

## Colloquium

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### For a Union of the West

**Edouard Balladur\***

These remarks are based on the author's September 11 address at Johns Hopkins SAIS. After he spoke, there was a panel with comments, and questions and answers from the audience; these appear below following the speech.

Today is the anniversary of a tragedy suffered by the United States of America; a tragedy that we also experienced, as French people and as Europeans. And on this very sad anniversary, I would like to express anew here, and renew, the sense of solidarity between our two peoples.

The reason I wrote my book a few months ago was to address the enhancement of the relationship between Europe and the United States in the new conditions of the world. These relations are sometimes good, sometimes not so good. And sometimes they are simply not enough.

There is no need to enumerate all the issues we are dealing with today. You know them as well as I do—terrorism, financial instability, erratic exchange rates, the future of a number of countries around the world. These are issues that we need to deal with whether we are European or American. To a great extent they are shared issues; they are common problems for which we need to come up with a common response.

Why are we able to think in terms of a common approach? First of all, because we share a number of beliefs, not least our love of democracy and of freedom. There is also a series of military and economic interests that we share. In fact we already work together on many things.

Indeed, over the course of my discussions the last few days here in Washington, one thing I was often told is: we already have many different bodies where we can have talks between Europeans and Americans, so what is the point of creating a new body? There is the Atlantic Alliance, there is the G8, there is the UN, there are meetings between the President of the United States and the President of the European Union.

However, this is not enough. We will only be able to address and solve the issues we face jointly if we become more united than we are at present.

\* Edouard Balladur was Prime Minister of France from 1993 to 1995. Earlier he was Minister of Economy and introduced liberalizing economic reforms. Throughout his political career, he has been a member of the Gaullist party, Rally for the Republic; as a leader within the Gaullist movement, he is credited with having drawn the mainstream of French Gaullists back into a pro-European Union stance and into abandoning anti-American attitudes. The current President of France, Nicolas Sarkozy, rose within Balladur's wing of the Gaullist movement and, in Balladur's government, served as his spokesman and his Budget Minister. From 2002-2007 Balladur presided over the National Assembly's foreign affairs committee; at present he heads the Commission on Constitutional Reforms.

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We—the EU plus U.S.—represent approximately 800 million people. In twenty years' time, global population will have jumped from about 6 billion to perhaps 9 billion.

We still—and I insist on the word, still—account for over half of the world's GDP. We represent a little more than 55 percent; twenty years ago we represented about 70 percent; thirty years in the future we might represent only about 30 percent of global GDP. It is a relative weakening, if you will, compared to the rest of the world.

I was interested to read in a US newspaper that what was being prepared for the next president was a forecast of what the world might be like in the future. It made the same assessment that there was going to be a relative weakening of the countries that border the Atlantic Ocean. It is as if the world were slipping away from the West.

For centuries the West dominated the world; today it is facing competition, and is not organizing itself to deal with this situation. Its material strength is still unparalleled, but its moral strength and self-confidence are continuously weakening. History is beginning to be made without the West; perhaps one day it will be made against it. To avoid this, we need to strengthen our ties and join together for common action in the world.

What do we need to do for this purpose? It may help to set targets or objectives; then we can consider the means to achieve them.

As a first objective, we need to enhance our trade relations and eventually create a great Atlantic Market. Already, today the US invests in Europe a lot more than it invests in any other region around the world and Europe invests a lot more in the US than in any other region. Some studies indicate that on the two sides of the Atlantic Ocean we have twenty million people whose jobs are derived from exports to the other side of the Ocean. We are becoming an economic grouping; we need to overcome the various barriers that stand in the way of our grouping.

A second objective is to harmonize, as far as possible, our banking and financial market regulations. We are seeing at this very moment that when there is a gap in legislation on financial activities, be it in Europe or the United States, it has led to serious instability and could even trigger a lasting crisis. And we are seeing that when there is a crisis on one side of the ocean, it spreads to the other side. Therefore, we need better harmonization of our various forms of legislation.

A third objective is to remedy the disorder in the monetary sphere. There is a huge fluctuation in the exchange rate, which is supposed to create equilibrium but is actually creating confusion. A few years ago a euro was worth about eighty cents, not long ago it was up to a dollar fifty. This is not conducive to stable trade relations.

What do we see today? We have a serious financial crisis, we have a serious banking crisis, we have a serious exchange rate crisis. But we haven't added things together. I haven't heard anyone say that the president of the United States and the leaders of the European Union have met to discuss this, even though this is one of the major issues that we need to deal with. Of course, the ministers of finance have met and the governors of central banks have met, but has anybody addressed such issues as: Is it sustainable to have, on the two sides of the Atlantic, interest rates, decided by the central banks, that are as different as they are today? Wouldn't it be good for the US President, along with the Secretary of the Treasury and the Chairman of the Fed, to meet with the European Union President and the President of the euro group, which is the group of ministers of finance along with the head of the European Central Bank, to discuss these issues? But they have not met to discuss these issues, they have not taken the slightest initiative in



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this regard. And yet this type of discussion could lead us to solutions. Here is a positive proof of what more can be done. We need an upgraded system for meeting together at the highest levels, because this can produce results.

On currencies, I believe that we should look at an approach that would resemble what used to be the European Monetary System (EMS). In it, there were ranges or thresholds for the currency exchange rates, and guidelines for how the governors of central banks work. The same thing was done in the G-5 under the Louvre Accord. I was Minister of Finance at the time, James Baker was in charge of the Treasury under President Reagan. Exchange rates had been fluctuating and people understood that it was going beyond the fundamentals; it was affecting trade and there was talk of a protectionist crisis. We came up with an agreement that made it possible to stabilize exchange rates. It worked fairly well for a time; the crisis was dissipated. A year later, in 1987, it was forgotten; a Wall Street crash came along, and it undermined everything we had done. Now we are once again paying high costs for currency fluctuations. We need to try again, and this time make it last, as it did in the European system.

As regards military issues, we will need to rebalance the functioning of the Atlantic Alliance for a better distribution of responsibilities, update the NATO strategic concept, and clarify the conditions for it to intervene outside of its traditional geographical area, which is itself expanding, and the rules allowing its members to intervene in one or another region of the world without the consent of their allies while nonetheless using the instruments of the Alliance. These reforms will become possible if the EU reorganizes itself, with flexibility for cooperation in a “variable geometry”, and if a serious military cooperation develops among its major Western European countries.

The Atlantic Alliance is still useful. It is intended to unite us. Yet it is out of balance, so great is the self-assurance of one side of the ocean and the resignation of the other. Our relations are strained.

I would ask you to picture our situation this way: Europe and America are threatened by identical risks. We have common interests far stronger than those that divide us, shared convictions, a single civilization, a shared vision of man’s role in the world. Everything should draw us closer together. Yet we cling to quarrels of another time, as if the world had not changed, as if we were still in a position to contend alone for world domination.

We need to open our eyes before it is too late—before our divisions have done us irreparable damage. Sometimes it seems that it is our divisions that people would rather cultivate, with persistent care. Yet, whatever people may say, Europe has no better possible ally than America. And America has no better possible ally than Europe.

Europe and America do have an underlying unity, despite all the differences that are played out in various international theaters, and that give people so much cause to doubt it. To unite us, there is a powerful transatlantic economy. There is also a deep community—a community of civilization and of the very concept of freedom and of life in society. We both believe in democracy, and, while we put it into practice to varying degrees, we do so far more than the other parts of the world.

What remains to be done is to breathe new life into this western unity, and build common institutions that enable us to act together in the world. We are no longer the exclusive holders of power, but the prosperity and peace of the world still depend to a great extent on our cohesion. With still over 55% of global GDP, the North Atlantic will remain the commercial and financial hub of the world for a long time to come. A political existence needs to be given to this space.

To face up to the most serious issues, it is not enough to improve our existing cooperation. We need a new organization, a fresh departure. We must be bold and build a true Union traversing the two shores of the ocean.

The Union should have an Executive Council, convening the presidents of the U.S. and EU every three months, with support staff to prepare and follow up on their work. A more effective European Union, with ratification of the Lisbon Treaty which provides for a longer term EU president, is necessary in order to create this Council. If the Council has positive results, then the Union of the West will be able to go farther. It will need solid institutional instruments. To be frank, however, I do not see this as a possibility yet; it will be the task of the entire next generation.

Americans still believe that very little can be accomplished without their leadership. This is true today, but won't be for long. Within twenty years, sea changes will occur in the balance of power. Time is of the essence.

A revolution of mindset is needed, both in Europe and the United States. Each must give up nostalgic ways of thinking. It is the kind of revolution that creates a future.

