6.1999, pp. 1, 4f.

reduction of American troops in Europe from 43.000 to 24.000 which was due until the end of 2008 was officially postponed.

It was on purpose that in my speech I concentrated on very selected and restricted topics only. I am fully convinced of two things:

Firstly: Europe has the tendency to call Europe only these parts of its territory that show a bright face and stable conditions. But there is another side of the coin as well, which is too easily skipped. The Balkans are Europe too – so let's find a way to give these countries a truly European outlook.

Secondly: Europe really has to assume courage and take over its responsibility – not only for its own lands but also for the neighbourhood which was made dependent. Europe must thereby understand its role not merely as an executing power of the decisions of the international system and as its *payer*, but rather as a self-assured *player*. Only if this step is taken – and it's a huge one – Europe may raise its head and look for still more demanding challenges on a *global scale*.

Henri Froment-Meurice

Indeed the position of Turkey is of fundamental importance. It is essential especially because of its relationship with Europe but also in global terms. The Balkan area is one of the most important challenges that Europe has to face. We have to be able to diminish conflicts but we also have to be able to estimate how much Europe is able to solve such tensions. This is important not only for the continent but also for the entire planet.

Mohammed Charfi, Former Minister of Education and Professor of International

Law, University of Tunis

The policy of the European Union with regards to the Islamic world is a delicate issue and it is very difficult to find a one-sided answer. But the question is manifold.

The first is how fruitful in terms of the economy and commerce cooperation is. Let me start with the good things, namely that we have a fruitful economic and commercial relationship which started in the 1990s with a kind of association with the European Union, especially with the Mediterranean countries. Tunisia was among the first countries to sign the Association Treaty in 1995. There were some peculiar points included in this treaty, there was a transition period established and progress has been made. There have been further treaties and agreements and now we are members of a network of different agreements - free trade agreement and the free movement of services and goods.

We are happy with these policies even though aid, investments and different types of support in terms of volume are not as large as we would like them to be. It would be good if they were and obviously we consider it a normal phenomena that subsidies and different forms of aid go first to the member state countries, and that a country that is not a member of the European Union cannot be treated in exactly the same way. We feel that there is a certain cautious attitude towards us by the European Union. The Union, which is going to have a sort of constitution, establishes that the European Union is a lay community. The Vatican suggested that the constitutional treaty makes reference to Judaeo-Christian roots, but in the wording of the constitution the member states rejected this formula. The European Union also has Greek and Latin roots but this is not mentioned.

As far as rights are concerned, it is obvious that basic rights such as those to non-discrimination have to be expressed explicitly. This has led to many heated discussions now

that Turkey is a candidate. Many difficulties arose during negotiations and there are many obstacles that the Union has to surmount. Many fear that the final answer to Turkey will be a negative one. There are some economic and geographical arguments but also others that say Europe should keep its distance from Islamic countries and the topic of Islamic fundamentalism and terrorism are mentioned. Terrorism is indeed a problem and not only for Europe but for all mankind. Security is a fundamental right of everyone, and we understand this. Islamic terrorism poses an enormous threat to the Islamic world too and this has been mentioned already because there are moderate and modern Muslims who suffer from the consequences of these fundamentalist trends. Every single human being who is merely a faithful believer, someone who does not want to give up his faith, this does not mean that they are not in favour of peace; therefore terrorism is a threat to them as well.

The Turkish government obviously has Islamic roots but this can be considered as an opportunity. There is a party in power in Turkey with Islamic roots and this is an opportunity that Europe should make use of because they were democratically elected and besides there is a general desire to belong to Europe but Europe is closing its doors. This is not the right way to approach things. Islamic democracy is something that can be and should be accepted by everyone but democracy is interpreted in the European Union as being Christian democracy. Even a Christian democracy is something that has to be surmounted and people say that we have to establish rules of democracy and if we encourage that then this can serve as a model. So if we encourage a certain type of democracy in an Islamic country that can serve as an example for other countries. If you reject Turkey, obviously you can raise the subject of the Kurdish problem. Why do you not say very clearly: Turkish people, why don't you solve this problem?

You can also talk about the weaknesses of some countries. Europe introduced many democratic elements, freedoms, rights and so on but when Greece and Portugal wanted to join and also the Eastern countries, there was a clear message sent to them: until you introduce the rule of law and democratic institutions, you cannot aspire to membership. That was a very clear message: there are criteria if you wish to become a member. There were promises made but promises are good only if they are kept. Europe has to be vigilant in this regard and not be satisfied only with promises but monitor their implementation.

The last issue is the hesitation over international questions such as the question of Palestine. It has been said many times that the Palestinian nation has a right to self-determination after living in refugee camps for I do not know how many decades. Everybody knows this but what is the peaceful solution? What are the preconditions for peace? Obviously the first and most important step in years is that Israel and the United States have to acknowledge this. The European Union is following a fair policy of providing aid in order to reduce the suffering of the Palestinian people and this is the correct way to act. But the peace process does not seem to be going forward and I am not very confident that this will be solved soon. I think nevertheless that we can create a kind of counterweight to the United States. Mr President explained how slow European integration is and it would be very important for Europe if political consensus is reached and not only on economic matters, then Europe would have real potential in terms of politics and the economy and it would be a guarantee for a peaceful world.

Bernard Guetta, Journalist, L'Express, France

The problem is that Europe has no natural boundaries; it starts in Brittany and ends in

Vladivostok, some people say.

I think that Europe by tradition ends at the Bosphorus and the history of the 19th century is evoked as an argument. At the same time, Turkey in the 19th century was called the "Sick man of Europe", no-one said that Turkey was the "Sick man of Asia or Africa". So in the 19th century Turkey was considered part of Europe and this was right. Europe has no natural boundaries yet the European Union and the architecture of the European Union can create political boundaries because it depends on political decisions. What can a political decision be based upon? It can be based on the interests of the European Union and also on the values which are shared by the member states. Coming back to the question of Turkey, which is obviously a dominant issue today, I would say that Europe and the western world have never questioned the European features of Turkey, Turkey is a member of NATO. When it was a question of life and death, Turkey could belong to NATO because there was the threat of the Soviet Union and at that time Turkey committed itself and became a member of NATO. Europe also committed itself as regards Turkey, not only in words but many documents and treaties have been signed. Let me remind you though that Turkey has also committed itself and made promises so when we think about keeping promises we should not only think about the counterparty but of ourselves as well. Circumstances and developments in Turkey have modified somewhat the implementation of the promises, but if Turkey fails to fulfil the promises then I am afraid that the judgement of the question will be different. If that turns out to be the case, we Europeans should avoid excluding Turkey just because it is an Islamic country, it would be a very serious problem. We gave Turkey our word and we have to stick to it.

The other question is the relationship with Russia. I, like many others, believe that Russia will

not become a member of the European Union within the next fifty years and I wonder whether the Russians themselves would like to become members of the European Union within this time frame. From a security and stability point of view but also in terms of the European Union's credibility, it is very important that the EU can sign a partnership agreement with Russia. This is something that will determine the safety and security of our continent. If we are not able to put some suggestions on the table, if we cannot present ideas that are acceptable to the Russian Federation then we are not fulfilling our role and we are wasting important opportunities. Needless to say, if we are passive then we go back to the age-old tradition of the intelligentsia of thinking but not doing, and I think that the European Union should be doing a lot more vis-à-vis Russia.

I think the minimum requirement would be to avoid creating an image with both the European and Russian publics that we are hostile and that we have a negative attitude towards Russia. We have certain obligations and we have to assume them. If we look at our behaviour from a Russian point of view, they might quite rightly say that we are not doing what we promised. Many feel that we would like to surround the Russian Federation with new NATO members and squeeze it and corner the Russian Federation. In terms of the stability of the continent I doubt whether this would be a good path to follow and it is important that North American domestic politics is now concentrating on policies such as Iraq. What we should ask ourselves is how we can build trust and confidence with Russia. This does not mean that we have to approve of every Russian move and I think President Putin's domestic policy certainly deserves criticism because we sense the fluctuations in his foreign policy and it is not encouraging for Europe.

In spite of all this, the question we have to ask ourselves is where Ukraine and Georgia are

heading. Do we have to regard them as though the Cold War had never finished? Russia is not a current threat to the European Union nor to the former satellite countries. Why can we not just say that a country as big as the Ukraine is an important country, so why can it not fulfil a temporary role similar to that of Finland during the Cold War? Why can Ukraine not be the Finland of our times? If Ukraine wants a trusting relationship with Russia we should be tolerant of that and the same goes for Georgia. Why can we not just imagine a consolidation period for Georgia and they could play a similar role until the country manages to consolidate its relationship with its neighbouring countries. These are the thoughts that came to my mind when I thought about the boundaries of Europe and maybe in ten or fifteen years' time Turkey, and in twenty or twenty-five years' time Ukraine could become a member.

There are political constraints, of course, and the situation is quite paradoxical at the moment. Many of you will disagree with me and others will agree with me completely, but let me just point out the following. We are now raising questions about how to define our interests vis-à-vis Russia but we do not have any answers to Kosovo, so the truth is we have to ask whether it is in the interests of the European Union to give its blessing and promote the independence of such a small and unstable (also in economic terms) country. Is it in the interests of the European Union to keep Serbia at a distance? This could serve as a precedent to fragmentation in the Balkan area and this fragmentation could be used later by President Putin when he speaks of Georgia etc. Why should we create such a political atmosphere? I must admit that I do not understand why it is in the interest of Europe, where the political interest lies in acknowledging Kosovo's independence, and I know that Europe will acknowledge Kosovo's independence.

As a journalist I have asked French politicians and diplomats this question and the answer

they give me is that no one wants Kosovo's independence and that we know that this is not a good solution but that there is no alternative. The alternative could be that we do not acknowledge Kosovo's independence but what kind of turbulence would this create. This is an incredibly paradoxical situation; the two big economic and political superpowers are just unable to resist the pressure exercised by a few hundred thousand Albanians living in Kosovo. I think that we should define the question of boundaries as being in the economic and political interests of the European Union.

Henri Froment-Meurice

Please allow me just to make one remark as regards promises and Turkey. These promises go back to 1963 at which time France was led by General De Gaulle. We were talking about perspectives and how the Economic Community would become the European Community and be far less political than previously attempted. We wanted to have progress and development in that direction and I also think that we should relativize this.

Vladislav Inosemtsev, Professor of Economics at Moscow State University and member of the Board of Advisers of Russia in Global Affairs, Russia

It is always difficult to speak on ever-changing relationship between two parts of Europe – on what is now European Union and on Russia. Nowadays both lack a clear vision of their adversaries and no one possesses a developed political agenda toward the other. This results in deepening misunderstanding and mistrust, which are on the rise both in the EU and in Russia, even while our people do not express any deep suspicions to each other. I will try to present my vision of what should be done if we want to make Europe more united and stable.

Today the attitudes of Russian public seems to be paradoxical. On the one hand, only 5 per cent of Russians think that Russia is predominantly an Asian country and should concentrate on cooperation with its neighbours in Asia. 69 per cent evaluate what the EU has done in the last 50 years, as a positive example of promoting economic progress, liberty and security. Nearly 80 per cent of Russians like Europe's way of life and its social practices, while a little over 50 per cent like "the West" in general, and less than 30 per cent have a favourable outlook of the United States and its social and, especially, political model. But at the same time less than 3 per cent of Russians may be labeled as active supporters of a pro-European Russia, i.e. of Russia fully integrated into the European Union. Politically there are no parties or popular movements expressing such an integration as their goal (the so called Democratic Party of Russia only discredits that idea, inspired and backed by the Kremlin administration).

European attitude is by no means better. Europe doesn't have a strategic vision of its policy toward Russia. Some of EU countries feel themselves threatened by Russia's resurgence – up to now, I believe, without any serious ground. Some declare themselves "Russia's partners", especially when it comes to share the economic (or in some cases even personal) benefits of "energy cooperation". Other don't have any clear position at all. Moreover, in its attitudes toward Russia Europe is heavily influenced by its attachment to NATO and the political dependency from the United States, clearly seen in the policies of some countries of the "New Europe".

But it's counterproductive to ignore Russia's problem. Contrary to all what Russian political elite tells the West, Russian Federation hasn't yet evolved into a normal country. A country unable to reduce an alarming social inequality while being world's biggest oil exporter, isn't

normal. A government that cannot manage any two consecutive parliamentary elections under the same rules, isn't normal. A nation where 16 per cent of active male workforce is employed in the military, police forces, secret services and as private guards, isn't normal. For many decades so far Russia represents an unhappy exception from a rule stating that each country has a power class which it deserves. Mr. Putin and his inner circle represent the most corrupt political elite Russia had after Count Menshikov's displacement in 1727. And Russia may become a source of a real political and economic trouble for Europe – not through its energy supplies, but by establishing close political links with China and then turning into China's younger partner in an presumably anti-Western coalition. I'm sure: only by integrating Russia into the European Union can Europe eliminate the greatest source of instability inherited from the times of the Cold War. The dissolution of the Soviet Union – Gott sei dank, as our German friend use to say – created a unique prerequisite for this, detaching Muslim republics from Russia and making it much more European than the whole Soviet Union sometimes was.

For Europe this development may bring a lot of advantages. On the one hand, Russia is the biggest market that the EU can hope to conquer in the near future. If properly managed, Russia's well-educated and relatively cheap workforce could provide Europe with another crucial competitive advantage. By securing access to Russia's enormous natural resources, the EU could become the most self-sufficient economic bloc in the world. With Russia on board, Europe would arise to a major geopolitical force, unmatched in terms of territory, natural wealth and regional domestic product, and well on par with the United States in military power.

For Russia getting closer to Europe and later joining the European Union is the only way the

country can go along if it doesn't want to be 'squeezed' between united Europe (the largest single economy in the world with \$14.4 trillion in gross regional product) and China (whose GDP is 4 times bigger than Russia's). In coming decades Russia will inevitably have to come closer to its western neighbors, if it doesn't want either to get torn by new "lines of tension" in Eurasia, or to be subjugated by China. Today Russia's economy already is a part of the European economy; EU's share in Russia's exports stays at 60.4%, and in imports at 53.2%, while European countries provide about 70% of foreign investment into Russia.

The biggest problem is how to initiate such an integration. We all know that building a "sovereign democracy" in his country, Mr. Putin is trying to exclude Russia from the Western community, which it has approached somewhat in the last fifteen years. Securing Russia's sovereignty rather than Russian democracy, he opposes every constraint from European institutions. This is why, in his own words, "Russia has no intentions to join the European Union". There will no be any application from Moscow to join the EU. And in this case Europe, I believe, must act first. The leaders of the EU nations must clearly express their joint position inviting Russia to become a EU member – of course, if it satisfies to all formal conditions that apply to any other applicant. By doing this, European leaders will not promise to incorporate Russia immediately – as they show no hurry in admitting Turkey. So the move would not cause a revolution. But it will dismiss the major argument of Russian policymakers – the one that insists: Europeans aren't waiting for the Russians. And this will eventually change everything, since from that time on an abstract drive towards justice and fairness which rests so deeply in the Russian soul, will become associated with the drifting towards Europe.

You must act first. I do understand that the Russian case is somewhat exceptional. But that exception comes not from the scope of its landmass or population. The share of Turkey's

territory lying in Europe is much less than Russia's. If admitted into Europe, Russia accounts for less than a quarter of its combined population. The problem arises from the very idea of the European integration presupposing that a nation must clearly express its will to join the European Union. With Russia, this will never happen. As long as the Russian ruling elite capitalizes on its unaccountedness to its own people, it will not initiate any move that may change the current condition.

French political scientist Dominique Moïsi said that if there were "one West and two Europes" in the last years of Cold War, there is "one Europe and two Wests" in the modern world. This solves the eternal dilemma of Russia, allowing it to return to united Europe without becoming a Western country in an American sense. It is absolutely necessary to seize that opportunity. Russia has no one else to go with in this world, and one can't go far alone, neither Russia, nor united Europe.

George Skorov, Haute Ecole du Commerce, Paris, France

I think it is clear to anyone who analyses this issue that there are no strategic goals in the relations between the two parts of Europe. Russia does not know what it wants from Europe and Europe does not know what role it should assign to Russia in the historic process of European integration. This is a very clear thing. So it would be necessary as an intermediate step to think of something that would be really attractive to both countries, not just a partnership treaty a long the lines of what was conceived more than 10 years ago, but something like a free trade zone. This would eventually enable the exchange of goods, capital and people and this would be possible as soon as Russia enters the WTO.

Horst Mahr, Foreign Affairs Association, Germany

Let me just make two or three comments, the first to Mr Wu's highly interesting speech. You appealed to the European Union to accept globalisation and the shift of the centre of gravity of international relations towards the Pacific. I think the economy, the motor manufacturers and banks have already accepted this move but in Europe, and this is another problem, we have a big gap between politicians and the economy. Economically Europe is present but it needs the politicians to run behind.

In Kosovo there are only about 2 million people, it is extremely poor economically, more than 50% unemployment and as I mentioned yesterday 18,000 European soldiers under KFOR, so 18 divisions which is a huge amount, and the commander will tell you that he is unable to secure the churches and monasteries for the Orthodox minority of the Serbs. Europe is unfortunately unable to solve it, we can only wait and see what happens.

Horst Teltschik

This time I would like to contradict my German friend, Mahr. My 20 years in politics and 16 years in business in no way leads me to believe that business is better than politics at improving relations with other countries. Entrepreneurs do not take risks if there are political tensions going on. As long as there are political tensions, no entrepreneur will try to enter a market and therefore first of all you have to start with good political relations and then business can be successful. If you look at China, politics made the first move in China and then business followed and not vice versa.

Jianmin Wu

The gap between politicians and entrepreneurs: I believe that as far as Europe-China relations are concerned my worry is not only about this gap, my worry is about the picture Europeans have about China through the media. For instance, I watched Euronews today and they said Europe will have a huge deficit with China, € 170 billion, a huge number but no one explained why it is so to the Europeans. Sixty per cent of China's exports are produced in multinational companies based in China and in that process Europeans make a lot of money. For instance, we Chinese make three Euro by producing the goods exported to Europe, the multinational companies put their brands on the goods and the price in Europe may rise to €50 or € 60. The multinational companies make huge profits through this imbalance. That explains why our trade is growing so fast. But the other side of the coin is not brought to the attention of the European public. The Europeans only know that the deficit comes from the purchase of Chinese goods. So China is to blame. They do not see the other side. I am worried about that. If one day you take measures with regard to your trade deficit with China, you will be working against our common interests.

Victor Kuvadin, Gorbachev Foundation

I think we should also ease the travel restrictions of Russians to Europe, there is an artificially enhanced resistance to this and also we should do everything possible so that you can exchange a rouble with a Euro anywhere. The rouble is rather good money.

I agree with many of the things that the professor Skorov said and I would like to point out two more things about a more nuanced relationship between Europe and Russia. There are three stakeholders, the public being one of them. The public is very positive about

Europe and a recent poll demonstrated that on average Russians have a very positive impression of Europe and the European Union. The second stakeholder is the upper middle-class, these are not really the oligarchs, these are people with power and money, but they are opinion makers and they are also pro European. The third and most complicated category is the small elite and they are the ones who control the money and power in Russia. They have their wealth and property in Europe, they have already gobbled up half of London, the children of this elite study in Europe and nowhere else, the wives of this elite give birth in European hospitals and they also get their services in Europe. Even President Putin is very double faced in this regard, but let me point out that in the last hundred years he is the first Russian who speaks a European language well. Within this very narrow elite there is a very strong anti-European sentiment and it would be a huge mistake to think that there is some sort of unified anti-European front but rather there is double thinking here.

Henri Froment-Meurice

Thank you. Now I would like to call on Mr Grachev to extend our thanks and best wishes to President Gorbachev for the invitation and you should also convey to him how useful it was for us to meet. This meeting is one in a series of very important meetings and I would also like to thank the Hungarian authorities for making it possible for us to work here.

**Andrei Grachev, Chairman of the Scientific Committee, The World Political Forum,
Russia**

I would like to thank everyone for this very inspiring conclusion to our debate because at the end of this almost two-day seminar, we have started to draft an impressive list of unsolved problems, which is probably the real agenda of the next Europe, a Europe of the future. It is an optimistic conclusion.

When we discussed how we could conclude this seminar, there was a proposal to end with a text or manifest, or a Budapest Appeal. Then we understood that it would not make much sense because as was said during this debate Europe is an idea in progress, it is not yet completed and happily, it presents many open questions but also a very impressive list of problems that have been solved.

Europe is a dialogue and I think we are all very happy to be able to say that we have had a real dialogue during these one and a half days and without any exaggerated political correctness. I think it has been a straightforward dialogue and I think we have every reason to congratulate ourselves on this.

My other point is that this dialogue expressed the impressive results of Europe and also the concerns but probably also defined some lines for the future European project. Here I am speaking about Europe as a chance for the world. Europe might provide the world with the possibility of escaping the two biggest risks, the traps that the whole world may be facing - the risk of returning to the previous epoch of confrontation and mistrust.

Another risk is putting too much hope in simplistic solutions and I think those two risks are very important and Europe is happily there to provide a guarantee against this kind of risk. At

the same time Europe is already an element of the New World equilibrium which is emerging before us. Yet to achieve this Europe has to show the courage to use its potential and that I think this could be the signal, if not the message, that comes out from this one and a half days of debate. Some of the people present here represent a certain generation that made this new Europe possible, a generation that was prepared to take risks, as Dr Teltschik reminded us, so let's encourage the new generation of politicians to take an example and lessons from this generation and go ahead and take the risks.

My final word would be just to say that we are happy to conclude with the hope and the promise to try to continue this line of dialogue and you can count on the World Political Forum to be ready to continue this debate.