



Colección Hulton-Deutsch / Corbis

Fundación CIDOB, an independent, not-for-profit institution devoted to research, teaching, documentation and the popularisation of international relations and development will have a double presence at the Forum as the organiser of two dialogues, one on the role of Europe in the world, the other on economic development. CIDOB chairperson Narcís Serra describes the aims of these meetings.

## Europe and World Governance

TEXT Narcís Serra  
Chairperson of Fundació CIDOB

The first of the dialogues organised by Fundació CIDOB is entitled “**The Future Role of Europe in the World. A First Meeting of the Charlemagne Prize-Winners**”. It will focus on the process of the construction of Europe, one of the most significant and successful phenomena in the development of international relations since 1945. A universal event such as the Forum 2004, aspiring to promote values and ideals of co-existence, peace, conflict resolution and cultural diversity, had to pay tribute to and examine European integration the achievements of which during the 1950s enabled Europe to overcome a past plagued by wars and divisions.

The Europe that entered the 21st century can feel satisfied with and proud of how far it has come since 1951 when Germany, France, Italy and the Benelux countries decided to set up the European Coal and Steel Community (ECSC), a supranational organisation to manage production, trade and subsidies in the coal and steel industry and so prevent these essential materials for making weapons from being excessively concentrated in the hands of any single European state. The ECSC was joined, in 1957, by the European Atomic Energy Community (EURATOM), also covering a single sector, and the European Economic Community (EEC), founded for the purpose of achieving a common market among the original six member-states with complete freedom for the productive factors. Although the elimination of customs duties in 1969 paved the way for the existence of a real customs union and the EEC incorporated

three new members –the United Kingdom, Ireland and Denmark– in 1973, the difficulties raised by this first enlargement and by the international economic crisis of the seventies put a brake on the process of deepening the EEC’s integration during the so-called “Eurostagnation” stage.

Confirmation of the European economies’ loss of competitiveness and the extraordinary leadership exercised by the European Commission chairperson, Jacques Delors, and the Franco-German motor allowed the process to be relaunched with the signing of the Single European Act and the achievement of a true single market that would get rid of the numerous obstacles standing in the way of the free movement of goods, people, services and capital among the members of a European Community that now included 12 states following the entry of Greece (1980) and Spain and Portugal (1986). In the 1991 Maastricht Treaty, the EU decisively opted to put in place the Economic and Monetary Union with a single currency, the formulation of a common foreign and security policy (CFSP) and co-operation in the fields of Justice and Home Affairs (JHA). In spite of the large number of goals that it set itself, the EU continued forging ahead on the two fronts of integration and enlargement with the incorporation of Austria, Finland and Sweden in 1995 and the development of the measures and criteria that led to the birth of the Euro in 1999 and its coming into circulation in January 2002.

Even though not all the goals have been met, the balance sheet of the last five decades of integration is clearly positive. The EU constitutes the largest single market in the world, with 370 million people, and has truly common –European– policies on agriculture and fishery, foreign trade, competition, energy, transport, the environment, con-



EPA / ANSA

sumer affairs and industry. The progress made in co-ordinating CFSP and JHA since 1992 has been considerable and fiscal harmonisation, though still insufficient, has also recorded important advances.

Faced with the collapse of the communist regimes in 1989, the EU ruled out the option of concentrating exclusively on consolidating its integration and courageously plumped for the gradual incorporation of the countries of Central and Eastern Europe (CCEE). An important stage in the transition of the CCEEs from communist dictatorship and a planned economy to democracy and a free market economy will in fact conclude on 1 May 2004 with the entry of eight of them into full membership of the EU, together with Cyprus and Malta, following a negotiating process that began in 1997.

A European Union with 25 members will have to rethink the operation of some of its treaties and institutions that were originally designed for a community comprising just six states. The Convention chaired by former French President Valéry Giscard d’Estaing has achieved consensus on major reforms to adapt the European institutions to the enlarged EU and to speed up the implementation of the CFSP as well as recasting the treaties into a draft Constitution. While waiting for final approval of these proposals by the Intergovernmental Conference which began in October under the Italian presidency, the EU must once again turn its attention to the future and think hard about the role it wants and is able to play in the world. This is precisely the task the dialogue being organised by the Forum and Fundación CIDOB for May 2004 has set itself. In view of the most ambitious enlargement in the history of the EU, with the incorporation of more than seventy million inhabitants and the re-arrangement of the internal functioning of the EU’s institutions, the dialogue “The Future Role of Europe in the World” aims to help foster debate on the tasks and actions the European Union must carry out in today’s international order. Consequently, the dialogue will look at the EU’s contribution to the management and possible solution of the existing challenges and threats to international peace and security, its contribution to reducing the economic gap between North and South and promoting growth in developing countries, and its role in strengthening international law and multilateral bodies.

With the EU’s values, institutions and geographical parameters con-

Giscard d’Estaing, chair of the Convention for the Future of Europe and Charlemagne Prize-winner in 2003, greets the public in Martina Franca, Italy, in October of the same year. On the facing page, a group of Londoners reading the newspaper headlines on Britain’s entry into the Common Market in January 1973.

“The EU must turn its attention to the future and think hard about the role it wants and is able to play in the world. This is the task the dialogue being organised by the Forum and Fundación CIDOB for May has set itself.”

solidated (pending future enlargements), it is now time to undertake a rigorous analysis to determine how Europe can best project the values and experiences derived from its valuable common development over half a century so as to contribute decisively to overcoming the major problems of security, inequality and underdevelopment which the international community will be faced with in the coming years.

The European and American figures who have received the Charlemagne prize, an award made annually by the University of Aachen since 1950, are natural candidates to carry out this exercise of reflection and debate on Europe's future role in the world.

The Forum 2004 and CIDOB will invite twenty-five of these prizewinners to gather together on 11 May, in Barcelona, for the first time ever to meditate on and discuss how Europe should act in the 21st century. These eminent public figures from thirteen European countries and the United States, with long and distinguished careers in politics, economics and literature, have in common the fact that they have all made a substantial contribution to the unification of Europe. His Royal Highness King Juan Carlos I, Charlemagne prizewinner in 1982, will chair the meeting.

The dialogue on Europe's future role in the world will take place just a few days after the ten new members join the EU, a few weeks after the probable approval of the first European Constitution and just a few weeks before the first elections to the European Parliament to be held in a re-unified Europe in which twelve of its members share the same currency. The presence of two heads of state, one head of government, five former heads of state and seven former heads of government in Barcelona at such a propitious time in Europe's history will be a magnificent opportunity for combining a tribute to the achievements of European integration with a discussion of new goals that will enable Europe to exert a greater and a better influence on the new international scenario.

#### A NEW WORLD GOVERNANCE

The second dialogue organised by CIDOB, which is scheduled for September 2004, is entitled "From the Washington Consensus to a New World Governance". This dialogue will involve a group of



EFE

leading economists analysing and debating the economic policy proposals and goals from which various conclusions will be drawn that will then be debated by a "political platform" with a view to proclaiming a "Barcelona Consensus". In other words, defining a "code of good conduct" in economic policy that will serve as a framework for a new and better world governance.

The term "Washington Consensus" was coined by John Williamson in an article in the *Institute for International Economics* in 1990. However, what we might call the Washington approach had been gradually defined and solidified during the 1980s and was the dominant economic policy outlook of the multilateral bodies in Washington, the Treasury, the FED and the State Department of the government of the United States, as well as the ministers of the G7 and the international financial system. This is what is meant by the "Washington Consensus". It was a consensus in the sense that there existed a dominant view or approach regarding the reasons for economic crises (at that time, the Latin American crises) and the reforms required in the circles of power close to Washington.

What does this consensus consist of? According to Williamson, it comprises 10 reforms:

1. Fiscal discipline aimed at eliminating the public deficit.
2. Reordering public expenditure priorities: switching expenditure from subsidies to basic health and education.
3. Tax reform. Combining a broad tax base with moderate marginal tax rates.
4. Positive interest rates determined by the market.
5. An exchange rate determined by the market, but with measures to ensure it is competitive.
6. Trade should be liberalised and export-oriented (no priority is given to liberalising capital flows).
7. There should be no restrictions on inward foreign direct investment.
8. Privatisation of public sector enterprises.
9. Deregulation of economic activities.
10. Property rights ought to be guaranteed more firmly.

The ten points put forward by Williamson can be grouped under two basic ideas: on the one hand, promoting the stability of the economy through fiscal adjustment and market orthodoxy and, on the other, drastically reducing the role of the state. From these postulates a development thesis can be inferred which is different from the import substitution thesis that dominated the 1970s: to get a country back on the development path, it is enough to stabilise, liberalise and privatise its economy. Let us note here that this development thesis inferred from the 10 proposed reforms tallies with the diagnosis according to which the origin of the Latin American crisis lay in fiscal indiscipline (economic populism) and statism (nationalist protectionism), in other words, with the interpretation of the crisis prevailing at that time in the circles close to Washington.

However, the counterexample of the South-East Asian economies, which experienced unprecedented growth with the application of economic models far removed from Washington's precepts, and the case of the Latin American economies which, following the policies inferred from the "Washington Consensus", experienced slower growth rates than in previous decades, lead us to question the correctness of the suggested economic policy decalogue.

There are interpretations of very different kinds as to why the



Carlos Bosch

A protest in Argentina against the “corralito crisis” when heavy restrictions were imposed on cash withdrawals from banks.

Below, Joseph Stiglitz, a winner of the Nobel Prize for Economics and one of those taking part in the seminar on the Washington Consensus.

On the facing page, 1982 Charlemagne Prize-winner King Juan Carlos congratulating Bill Clinton on receiving the same award in June 2000 in Aachen, Germany.



Horacio Villalobos / Corbis

“Washington Consensus” failed and limitations of space preclude an in-depth discussion of them in this article. However, summarising the most extreme positions, it can be said that, on the one hand, the “failure” of the Latin American economies in the 1990s was put down to the fact that the reforms did not go far enough and that the ten reforms were not implemented strictly enough or all together. On the other hand, it is argued that the aims of the reform were insufficient and did not take into account essential elements for the growth and functioning of the economies, such as a concern for unemployment, institutional reform and the social agenda in a broad sense.

Without fully subscribing to the arguments of either its ardent defenders or its detractors, the truth is that the “Washington

Consensus” needs revising. All the more so if we add that the latest changes in the international context, with globalisation as the key phenomenon, have established a framework for economic reform that has very different implications from that formulated in the late eighties. This is the main goal of the dialogue Fundación CIDOB is organising for the Forum 2004 en Barcelona.

In order to make this dialogue possible, work has been going ahead non-stop, as an important part of the project consisted precisely in defining the topics to be debated by the “economic platform”. To this end, a group of Spanish economists was set up to reflect, in contact with foreign economists, on what are the most controversial, innovative and significant issues today for the general debate on governance and development.

The topics that will be dealt with in the seminar are as follows: the “Washington Consensus” in historical perspective, macroeconomic stability to foster growth, financial stability, international financial architecture, trade and the opening-up of economies, labour markets and regulation, the role of the institutions, the transformation of development, inequality and redistribution, the economic impact of migrations, and world governance. All these issues will be debated by the following economists: John Williamson, Stanley Fischer, Francesco Giavazzi, Ricardo Hausmann, José Antonio Ocampo, Guillermo Calvo, Daniel Cohen, Martín Khor, Olivier Blanchard, Dani Rodrik, Paul Krugman, François Bourguignon, Deepak Nayyar and Joseph Stiglitz.

The conclusions of these discussions, which, from the very definition of the topics to be tackled, will imply a review and broadening of the original consensus as regards both its goals and the implementation of the reforms, will constitute a first step in defining a “code of good conduct” for economic development and the definition of an international economic system that is more just, more dynamic and more governable.