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Dinner Speech by His Excellency

PÉTER MEDGYESSY

Prime Minister
Republic of Hungary

EUROPEAN ENLARGEMENT AND GLOBALISATION

Dear Prime Minister Stoiber,
ladies and gentlemen,

It is a great pleasure to be here with you in this historic building and this wonderful palace. I would like to thank Prime Minister Edmund Stoiber and the organisers of the Munich Economic Summit for letting me speak to such a distinguished audience. What an excellent opportunity this is to take a special look at globalisation and the economic future of Europe.

I would like to start with the issue of globalisation. It is a blessing and a curse at the same time. It is unavoidable, it is a fact, it is reality. It is a blessing for everyone who can adapt, for those who are quick and who can handle it. It is a curse for everyone who has a handicap, who cannot adapt easily, who cannot realign, who is still looking at the past that he is carrying along with himself. You might be able to slow down the process of globalisation, but you can never stop it. Now this is the challenge that the European Union and the whole of Europe must be able to respond to. There is no alternative.

For a good response you need many things of course. Basically you need flexibility, the ability to change, and social and economic mobility. This can be a good response to globalisation. Indeed it seems reasonable to compare some of these aspects with respect to the United States, Western Europe and Central Europe. We can see that one of the beneficiaries and successful implementors of globalisation is the United States of America. And I think that one of the fundamental reasons for that is that mobility is so high in the United States. In all senses of the word: mobility in terms of the place of residence, in terms of confessions, in terms

of the willingness and ability to learn and in terms of the ability to adapt.

The United States have a major advantage which is a small number of traditions. Traditions are an odd kind of thing. It is something that we are proud of in Europe. We have something to look back on. However – by necessity – traditions also hold us back. So traditions are magnificent but they can also be an impediment to flexible thinking. You have to change the ways you were following in the past and this is certainly an issue Europe has to face. In this sense it is only understandable that the response of Western Europe is slower than that of the United States.

But we should also look at Central and Eastern Europe. In just thirteen years, changes worth a hundred years have been implemented. Of course, these changes were made by force, we had no other choice than to adapt quickly. Quick change also meant that there was a need for mobility. This raises the question of what Central Europe can contribute to the European way of thinking. I believe – and this is not a distinction between the old and the new Europe – that these countries can contribute dynamism. Simply because these countries were forced to learn dynamism. They are already and still in the middle of the change process.

In this simple sense these countries contribute new intellectual capacities. I think it is reasonable to show this by the number of Nobel Prize laureates who are Hungarians. A total of thirteen people of Hungarian descent have been awarded the Nobel Prize. But if you look around in the region in general you can find a number of people who are Nobel laureates – from Poland and other countries in the region, too. The ability to realign, the ability to be flexible and to solve problems, I think these are the true assets of Central and Eastern Europe.

This will inevitably bring a certain impetus to Europe. Very obviously all countries of this region have the same approach and will contribute to the same approach.



The region offers temporary advantages. But any country which sticks to these temporary advantages will suffer later. Cheap labour is absolutely transitional. You can gain advantages from cheap labour for a certain period of time. But any country which does not see that investment should be made primarily in human capital is not looking to the future. Any country which is able to realise that can, however, truly contribute to the development of Europe. Central Europe will also contribute to the market. Not only in the traditional sense, but also in the sense that it's a very easily extendable market. With relatively low investments a huge extension of the market can be attained. And I also believe that to the challenge of globalisation Europe has a twofold answer: One is the enlargement of Europe and the other is the deepening of co-operation within Europe.

Let me speak briefly about the issue of deepening. The enlargement is just an opportunity, it is a potential, and it can only be realised if deepening of European integration goes along with it. This certainly requires a change in mentality, a change in the way of thinking of many people involved in the European integration process. I think it is simply not avoidable that the European Convention deals with very important but not just institutional issues. But there is a tendency in Europe to think that the Convention should only deal with the relationships between the European Parliament, the Council and the Commission. 'How many years a term of presidency' and so on are certainly very important issues. However, there are much more important issues pending. For better or worse, there will be a common foreign and security policy which is a much more important issue. Will there be a sizeable joint military force, will there be true co-operation in the protection of the environment, in research, education and what will be the conditions for these in terms of funding, operation and co-ordination? If we are looking for answers to these questions then we must face the fact that certain national competencies must be given up. There is no strong Europe unless European politicians can find a consensus in terms of national competencies. That is the most painful point, I know that. Nevertheless it is very difficult to say that we want a strong Europe but at the same time everybody has unchanged competencies. What I am saying may sound very unorthodox and tough, but he who does not face this has not acknowledged the true problem. In a certain sense it is simply unavoidable

to reconsider the issue of sovereignty. And our final consolation that remains – and I think that is truly great – is that our natural cultural identity can be strengthened along this course. There is a chance and there is an opportunity for preserving the natural and national cultural identity which also enriches Europe. I am convinced that all countries, including Hungary, from the central east European region will be happy to participate in the dialogue on the future of the European Union. To me a great example is the legendary love of freedom in Bavaria. 'Libertas bavariae' is the Latin term for it. Translating that into modern European language it means that the heart beats in Bavaria but the head thinks in European terms. And I think that this is a true model for Hungary as well. Coming back to dialogue, I think that these issues must be laid on the table, if we want true success, if we do not want to lag behind in competition – in competition that is in fact globalisation.

The second issue I would like to raise is the issue of transatlantic relations. This is the question we must ask ourselves: Is the partnership between Europe and the transatlantic countries based on common values? Common values like the love of freedom, liberty, equality, human rights, competition, performance and solidarity? I add solidarity because I truly believe that Europe is not conceivable without solidarity and the intention to achieve ecologically sustainable growth. These are common interests. If the transatlantic partnership is based on these values then you don't have to make a choice in Europe. Certainly there can be discussions, and some issues have to be clarified. Nevertheless you do not have to make a choice if you believe in these common values.

I am also deeply convinced that a strong Europe is needed. Let's be very frank about this, the power relations today speak in favour of the United States. I think it is in the very interest of Europe in this situation to attain close co-operation and I truly hope that my American friends who are sitting here will not be angry with me about what I am going to say now. We should not give the impression that the United States is able to do everything even without any support or help from Europe. I think we have to make a wise use of time. Widening and deepening together requires time, but it also incorporates massive opportunities. If that is the behavioural approach of Europe then the European Union can really become a competi-

tor that is powerful enough to be taken seriously, a partner that cannot be ignored. But that requires time and also full awareness of the power relations of today. I am convinced that only a unified Europe can give the true answer to globalisation. And only a unified Europe can act as a political power.

Again I must come back to the issue of dialogue. That will be the fundamental issue in coming years. I would like to emphasise that the three European countries with the largest power and respect, Germany France and Great Britain, bear an immense responsibility for the future of Europe. And perhaps one more thing to add: I am also convinced that in this changing world we not only have to reformulate the role of Europe but also the role of the international organisations. They are simply indispensable.

Finally, let me say a few words about the economy and economic policy. It is my conviction that all of us agree that the key to success is a functioning economy. We can all see that in all European countries, without exception, the fairly expensive state operates the expensive social systems. Reform is unavoidable. And I also want to emphasise here that the basic condition for stability is change. Europe has established a common monetary policy. This originated – let's be frank about this – in a boom time. And again I would like to raise a couple of questions.

This is something that perhaps many of us have thought about. Can a political economy postulate be valid forever? I agree that any economic policy of excess spending is dangerous. Also accelerating the rate of inflation is dangerous. However, does not the lack of economic growth or rising unemployment raise moral questions, ethical issues, serious, existential issues? Is it not true that all of these will result in serious social destabilisation? The answer to these questions is very sensitive because there are so many circumstances and dangers that one has to take into account, so many chances to make mistakes on this road. However, not responding to today's situation and challenges is equally dangerous. A fundamental issue is how society can be made to accept the forces of reform, reform that we all know is necessary. What we also know is that these reforms must be about the people. So they have to understand this.

With these questions I just wanted to raise your awareness that I don't think it is conceivable that

certain fundamental principles of economic policy remain unchanged in the future. This means nothing else than discussion and dialogue between experts and politicians. Let me end here. Thank you very much for your attention.