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A world ungoverned

A Conversation with Vicomte Etienne Davignon

E I would like to begin this conversation with the topic of the moment, the **I** question of the Deutsche mark and of the reunification of the two German currencies. From a political point of view, not only the pace of events, but also the way in which the Bonn government has managed the entire process has created some worries among the partners of Germany in the EEC. Indeed it is only too easy to point out that the Deutsche mark is also at the centre of the European monetary system and that, accordingly, Germany has a position of leadership (and therefore a great responsibility) in the process of European unification in the very sector in which we have advanced the most. Bonn, however, has handled the incorporation of the East German mark with a purely national approach. For a moment, it seemed to have forgotten its pan-European responsibilities, and to have taken into consideration only the interests and the aspirations of the Germans, on both sides of the Elbe.

Vicomte Etienne Davignon - It is clear that nothing human is, by definition, ever really perfect. This having been said, I think, however, that there are several important points that must be kept in mind when approaching this question. To begin with, one has to consider that to us—the neighbours and partners of the Federal Republic of Germany in the European Community—the East German affair is a foreign policy question: undoubtedly a very major one, but still one of foreign policy. Instead, for the people and the authorities of the Federal Republic of Germany, this is a question that touches the very core of their daily reality. We must not think as if the separation of Germany happened a century ago. For the Germans, it is an open wound aching all the time: perhaps even more serious than a situation where Sicily were no longer part of Italy or Corsica were no longer part of France. And it is inevitable, and perfectly normal that responsibility for the destiny of the East Germans should

MOVING TARGETS

be considered by the Bonn authorities as part of daily responsibility and as a domestic issue, not as an additional responsibility pertaining to the domain of foreign affairs. If this is kept in mind, I believe that their reaction should be considered as absolutely comprehensible. Too often foreign observers have approached the issue of German reunification with a clear underestimation of the fact that it is not an upheaval of the international "natural" order, as a modification of the normal state of things. On the contrary, to German eyes, it is simply a question of the "return to normalcy". This, I believe, is a very important point.

Another crucial thing that one should not forget is that short-term consequences—actually, the immediate consequences in the economic realm—affect the Federal Republic much more than any other country. Where do East Germans go when they leave the DDR? To West Germany, of course. The economic and social security problem created by the East German refugees is entirely West Germany's problem; it is not our problem. In addition, the effects that German economic reunification might have on inflation is primarily a West German problem, although it can become a bit more of a concern for us, since inflation can be exported. If we want to be rational for even one second, we must admit that we cannot reason "as if we were in their place"; the Germans are the only possible subjects of this question. Moreover, the Federal Republic has been thrown into the centre of the debate in a manner equally sudden for them as for ourselves. A point often not made is that West Germany, as well, follows a rhythm imposed on it by events, a rhythm that does not correspond to what would have been desirable as far as consultation and concertation are concerned. West Germany is as overwhelmed by the rhythm of events as we are ourselves. The difference is that we can take the leisure to make comments. They, less so, because the impact on them is immediate and direct.

A third, equally important point is whether these new developments strengthen the leadership of the Deutsche mark within the European Monetary System, or rather show the need to have another currency as well as the backbone of Europe's monetary unification. This probably would not prove to be such a bad thing, to be able to rely on another currency while the Deutsche mark undergoes a phase of weakness, or rather, a situation less strong than before. For those of us who favour the reinforcement of the ecu, and of Europe's economic and monetary union, the events related to Germany's monetary unification create a situation which objectively seems to strengthen rather than weaken our case.

Vicomte Etienne Davignon

E *You do not seem to find this economic Anschluss very worrisome.*
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Vicomte Etienne Davignon - I do not think that the question is one of knowing whether the goings-on in the Federal Republic are cause for worry. In all honesty, I cannot see how the West German authorities could have done otherwise. The rhythm to which they are approaching this affair is not a rhythm which they have been able to choose: it is a rhythm that is a consequence of events which surprised them as much as ourselves. Upon speaking to West German friends, it appears clearly that for them as well, the rapidity of change in East Germany or even the results of its March 18 election held a totally surprising element. The larger share of commentators, and the smartest and most informed ones, had predicted a victory of the Social Democrats, not of the CDU-CSU-Liberal alliance. This all indicates that everything that happened was not so easy to predict.

For myself, the real problem does not seem to be whether or not we should be worried. The real problem is to decide what we have to do in this phase of extremely fast change. How do we react to all that is going on? What is being done on the European level when confronted with the return of Germany back to "normalcy"? This is the big question. In this respect, it seems evident to me that at the beginning, there was among Germany's European partners a phase of disconcertion and doubt. I consider this to have been a very dangerous phase, during which a certain number of countries were thinking of inter-European relations not in terms of a strengthening of the integration process, but more in terms of power equilibria, an approach that seems to me conceptually outdated and practically inapplicable, an approach that would bring us to the brink of an anti-German position almost similar to that of the Soviet Union.

After this brief period of confusion, it was therefore important to have the confirmation that economic and monetary union must be operational on January 1, 1993. And the joint Kohl-Mitterrand declaration confirms that it will be operational by then. This is the second phase of the Delors plan—as it was agreed following the negotiations. We will therefore have at the same time the reinforcement of Western European integration and the new political and economic developments that have begun with the upheavals in the central and eastern parts of the continent. Obviously, these development were not on the Strasbourg agenda, when discussion of the Delors plan was opened. But their impact was felt immediately after, as the Strasbourg agenda was completely

MOVING TARGETS

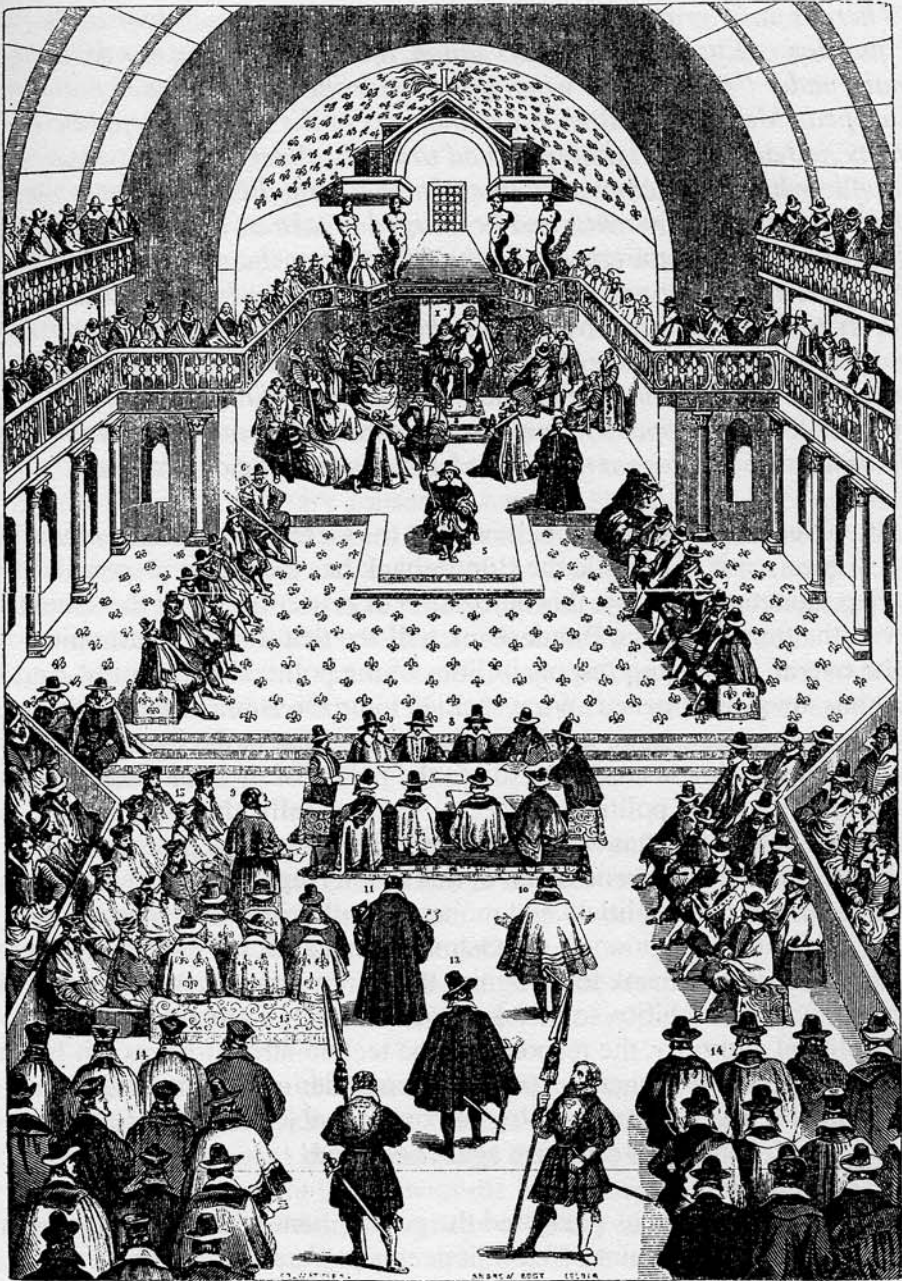
jostled by the events in the ex-satellite countries. And whereas you may well recall that in the Delors report there were no dates, it is today an accepted fact that dates must be fixed.

The same thing applies to the reinforcement of political union. But what does this mean, "reinforcement of political union"? No one knows for sure, but one important thing at least is indisputable. It is the reassertion by the West European countries of the option in favour of supra-national integration rather than the option based on a balance of power between totally sovereign states, or in other words, the furthering of a community system rather than a return to an alliance system. To conclude, I have the impression that actual events—stubborn by definition—demonstrate that the choices are very narrow: either we proceed on our previous path, or we do nothing at all. There is no real alternative for the EEC countries. Indeed, faced with the choice of succumbing to their perplexities instead of acting to; stepping back and simply watching and commenting the events, they have preferred to put the machine back in gear and get on with the European construction.

E
I *Finally we have from you a positive evaluation of the results.*

Vicomte Etienne Davignon - Future events can still prove me wrong. But I feel that for the moment at least, what is going on supports the views of the optimists. I mean, the views of those who do not see the East-West German unification—nor do they wish it to be—as an upheaval of European order, but consider it an opportunity for radical changes insofar that it takes place simultaneously with the strengthening of European integration, along the lines of the option taken in 1947. First, there is the recognition that the Strasbourg agenda has been outdated by events, and that it has to be replaced with a new one. Secondly, there must be the recognition that in face of this new situation, more and not less political union is necessary, and from this stemmed the Kohl-Mitterrand declaration. This declaration can be considered a major political event, because it has reconfirmed the designation of the European Community as the competent forum to deal with the problems of European security, and because it has called for a NATO summit, so that the two components of European union (economic and political) and the maintenance of the alliance with the United States may be developed at the same time. It is quite striking how there is an institutional and structural reaction to political events. Take just a moment to think that it is a French president that has called for a NATO summit!

Vicomte Etienne Davignon



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MOVING TARGETS

E **I** There is another interesting angle from which one could look at the question of European monetary union, after the decision to take the East Germans under the protective wing of the Deutsche mark. When negotiating the European Monetary System, the authorities of the Federal Republic of Germany had always said that what had to be absolutely avoided was a situation in which the techno-structure of monetary policy would become dependent on the governments, and be obliged to take its decision under the pressure of political requirements. In the debate over the monetary Anschluss, though, the German consensus on monetary matters has been reached on a not purely technical ground. Namely on the question of the conversion rate between the Ostmark and the Deutsche mark, the Bundesbank has clearly given in to a certain number of political constraints. Will it, in future negotiation on the European monetary unification, be more difficult for the Germans to raise the dogma of total independence of the central bank?

Vicomte Etienne Davignon - I believe that the German consensus around the currency question is that while the Bundesbank has the prime responsibility in managing monetary stability, this delegation of power means at the same time, however, that in the end the Bundesbank will see that it fits in harmoniously with the overall leadership responsibilities of the political authorities. And this is what has always happened. What seemed to be the Bundesbank's total independence was to a large extent due to the fact that in the Federal Republic, we had become rather accustomed to see the policy of monetary stability as part of primary overall political concerns. Theoretically, things could of course be different. Indeed this has not always been the case in the past. Recently, though, we had become accustomed to this uninterrupted coincidence of objectives between the political and monetary authorities. Now, on the occasion of the incorporation of the Ostmark, an additional element is needed in order for the Bundesbank to recognise that there were other considerations, on top of monetary stability, to be taken into account. To this unusual request by the political authority, the response of the techno-structure was: "it is not impossible to manage monetary stability even under conditions which we do not recommend, but a certain number of consequences will have to be accepted. Thus, consensus can once again be found.

The monetary authority has presented the government with the scenario which, from a purely technical point of view, it deems preferable. It is up to the executive power to determine whether it wants this scenario. The bank does not say that the implementation of this less recommended scenario is not feasible.

Vicomte Etienne Davignon

It only accompanies it with the proviso that in this case it is in the responsibility of the central bank to take a certain number of measures to maintain monetary stability and avoid inflation.

The monetary institutions do not have absolute independence in pursuing the goal of monetary stability; if autonomy is indispensable, does one really believe that monetary institutions could pursue their policy in a laboratory or in the abstract. In any case, monetary institutions could not pursue this policy in the desert or in the abstract. They must also take into account the overall environment, re-orientating monetary policy according to it. But at this point a balance is achieved, between autonomy and seclusion from the real world.

When you say very accurately that the reality of recent events in Germany has unveiled the German consensus on the monetary situation, it must be pointed out that the German monetary consensus has two elements. It does not consist solely in the fact that the monetary institution is truly independent, but also in the obligation, for the monetary institution, to transpose in the monetary field the consequences of a certain number of political decisions, for logically it cannot—merely because it has the final responsibility in monetary matters—block the government from choosing options based on reasons that go beyond the bank's more limited view. But then the government has to accept the consequences, drawn up by the bank and implement an adjusted policy to achieve its basic aims.

E *Related to this question is another topic to which we could now move.*
I *The decision to exchange the Ostmark at par with the Deutsche mark in the great majority of cases was obviously a privilege granted to the inhabitants of the DDR. This might be good as far as the economic prospects of the East Germans are concerned, but does it not risk widening the gap between East Germany and the other Eastern European countries?*

Vicomte Etienne Davignon - You are touching upon a rather serious problem there. To assess it correctly, however, there are several elements that one must take into account. It has to be remembered that East Germany is not only getting privileged treatment today, with the incorporation of its economy into the area of the Deutsche mark, as you correctly say in your question, but was already in a better situation than the other countries of Eastern Europe beforehand. This is due, among other things, to its special status under the Treaty of Rome, where inter-German trade is not considered foreign trade.

MOVING TARGETS

Without intervention and without action, the privilege presently being granted to the DDR will only help increase the differences. As a consequence, if we do not want the gap to widen, we have to devise an *ad hoc* strategy for the economic rehabilitation of the other ex-satellite countries as well. We will have to be as active as possible in Community policy vis-à-vis the other countries of the East, so as to attempt to do all that is technically and practically possible. What this calls for as a consequence is a dynamic policy.

To avoid a menace of having Europe divided in two halves—a rich EEC to the West and an economic disaster to the East—seems to me to be in everyone's interest. The first effort has therefore to be aimed at making the West European countries realise that the transformation of Eastern Europe into part of the Third World would not only bear extremely heavy consequences for the countries in question, but would also have a negative impact for the type of equilibrium, tranquility and development that we want to have in Europe.

A dynamic policy, however, has to start from the awareness that clearly, government aid is not going to solve these problems. The sums required would be above and beyond what any of our budgets can afford whether it is a question of ours, of the United States' or of Japan's. Therefore, the answer to the rehabilitation necessities of Eastern Europe lies in creating as rapidly as possible the local conditions that will allow local economies to develop under profit-making conditions. This is to say that it calls for the creation of an economic environment favourable to private investment in the other countries that were formerly part of the Eastern bloc. The dimension of the problem, of course, legitimates the question as to whether this is not a dream. I believe the answer could be negative. Structurally, Hungary and Czechoslovakia are not in situations much different from those of Spain and Portugal. It is their legacy that places them in a negative situation. There do not seem to be permanent, objective factors that place them in such a situation.

E *You do not seem to believe that there is any major economic or socio-cultural obstacle to the integration of at least some of these countries in the processes that have been characteristic of Western Europe in the recent past. Hence are their institutional drawbacks still the main ones?*

Vicomte Etienne Davignon - Exactly. If we compare the economic conditions of these countries with those of Western Europe in the last comparable year which I am afraid is around 1935, then we could easily find out there was no

Vicomte Etienne Davignon

real difference in the nature and structure of the economic system. Hungary's situation was not by nature different from that of Austria. And as far as Czechoslovakia is concerned, it was without a doubt richer than a certain number of other countries which in the postwar years have experienced faster and more complete development. The point, then, is to know whether or not we consider that their economic development has just been lagging behind ours and that they must catch up; and if so, the strategy is to create as fast as possible the conditions for real economic development. It would only be a dangerous illusion to believe that such a large part of Europe could be rescued without the creation of conditions sufficient to entice private investment.

E *Do you believe that a fairly rapid passage from the institutional structure*
I *of a command economy to the one of a market economy is possible?*

Vicomte Etienne Davignon - What I think will happen is that getting a market-oriented economic mechanism into motion will take time, because there are many things to change in these countries and many aspects of economic life to which the population must become accustomed. Frequently, in these countries, people have difficulty in grasping even the notions that for us are absolutely elementary— notions regarding accounting, business management, management of financial resources. For them, some of these are new concepts that they discover all of a sudden. That an entrepreneur has to put aside the money necessary to pay his workers at the end of the month, instead of going to ask for it from the competent ministry in his sector seems for us absolutely elementary, but for them, these are things to be learned. Some of these countries have no banking system. How can a market economy function without effective credit institutions? If in these countries you look at the cost of money, simply because of the inefficiency of money management, you will actually come across some situations that are completely unbelievable. To sum things up a bit, I think it is important not to delude ourselves as to the necessity of creating the most basic and elementary conditions of market economy and as to the necessity to train a very large number of people before the average Western company will be in a position to start any serious activity .

We will just have to be patient. It is quite possible that this operation of creating the preconditions of Western investment will take more time than we have estimated. Take-offs are always complicated, but I believe that once these basic conditions are in place, there will be a considerable acceleration in the pace of new medium-size initiatives. Indeed, if one looks at what up until the

MOVING TARGETS

present was the average level of cash investment really transferred to these countries, one finds that the average transfer of resources has been until now extremely small—around 100,000 dollars. This confirms the impression that one gets even from a rapid overview of the Eastern European countries' economies: at present conditions exist only for very small investments that do not demand too much in terms of inputs or services from a still rather disorganised economic environment.

As an alternative, of course, the situation in Eastern Europe lends itself to very large production endeavours, to very large contracts like those of FIAT in the Soviet Union or other investments of this type. With this type of contract that transcends the norm, the relationship with the host society is reversed. It is the huge industrial "cathedral" that in a way creates or reshapes its own economic and social environment. These contracts go in practice along the same lines of what we used to call *concessions* in the nineteenth century. And this demonstrates very well the amount work that remains to be done.

E *The case of the Soviet Union is clearly different from that of the majority of the ex-satellite countries. While countries like Hungary, Czechoslovakia and Poland, not to mention the DDR, are trying to convert their economic systems following the Western model, in the Soviet Union the authorities continue to pay a great deal of lip service to the projects of economic reform, but very little is actually done in this direction. Recently, again, the implementation of many of the measures set for this year was delayed until next year. Gorbachev and his economic advisers also talk of a transitional phase in which aspects of a market economy and aspects of a command economy will co-exist. Do you see this as an actual possibility, or is this type of cohabitation an explosive mixture?*

Vicomte Etienne Davignon - Certainly, if one shifts his attention from the former Soviet area of influence to the USSR proper, one finds a different situation. The problems of the Soviet Union are different from the problems in the East European countries for several reasons. To begin with, there is the factor of sheer size. Next, there is an element related to the duration in time of the economic regime: In the ex-satellite countries, the date since which they have functioned under a planned economy is not the same as that of the Soviet Union. And, thirdly, in the Soviet Union the political implications of a reform of the economy from central planning to the market system are much more far-reaching than in the other formerly Communist countries.

Vicomte Etienne Davignon

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The consequences of the political implications of economic reform have not yet been seen: up until now there has not been in the Soviet Union any real mass purge or lay-off of bureaucrats working in the command economy system. Whether this is going to happen is, of course, a question on which we cannot yet pronounce ourselves. In the end, not even in the ex-satellite countries the consequences of the new governments' installation is not very clear yet. In any case, it seems to me that questions about how the economic reform is going to work as well as questions about its consequences will find, in the Soviet Union, answers of a different nature. But there is also another, even more important element of differentiation related to the fact that the Soviet Union has said more or less clearly what it no longer wants but it has not said exactly what it does want, whereas all the other ex-Soviet bloc countries that have gone to the polls have clearly indicated that they would like to create a market economy. How they are going to organise it—and the transitional phase—is a different and complicated question. But the Soviet Union has not even arrived this far; it has not even contested the accuracy of a certain number of past choices in the economic sphere.

As we Westerners know very well from the experience of our own national economic systems—the Italian, the Belgian, and that of all the countries that are not as Manichean as Great Britain—the combination and collaboration of the public and private sectors is not easy to manage, and this in political and administrative environments which are already very sophisticated ones. How is one going to try to accomplish this in the Soviet Union, in a system not at all sophisticated? I think that the basic problems that have to be solved at the conceptual level are still considerable in the Soviet Union, and in any case, proportionally much more severe than in the other countries.

MOVING TARGETS

E You cited *English Manicheism*. In this respect, something very interesting
I happened last winter: while everyone expected riots in the streets of the Soviet Union, the riots in the end took place in London. Moreover, Eastern Europe voted much more to the right than everybody had expected, as in East Germany where the returns badly disappointed the Social Democrats, and in Hungary where they almost disappeared. In Britain, instead, the Labour Party achieved a remarkable come-back. Do you see there the West European pendulum tipping towards the left, because of the disappointment with the so-called "conservative revolution", while in Eastern Europe it goes towards the right, as a consequence of the failure of Communism?

Vicomte Etienne Davignon - No. I think that English politics have taught us that what goes on between election days is not necessarily significant. And I think that the obvious unpopularity of a certain number of the legislative decisions of Mrs. Thatcher's government does not allow us to conclude that it was against the entire policy of her government that these incidents took place. It is hardly disputable that the poll tax was profoundly unpopular, but it is also a fact that when you have huge crowds rallying in a city such as London a whole other series of elements enters into play to denature whatever demonstration there is.

I think it is still too soon to make historical judgements on the British Conservative experiment. Surely, we can say that many measures taken by the Thatcher government are unpopular, and that this is a time in which the British citizens are expressing their discontent. I do not want to discuss the manner in which this discontent is expressed, because I do not think you can establish a cause-effect relationship between this unpopularity and what has happened in the streets. I believe that not even the Labour Party is ready to say this. The time has not yet arrived for a definite assessment of what you call the "conservative revolution", and neither have we arrived at the moment of choice and change. We can say with certitude that the government, the Conservative government, is not going to be toppled by anyone. It has the majorities it requires in Parliament. We will have to wait until the election approaches to see whether or not there is a change in tendency. What is clear, on the contrary, is that the polls in the East European countries showed that their population lived through decades of frustration, and this was the first occasion where they could express it.

E Do you share the opinion that even if one cannot compare the dramatic
I collapse of communism with the disappointments of the conservative

Vicomte Etienne Davignon

revolution, the latter has not, in any case, delivered quite the results that many people expected of it?

Vicomte Etienne Davignon - I have the impression that here we are in a situation where most judgements of the British experience are incorrect and unfair. You see, I know I am touching here at a very delicate subject of European policy, and that I am treading on thin ice. I cannot, however, be suspect with regard to acritically agreeing with Mrs. Thatcher to affirm that the "conservative revolution" has failed does not conform with British public opinion. Such an assessment does not take into account that the greater part of the English acknowledge that Mrs. Thatcher has brought many good things to Great Britain, including the end of the domination by the unions' bureaucracy. I am not implying that unions must not have power. All I am saying is that I—like many others, the British public opinion in the first place—consider a positive phenomenon the fact that Mrs. Thatcher has finally reversed the trend towards economic paralysis that the excessive power and fragmentation of the British trade unions had brought about.

It is certainly too soon to pronounce an overall judgement, not to speak of a historical evaluation, of the Thatcher decade. But it is plausible to think that even within the Labour Party it is silently recognised that Mrs. Thatcher's government has done good things for Great Britain. For the moment, none of these positive aspects are taken into account because we are in a situation in which an over-critical mood is influencing judgement. This mood and the events it has determined in Great Britain in the past few months seem to me to be quite circumstantial. Will they become deep-rooted? It is possible. It is quite possible. But even in such a case, it is clear, in my opinion, that this would not lead to any sort of situation where British politics will change completely. More than anything else, this over-critical wave seems to be a return to the genuinely structural feature of British politics, a return to alternation after an exceptionally long and productive period of Conservative dominance.

This belief seems to me to be supported by the fact that the Labour Party of 1990 is not the Labour Party of 1980. And indeed the possibility of an alternation in power, with a Labour majority in Parliament, stems from the very fact that the candidate for the office of prime minister does not say that he will change everything Mrs. Thatcher has done. This is in support of what I have said, which is that there is certainly a majority in Great Britain that considers the reforms that Mrs. Thatcher has enacted necessary and useful,

MOVING TARGETS

and that is convinced that this legacy must not be lost. Today the question is whether the British want more reforms along the same Thatcherite line or whether they are tired of reforms.

Something else that must be also taken into account is that Mrs. Thatcher is going to "water her garden". One cannot believe that she is not an informed politician. Three months ago it was said that never before the elections would Britain join the European Monetary System, and now we hear British government circles saying that "at the core, the conditions for joining do exist". What I mean to say is that the situation is not an immobile and unchangeable one. This is the great difference between rigid authoritarian systems and flexible democracies: in our democracies, a government can measure and take account of its unpopularity in order to try to reverse the tendency. In the Eastern systems, they did not have to, and could not do so.

E *Can we say then, that the failure of communism in Eastern Europe*
I *cannot be compared to the failure of the conservative revolution in Britain and America?*

Vicomte Etienne Davignon - Of course not. And I could prove that this is not just my judgement, but that of the British Labour Party as well. Because if it were so, if the conditions were such that I could tell you that the Thatcher years have all in all been a failure, the Labour party undoubtedly would take a more extreme position. On the contrary, now that it sees on the horizon the possibility of conquering power, the Labour leadership tends to shift its positions towards the centre of the political spectrum. It does not move toward the extreme. And the same can be seen in other Western European countries. The Socialist administration in France is an administration that is much closer to the centre than to the extreme left. The greater part of Italian politics, including the Communists, does not flow toward the extreme: they try to manage the centre as best as possible. There is the centre-left, the centre-right, but the first word is always "centre". This would not be the case if, after a decade of privatisation and emphasis on the virtues of the market, we were faced with acknowledging the failure of these policies.

E *The picture you draw of the status of the Western world is therefore*
I *rather favourable. Still, the last report in the World Economic Outlook points out that the divergence between the global economic trend of the major Western economies, the USA, Japan and Germany, has re-appeared. For a*

Vicomte Etienne Davignon

certain number of years there had been some success at reducing budget deficits on one side and surpluses on the other. But more recently it appears that the West no longer has a collective economic government. Do you share the impression that there is a tendency like that?

Vicomte Etienne Davignon - What you say is absolutely true. We are in the process of managing Europe in a much better fashion than we did in the past, and the positive results we have obtained are indicative of this. The proportional weight of Europe in the world economy is increasing. Europe, which four years ago was considered a continent without a future, is now the one about whose competitive strength everyone else seems to be worried.

There is little doubt that a transformation has occurred in the world economy. It is very visible. One only has to look at the Japanese situation which everyone



Feeding Gargantua

MOVING TARGETS

considered unchangeably firm, solid, even unshakeable. It was enough for the Japanese to experience a few of the rumblings of the kind to which our economies have become accustomed to bring up absolutely central questions as to their actual long-term strength. As for the United States, for years people have announced that the economy was going to collapse because of its deficit, and it has yet to collapse. The ups and downs are much less violent than predicted; the peaks and precipices have to some extent eroded.

However, this does not remove any truth from what you have pointed out, namely the incapacity of these three major centres of economic power to create together the conditions for stability. We have thus installed ourselves within a form of insecurity where the outlook is always extremely pessimistic, and where reality is much less so. We have come out of ten years of growth: and it is only natural that this has brought about a certain number of imbalances. These do not have the catastrophic repercussions that the most pessimistic of academicians predict, but at the same time it cannot be denied that a situation of fragility and insecurity remains. Everyday we live these two elements: since the disaster does not occur, we remain unworried, and this lack of preoccupation places us in a degree of incertitude which is the consequence of our inability to manage the world economy in common, to take a certain number of measures in common. One could quote several proofs of this evident phenomenon. When, for instance, the Group of Seven meet to discuss the currency question, and take some limited action, everyone says this is not what should be done and that the situation is worse after than before, whereas objectively it has not changed. The deceptive perception we have of what has been done underlines this fragility. But I do not think that fundamentally the factors have changed.

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I *This adds up to saying that we perceive we are not governed.*

Vicomte Etienne Davignon - We perceive that we are not able to be governed.

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I *Moreover, this lack of world governance also affects the structural aspects of the world economy. The Uruguay round, for instance, is leading nowhere.*

Vicomte Etienne Davignon - I think that the response to the previous question applies here as well. We have become fairly good managers of the unstable. In both Europe and the United States, this corresponds to what public opinion

actually wants. Mr. Rocard is extremely popular, Mr. Bush is extremely popular: both because they have not created cause for worry or expectations, and consequently events have not betrayed them. The same thing applies as far as the Uruguay round is concerned. The real problems are not attacked, in spite of the fact that everybody sincerely thinks it will succeed, or at least hopes so, because everybody considers the object of this negotiation as extremely important. I personally believe that the agreement that will finally be reached is quite likely to be a grade lower than what the objective situation calls for, but will be sufficiently good as not to endanger the structure of the trade environment, which is, after all, more free than not free, more open than closed.

Some of the characteristics that future historians will probably note about this second half of our century are on one side our capacity to correctly identify the problems and at the same time our incapacity to bring about structural responses to these same problems. I am talking of responses of the same quality as those brought about to world problems in 1950. On the other side, future historians will certainly admit our fairly evident talent for taking rather good care of our economies, our populations and individuals in the unstable situation we are in, but only in our world: in the developed zone of the advanced industrialised countries.

Obviously, given this great capacity of day-to-day management and poor talent at facing the great questions, a certain number of problems remain unresolved—such as the North-South imbalance. To a certain extent, we are therefore myopic vis-à-vis structural problems, which we then pretend not to have. When will the equilibrium be upset? Then what will we do? These are difficult questions. And clearly we do not anticipate change: we live day by day, and with a certain voracity.

E *An interesting idea has cropped up in connection with the discussion on*
I *the so-called "common European house"—the idea of Europe encompassing the area that goes from San Francisco to Vladivostok. Most surprisingly, everybody seems to consider it a perfectly logical and legitimate view. Aside from the several observations that could be made about the geopolitical meaning of this perception of the world in which Europe is placed once again at the centre, one remark comes immediately to mind. If Europe stretched from San Francisco to Vladivostok, it would cover most of the industrialised world. Only Japan would be left out. One could wonder what this means: is the common acceptance of this idea a sign of something*

MOVING TARGETS

meaningful at all, or does it merely mark the end of the fears that the world economic centre was moving to the Pacific? Was this idea of the "era of the Pacific" just an exaggeration, or something about which we were all mistaken?

Vicomte Etienne Davignon - I believe that the great excitement about the emerging of the Pacific—or more precisely Japan and the newly industrialised countries of East Asia—as the new centre of the world was basically a matter of trends. And by definition trends go out of style with the same ease and at the same speed as when they come in to fashion. Otherwise, if it was not so, they would not be trends. These are very fashionable attitudes at the origin of which there are, I believe, a few simple ideas that become popular, but which do not necessarily happen to correspond, and sometimes never corresponded, to reality.

The reasons why certain ideas, and not others, become fashionable are quite difficult to explain. For instance, it is certainly possible to imagine that tomorrow we might have to face the immense economic competition of enormously populated countries like India and China, given the fact that population—even if it is still unclear how it can be put to use—is an economic factor whose importance cannot be totally neglected. When we realise that in the very near future Turkey will have 100 million inhabitants and will be more populated than more traditional countries like our own, we have to admit that in the end the demographic element will certainly play a role. But no one takes any of this into account, because it is not fashionable; it is not the current trend.

Furthermore, ideas that become trendy end up having a completely excessive emphasis, because the commentator who wants to shake public opinion expresses his own opinion in an exaggerated, dramatised and catastrophic manner: if the Pacific develops and heads up, then Europe will go down and disappear. There is no space for the question that would come spontaneously to the mind of a rational observer—why can't there be space for both of them on the world economic scene? Recently, as everybody can see, the whims of fashion have changed. Right now, after having endlessly repeated that Europe was going to disappear—or even that it had already disappeared—the prevailing commonplace is that Europe has recovered its place at the centre of the world economic stage, and that it has done so in such a strong manner and to such an extent that it is now the Pacific that will have to play second violin. Of course, the current trend is as superficial and false as the previous one.

Vicomte Etienne Davignon

It is worth pointing out, however, that in this coming and going of different and contradictory trends in the interpretation of the international situation, there is a crucial point that remains almost totally unscathed. It is the point that is at the origin of the idea you were quoting, the idea of Europe going from San Francisco to Vladivostok; it is the point about the model of economic, cultural and business cooperation among nations, about the common values—objective or subjective—that unite us all, about our ways of dealing with one another. All this adds up to more than just a simple form of collaboration, and we are now discovering that this applies even to our relations with the Soviets, it applies from San Francisco to Vladivostok.

All things considered, it can indeed be observed that the USSR is very cautious in its approach to the future of NATO, and this because Moscow is not so sure that to have a non-integrated European system is a greater form of security than to have an integrated European system under a NATO umbrella capable of providing a guarantee of security to its neighbours. In this context the United States would play a natural role, based primarily on its own interests. The US defence begins in Europe, and it is not merely in our interest to have the US as an ally, but its interest, too, lies in this—and therefore the path to follow is a familiar one.

In relation to the structural question that you asked before, “aren’t we isolating Japan, and possibly making it into an enemy?”, I would say that the incertitude facing us over the question of integrating Japan into this common dimension, into this set of common values, remains unanswered. We have not yet succeeded in establishing a normal relationship with the Japanese. We have not been able to completely integrate them into any of the structures created since after the war. Japan has had great success in the reconstruction of its economy and in developing it far beyond the level of pre-war years.

But even after it had become a major player on the world scene, Japan did not participate in the three-way dialogue, nor in the Atlantic dialogue. Even in bilateral relations, whether Europe-Japan or United States-Japan, it has not in any way attained the degree of intimacy that is considered normal—even in the worst of periods—relations between Europe and the United States. There is, I think, a difference in nature which neither the Japanese any more than their partners have been able to overcome completely. It still remains more foreign than the traditional allies.

MOVING TARGETS

E *In other words, we can do business with the Japanese, and we can*
I *technically manage specific problems, such as the ones related to the*
present weakness of their currency. But a full relationship, based on both
common values and political approach, still presents many difficulties.

Vicomte Etienne Davignon - Yes. There are still major difficulties in establishing with the Japanese a relationship based on the assumption of responsibility in a multilateral system. We are much more within the contours of the traditional model of a bilateral relationship: more in the realm of comparing advantages and disadvantages in managing the short term, than in the realm of the construction in common of an international system. There is the difference between Japan and the countries that are inside the San Francisco-to-Vladivostock region. Once again, what is lacking at world level is the political dimension, or—if you prefer—the global strategic dimension. Once again our generation suffers a shortage of great collective goals. We are not bad at managing day after day a complex world system, but we are short on long-term goals: maybe because we are short on ambition.

Giuseppe Sacco, the Editor of *The European Journal of International Affairs*, interviewed Vicomte Etienne Davignon in Brussels on 24 April 1990.