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EUROPE AND GLOBAL ISSUES

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Thank you for inviting me to exchange some views with you, in the climate of rapid change – and therefore uncertainty – that seems to be prevailing today. In discussing the problems the European Union currently has to face, I would not want to burden you with the detail of the important, but impassioned, debate on their common future that the European countries have undertaken. I would therefore suggest linking my analysis of Europe's future to the formidable challenges confronting the world. For what can be achieved in a large region of the world can contribute, to a greater or lesser extent, to establishing a set of rules and practices for making our planet a more pleasant and peaceful place and ensuring that its development is more sustainable.

I will address the issue of the European Union's enlargement – the largest and most difficult such exercise it has yet had to undertake – with particular reference to the concerns of those who, like you, share in the responsibility of resolving what are known as "global issues".

To return to Europe's own destiny, I have always held, for the past ten years, that enlargement was a compelling duty of ours and one that we would fulfil, but also that it could happen to the detriment of what we tend to call, in our jargon, "deepening". A number of us are unwilling to accept this prospect and wish instead to build on the political and cultural heritage handed down by the founding fathers of Europe: Jean MONNET, Robert SCHUMAN, Konrad ADENAUER, Paul-Henri SPAAK, Alcide de GASPERI and others. This would imply that a group of countries – those which are willing and able to do so – should forge ahead towards a form of political union. I have referred to such a group as a "vanguard".

I believe this is the only way of allowing Europe to shoulder its share of responsibility on the global stage, rather than content itself with administering an ill-defined and insecure free trade area. For although the European Union is highly active and allocates significant resources to global objectives – such as development measures, aid for poor countries and humanitarian action – it remains, for want of a consistent philosophy and in-depth cooperation between its members, a kind of "chained Gulliver".

I. **The larger Europe:**
an issue closely related to globalisation

The countries which have applied to join the Union must, in a way, meet two economic challenges at once: they must comply with the rules and constraints of the internal European market, while also adjusting to the new global situation. Alongside the EBRD and the EIB in particular, the World Bank is helping these countries to cope with this daunting task, which involves modernising governmental institutions as well as commercial enterprises, establishing the various conditions governing enterprise in a market economy, and, with this in mind, providing the men and women in these countries with appropriate training.

Purely in terms of their accession to the European Union, these countries must fulfil three essential conditions:

1. Establishing a pluralist democracy in which human rights are respected. This requirement implies that the founding elements of a functioning democracy, such as civil society, a system of industrial relations, an independent and competent judicial system and the rule of law, must be in place.
2. Establishing the foundations of an open market economy, which will therefore be exposed to trade flows from all over the world.
3. Introducing into their national legislation the rules governing life in all the member countries, i.e. some 60,000 pages of legislative and regulatory texts known as the *acquis communautaire*, or body of Community law.

This is an ambitious effort which will not be totally completed by the time these countries actually join. Transition periods will therefore be necessary in the most sensitive areas.

We must set objectives that can reasonably be achieved by this enlarged Europe. Obviously, some of them will also meet concerns about the future of the world as a whole.

One example I would like to mention is the creation of an area of peace and security for 500 million people. As was the case in the little Europe of the 1950s, we must, without forgetting the past, overcome yesterday's conflicts and achieve better understanding between peoples. For more than a century, many of these countries have been the instruments of the great powers, which waged wars or struck compromises at their expense. This has left many wounds and scars. These countries have a tremendous need to ensure security, the stability of their borders and the fair treatment of minorities. The situation is worse in the Balkans, for war is still present in the form of intolerance and even armed conflict. The European Union has a historic responsibility: to introduce in this region the ideas and practices which made reconciliation possible in the western half of the continent, through the pooling of resources and cooperation. Hannah ARENDT's splendid phrase – forgiving and promising – goes even further, implying forgiveness without forgetting and the promise of a jointly determined future.

This common area will have to meet the same challenges as the world as a whole: financial instability, environmental damage and widening social divides.

The European Union has begun addressing these issues. First, it unified its market and the rules which govern it, such as the control over State aid and respect for competition. Secondly, and building on this large single market, it made a single currency and national economic policy cooperation available to those countries willing to move forward in this area. It also committed itself, both within and outside its borders, to vigorous action with regard to the environment and food safety, and has established specialist agencies so as to ensure that any measures undertaken are based on sound scientific foundations.

By extending these areas to the larger Europe, I believe the Union will serve as a valuable laboratory for all those concerned with establishing economic, environmental and social sustainability at the global level.

Demographic trends, immigration and the free movement of people are also crucial issues. Here, the

larger Europe will need to deliver solutions applicable not only to its own vast area, but also to its relations with its extended neighbourhood to the east (the countries of the former USSR) and the south (the Mediterranean and African countries).

My dream is therefore that, by 2015, historians will be able to say that the larger Europe has contributed its share of practical and positive answers to these global issues. It will, clearly only be able to do so in partnership with the entities and nations of the world.

Unlike what many specialists would have us believe, administering the larger Europe is not an insurmountable problem. History has served us well, in that the Community approach is precisely the most appropriate one. By this I mean the institutions and procedures invented by Europe's founding fathers: a Commission which issues proposals, ensures consistency and performs much of the administration, a Council of Ministers which takes the decisions, a European Parliament which supervises and, in certain areas, acts as co-legislator, and lastly a Court of Justice which has the final word on the application of the treaties. The more membership increases, the less useful and efficient purely intergovernmental practices – i.e. the traditional forms of interaction between States – become. Let us hope that once the current debate, often sustained by "would-be wizards", has blown over, we will return to a more balanced view of Community practices.

Having said that, will it be possible to make progress in economic and social integration with a membership of 27 to 35 countries? For the 15-member Union is already some distance ahead. Economic and social cohesion, for instance, has become a core objective. Through its regional development policy, the Union has greatly contributed to reducing disparities between Member States. The policy accounts for over a third of its budget, and its resources have been increased sevenfold since the initiatives I took in 1987. To give you a rough idea, the transfer of resources through practical development programmes has accounted for between 2% and 3.5% of GNP in certain beneficiary countries. The philosophy underlying our action consisted of three interrelated principles: competition to stimulate, cooperation to strengthen and solidarity to unite.

The applicant countries are naturally very interested in this aspect of the Union. However, the question arises as to whether our leaders will have the political courage to apply these principles fully in the larger Europe.

I personally very much hope they will, for reasons not just of principle but also of necessity: the links forged by economic and social cohesion will ensure the stability and strength of the whole formed by the larger Europe.

II. **How can we capitalise on the political legacy bequeathed to us by the founding fathers?**

From the description of an enlarged Europe I have just offered, it is clear that I believe it has, for the moment, great ambitions with regard to the establishment of a common area of solidarity. Yet we are well aware of the difficulties which the European countries will have to overcome to ensure that enlargement is a positive-sum game while preserving the values on which our economic union is currently based.

And these ambitions do not cover all the objectives the Union was set in its founding treaties.

I will mention just two examples.

The first relates to economic and monetary union (EMU). To join, a country must meet certain criteria reflecting rigorous economic and financial management. Until these conditions are fulfilled, the new Member States will remain outside the euro zone, even if certain flexible monetary links are established between the two groups of countries. And the process of economic and monetary union is far from finished. The euro must continue its development and acceleration phase, both internally and in an international context. For instance, there is still some way to go before EMU includes a single financial market that would make it even more accessible and efficient. Furthermore, cooperation between national economic policies still involves only multilateral monitoring, even if this is already very useful. It must be enhanced if we are to avoid asymmetric shocks within the Union and maximise the chances of

sustainable development.

Secondly, the European Union is progressing step by step along the road towards joint actions in the foreign policy sphere and the creation of a military rapid reaction force to cope with certain political and military crises. Can this progress be reasonably expected to continue with a membership of 27, and then 33 countries? Wisdom and realism would dictate that those countries which are politically willing and materially able to do so should forge ahead.

Let me be clear: I am not calling for a 19th-century kind of European State, but simply for a European player on the international stage. And I am not speaking out of nostalgia for a bygone era in which Europe had a dominant role, but out of commitment to an ideal of European universality.

The formation of a vanguard is therefore indispensable if European integration is to continue. That step would leave all options open for the Europe of the future. At this stage in my presentation, I must once again respond to the permanent fear of a "two-speed Europe". The vanguard I am suggesting would remain open to all countries able to join it. We must bear in mind that by rejecting this solution, we could cause Europe to grind to a halt. Furthermore, the entire history of European integration is punctuated by advances that were not accepted and implemented by all Member States. Would economic and monetary union be established today if we had had to wait for the agreement of all 15 current Member States?

That is why the European Union must continue its deepening process through this vanguard. It must be aware of its assets, but also of its weaknesses and shortcomings with respect to cooperation, whether on internal economic management or its action within international organisations. The European Union is the leading donor of official aid and humanitarian assistance, and can offer a comprehensive framework for cooperation with developing countries which includes the Cotonou convention with the African, Caribbean and Pacific countries and bilateral agreements with other countries throughout the world.

To date, however, it can hardly be said to have used all these assets to make its mark on the international stage and achieve progress towards resolving global issues. The Union has the means to do so. However, due to both the lack of a clear vision of what it wants and well organised European and international cooperation, this still remains an "unidentified political object".

III. European responsibilities at the global level

This plea for a strong and caring Europe finds its justification in the emergence of a new world, albeit one that remains to be designed and constructed to respond both to the opportunities it presents, but also to meet the main challenges lying ahead:

- The demographic time bomb, with the world population having doubled to 6 billion and the prospect, if nothing changes, of it reaching 9 billion.
- The risk of monetary and financial instability owing to the lack of minimal control over capital flows.
- The widening divide between "haves" and "have nots".
- Environmental damage (carbon emissions, deforestation, drinking water shortages, erosion of biodiversity, etc.).
- The spread of weapons of mass destruction, related in some cases to drugs trafficking.

Ever more warnings are heard and new initiatives are emerging, such as that for debt relief and poverty reduction conducted and monitored by the IMF and the World Bank. In a way, the concept of "global public goods" reflects this growing awareness. This could prove crucial, provided it includes quantifiable and verifiable objectives, such as poverty reduction, the development of education for all, improvements in health and environmental quality, etc. Otherwise, all this international discussion will have done is produce academic concepts, to put everyone's conscience at rest.

With this in mind, and without going into too much detail, I believe we should combine four essential criteria:

- Optimum allocation of resources for the sake of efficiency.
- Distribution of wealth and opportunities, in line with the chosen approach as regards social justice. Nobel prize-winner Amartya SEN stresses this point: practical freedom to play a part in society and contribute to shaping political decisions.
- Poverty is a cumulative phenomenon which is developing quicker than the general level set to improve the running of the world economy. This calls for determined and selective action in favour of the countries affected, which must combine opening the markets of developed countries to their exports, increasing official development aid, reducing their debt, and strengthening the capacity of their national institutions to combat poverty.
- Lastly, a degree of stability in development, since economic security is a determining factor in political security.

While not underestimating what it is already doing, the European Union must commit itself wholeheartedly to this process and increase its contribution.

The promise the European Union has made to open all its markets for goods and services – except for weapons – to the less-developed countries responds to this imperative. The Union has thus demonstrated its willingness to make a positive contribution to the next round of trade negotiations. However, it is not willing to be treated as a scapegoat in agricultural matters and expects all other large producers of agricultural products to make an equivalent effort. It has also pointed out that transition periods will be necessary on the European side to avoid rural exodus and on the developing countries' side to break out of food dependence and develop an agricultural sector that can meet a substantial part of the population's food requirements and produce a surplus for export.

While, generally speaking, the opening of markets and expansion of trade relations can benefit all parties, however the connections with working conditions and the environment should be borne in mind to ensure fair competition. These factors have not yet been reconciled, but the WTO should take them into account.

The European Union is showing the way as regards official aid and cooperation with developing countries. Trade cannot be liberalised without building up cooperation among developing countries, and between them and their developed counterparts. Solutions and encouragement for the future can be drawn from the experience acquired in this area.

Lastly, I will just mention the concern raised by the concentration of financial power and domination of financial markets. An urgent debate is required. We must review Bretton-Woods, bearing in mind the hopes of those who founded the international order after the war.

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I would like to close by proposing not a miracle cure but a process that might help resolve global issues: the establishment of an Economic Security Council. This body would have two main tasks: to make all countries more responsible by involving them in the debate, and to propose experimental measures likely to improve financial, environmental and social sustainability. The idea has been rejected by some as being totally impractical. Others wrongly believe the council, rather than the existing institutions, would be expected to decide everything. That is not at all my intention.

Yet I am struck by the routine nature of the discussions held at the annual meetings of the Bretton-Woods bodies, by the difficulty the WTO is experiencing in taking the social and environmental aspects of international trade into account and by the lack of any specialised organisation able to deal with issues such as the environment and tax evasion.

We must reconsider the foundations laid at the Bretton-Woods and Havana conferences in the light of the new global situation. A large conference would serve no purpose, since we are in the midst of a period of change whose factors we do not completely control and whose outcome we cannot anticipate.

That is why I believe a more pragmatic and longer-term approach would be preferable: one that would take into account the deep divergences existing between the various parties. Witness the follow-up given to the Kyoto protocol on the environment and, to take another example, the endless debates on reform of the global monetary system.

Such a council would by no means prevent the system's current players from continuing their discussions and action – or even from adjusting them in the light of the debates and investigations carried out within this global forum. I stress the need to involve all countries, directly in the case of the most important nations (the G8 countries plus China, India and Brazil) and indirectly, through their regional organisations, in the case of lesser countries. The "specialist" organisations, including the IMF and the World Bank, would cooperate with this council and, in particular, provide it with surveys, assessments and outlooks.

Given the great diversity of the problems raised, either existing institutions or special task forces could be asked to study individual issues in more depth.

The Economic Security Council, whose secretariat would be run by the United Nations, would hold annual general meetings in the presence of heads of government and the presidents of the regional organisations. They would provide an opportunity to take stock of the discussions held and initiatives undertaken, as part of an open approach that would give public opinion a better grasp of the globalisation phenomena.

We cannot content ourselves with the excellent work carried out by the specialist institutions, each in its own field. We have legitimate doubts as to the value of grand world conferences which are well-meaning but so disappointing in terms of follow-up. Let us try to establish a new framework, within which no country would be able to evade its responsibilities in building our global village.