

# The New World: a View from Mediterranean Europe Globalization, Economy, Political Conflict: why Europe Needs a New Governance

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First of all thank you for inviting me. It is a pleasure for me to be here. For the prestige and the history of these surroundings. And above all because this prestige is linked to the product which I have regarded for some time as Europe's unique and real trump card. That product is knowledge, learning, research. Here there is an abundance of knowledge; here much research is carried out. And this knowledge and research are the cards Europe holds in order to defend its position as the hub of a world which changes more every day.

In these decades astride two millennia, we Europeans find ourselves in the same frame of mind as our forebears at the beginning of the 19<sup>th</sup> century. Like those men and women, we feel lost faced with the changes which are transforming the world we were used to. In those days it was the Industrial Revolution which was putting an end to the old social and productive orders. Today it is the emergence of great new powers, which, in the ceaseless turmoil brought about by globalisation, are asserting themselves as economical and political giants, leaving old Europe on the sidelines.

Today, just like then, we have lost our way. Some of us, like the Luddites of old, resort to a complete rejection of the new, fighting globalisation in the same way that they fought and destroyed industrial machinery. Others have put up walls, behind which they strive to preserve old riches, privileges and protected categories. In both cases, the only result is isolation, and isolation leads inevitably to regression and decline.

Obviously, these are understandable reactions. We have entered the 21<sup>st</sup> century feeling that the world around us has changed drastically, becoming a world where most of our reference points have shifted, and the future that awaits us is an uncertain one which is by no means sure to be better for us Europeans.

We have just recently heard the news that one of the West's most typical informal institutions, the Trilateral Commission, a meeting place for statesmen, entrepreneurs and bankers, has opened its doors to China. So it is that one of the pillars of anti-Communism during the cold war, a symbol of the twentieth century, will welcome Mao's heirs. Soon the Chinese Premier will pay an official state visit to India, sealing the novel partnership between the two Asian giants who fought each other for decades in the 20<sup>th</sup> century.

These are the many signs of change. It is, of course, difficult to continue seeing China as a "communist" country, at least in the sense in which the word communist was used in the last century. Today China is the economic giant we have all come to know. I won't take up your time quoting facts and figures you are all familiar with.

Those figures, however, show that the axis of the world economy continues to move rapidly towards Asia and the Pacific. Perhaps Bernanke is exaggerating when he claims that "there are no historical precedents comparable to this development". In the past centuries there probably have been equally epochal upheavals in economic history. What is certain is that nothing like it was witnessed in the 20<sup>th</sup> century. What is also certain is that the rise of these giants has upset the existing equilibrium.

This equilibrium is economic, but also political. We have noted the entry of China into the Trilateral, but how long will the current equilibrium in the United Nations hold out in the face of these changes? And G-7? Does G-7 have any meaning when countries like China, India and Brazil are excluded from it?

These are the many questions change confronts us with. These are our uncertainties. Uncertainties which become nightmares when change takes on the tragic semblance of terrorism. The planes which penetrated the Twin Towers had already entered

our homes and our consciences. We felt, and feel, under attack, but we are struggling to understand exactly what kind of phenomenon is facing us, and for this reason we have not yet found a way to combat it.

It is not only the West which is under attack, but free societies all over the world. The fundamentalist offensive is also and above all directed at the societies in the process of modernisation in the Arab world, against the cultured and progressive classes in Iran, and against the development which increasingly deeply affects South-East Asia.

The ideological rage is directly related to the great changes characterising economies and societies. From the competition for oil, which continues to break every price record on the world markets, to the rise in industrial production of the new giants, which disrupts the status quo in historically socially immobile countries, and upsets the hierarchies in relations between states.

Islamic fundamentalism is the child of these deep dynamics. In this context, too many of us have made the mistake of regarding the conflict as a battle between us and them, with Bush on one side, and Saddam Hussein on the other. I was against the war in Iraq from the very start, and I believe that Tony Blair's support of the American president was an error, perhaps the only significant error made by a great leader who taught all of us European reformists what reformism in the 21<sup>st</sup> century really is.

I was an opponent of that war because I knew that the after would be worse than the before, whatever the result of the conflict. On September 11<sup>th</sup> I was in Washington. The following day I was due to be on the 106<sup>th</sup> floor of the South Tower of the World Trade Centre to lecture on investment opportunities in Europe. So I experienced the American tragedy side by side with the Americans. And that day was personally dramatic for me too, because the United States is a kind of second home for me, because I had lived and worked there, because I still spend time there. But when I heard Bush's call to war against what would come to be the "axis of evil", I realised that the US administration was taking itself and the world down the wrong road. A road that would lead to more

grief, and, above all, would damage the battle against terrorism.

That war, in the event, ruptured the world alliance against jihad fanaticism, which up to that moment had typified the reaction to September 11<sup>th</sup>. You defeat global terrorism with global alliances, with multilateralism, not by trying to be the world's sheriff. And Europe, with its long-standing relationships with all the world's states, and with its diplomatic traditions, is an essential element of such alliances.

Terrorism, the new giants, the shifting of the world's axis: this is the reality we face. And our disorientation is understandable. For decades we Europeans have been used to a secure existence. The last time we had to adapt to change was fifty years ago, when, at the end of the war, we had to re-invent our future.

But we managed it. And since then we've been used to a stable and secure reality. We had eliminated war between ourselves, we had made our workplaces safe, and we had established social security systems which could accompany us from the cradle to the grave.

Now it's all up in the air again. The world around us has changed and imposes change on us. New risks, new tensions, new fears, arising from causes that we feel to be far from us, are part of our private and public lives. New uncertainties put the roles of our countries, Europe, the West and the world at risk. We face enormous problems that we feel unable to control or solve.

But are we really at a point where we are unable to tackle and remedy the problems posed by the changes around us? I say not. Perhaps because I'm an entrepreneur, perhaps it's my rather Schumpeterian trust in the doings of man, or more probably because of my much-loved and quintessentially Italian Giordano Bruno, with his eulogy of and trust in "homo faber", but I believe that nothing we hope for and nothing we fear happens for reasons extraneous to our choices and actions.

The economy, politics, the organisation of our societies, are what we make them, even when they are on a planetary or global scale.

But if we Europeans want to lead the change for the better, it has to be on that scale.

The transformations of the world certainly enter our homes, but, equally certainly, we cannot direct them from there.

It is Europe that enables us to do it. In economics as in politics. It is Europe that has the dimensions necessary to count in the new global world.

For me as an Italian, this is a self-evident truth. But I can appreciate that for a Briton, rightly attached to that strip of sea that separates him from the French and all the rest, it may be less obvious. But it's the war in Iraq that has shown that without the rest of Europe, even the United Kingdom is weaker. And the Atlantic friendship can not and must not be an alternative to Europe.

Before the globalised world of the giants, the great China, the reborn Russia, the emerging India, the future Brazil, we Italians, but also you Britons, together with the French, Germans and Spanish, are pygmies who don't count.

Only if they unite can pygmies defend their positions. For this reason I say that Europe is the solution we have before us.

A Europe that must not be a super-state. Super-states are lumbering, slow, and dangerously inclined towards bureaucracy. And then, let's face it; you can't impose the same rules on an Italian and a German, or on a Briton and a Frenchman.

So becoming a super-state would be a mistake. After all, being big enough to compete with the giants, doesn't imply being like them. What is needed is a network of states.

Paul Kennedy has explained that the world of the future won't belong to the giants, but to pygmies organised in large institutional, social and economic networks. This is the Europe we need: a network of States, institutions, people and companies.

Being a network means many things. First of all it means equipping ourselves with an institutional network capable of

profitably integrating the various levels of government to produce delivery. Today the meetings of the ministers of the Europe of 27 are prime examples of inconclusiveness.

A friend of mine, Giulio Amato, who, more than any other, has worked for Europe in the last decade, was telling me about it recently. Just giving everyone their turn to speak around the Council table takes hours. In the end it's the ambassadors and technicians who decide. What kind of Europe is that? It's the Europe of the bureaucrats. What is required is the ability to take decisions and impose choices, rapidity and leadership.

The economy must be a network. European firms can have a future in the international marketplace if they combine to form an impactor weight, if they exchange innovation, and if they unite their research.

A network, if what I said at the beginning is true, must consist above all of knowledge.

Allow me, before I conclude, to dwell further on this point.

Today, instruction, research and innovation are the driving force of growth. Ireland, which has destined the resources of the European structural funds primarily to investment in these fields, is the country which has grown the most in recent years. But it would be wrong to think it's just a question of money.

We Europeans can spend as much as we like on knowledge, but if we don't first demolish the national barriers behind which, in the name of research, we defend particular interests, we won't get very far.

Let us therefore create a European space for universities and research, to encourage universities to emerge from their local perspectives and let the scientific community converge in the best European research centres, without bureaucratic interference.

The universities must return to being, as they were in their medieval origins, a network of knowledge without barriers between states. The movement of professors beyond their national boundaries must be facilitated, and some healthy competition between universities must be introduced, sweeping away existing barriers and hideaways.

This university is the pride of Great Britain, and of Europe in the world, and there are too few centres of excellence like this in Europe, not only because we lack resources, but because we fritter away those we have owing to our inability to make choices. Centres of excellence must be created, having the courage to concentrate our resources in a few high quality institutes. Research chairs must be created, to be assigned on a basis which ignores nationality, and guarantees that the best are chosen; a common reference framework for the evaluation of professors and the results of research must be implemented.

Forgive me if I have gone into too much detail. But I sincerely believe that this is a crucial challenge for Europe and it is here that our future and our chances of being a protagonist in the 21<sup>st</sup> century world are on the line.

And it is in this sense that I believe that Europe can learn something from the history of my country. After all, a network of pygmies has already been able to assert itself as a protagonist in a world of giants, thanks to talent, knowledge and learning. It happened at the end of the Middle Ages, when the axis of the world was moving from the Mediterranean towards Northern Europe.

It was then that a meagre handful of Italian nobles, counting only on their talent, ingenuity, and knowledge of their own men and women, were able to swim against the tide of events exploiting all the margins of opportunity that the situation offered. As Henri Pirenne has taught us, those men were able to invent a leading role, on a stage split between the Franco-German feudal powers in Europe and Islam, by keeping open a route that led from Venice, Genoa and Pisa to Baghdad and beyond, into the heart of Asia. Thence would spring the civilisation of the renaissance city-states, one of the most extraordinary epochs in the history of Europe and the world. Today's Europe could do worse than take that as a starting point.