

“The EU in Transition in the New Global Paradigm: Opportunities for Korea”*

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It is a great honor and pleasure to be with you this morning. I first came to Korea in 1967. It has been a very long time, a very long relationship. Every time I come back, I remember the Korea that I knew that long time ago. So, it has been a privilege to witness the development in this country. The relations between Europe and Korea are rather distant and there is no strong historical record. On the European side, there is not much knowledge or understanding of Korea, but Koreans have a friend in Europe.

I am European. I have been living in Switzerland for the past 13 years, but my passport is French. I am really based there; I spend about 30 percent of my time in Switzerland and the rest of my time traveling. My father is French and my mother is Spanish. My last name is German and I got my doctorate from Oxford. So, I think that is sort of a good European chemistry.

Now, do I have any connection to European governments or the European Commission? The answer is no. The Evian Group does projects for the European Union. I was in India shortly before coming to Korea where we were completing a project for them. Otherwise, we are totally independent. If you were to ask European officials, they would describe me as a nuisance because I tend to be rather critical of European policy and the direction that the EU has taken. At the same time, I am emotionally very committed to the European Union.

The perspective that I am going to give you this morning is relatively negative. That is why I said that I am not an official and I am not concerned with giving you a sunny view of Europe because at this moment I think there are quite a few clouds. In a nutshell, I have a sense that, in spite of its achievements, Europe is in a state of drift. My own views are shared by a number of Europeans including some former officials. The former

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President of the European Union, Jacques Delors, who has now been retired for a number of years and is usually reasonably quiet, expressed the view last year that Europe might unravel. These are very strong words. At the time of the crisis, there was much disappointment with the lack of “a European response.” There were European responses – a UK response, a German response, an Italian response, and so forth. We were like chickens running around in a coop. There was no unified European approach to the crisis management and crisis settlement. There is a prominent former German Foreign Minister, Joschka Fischer, who did an interview with the BBC on a program called *Hard Talk* where he accused the European plans as half-baked. So, as I said, my views are relatively critical but they are not necessarily that exceptional.

Now, what I propose to do is go back a little bit to the origins of Europe and then move on to the present, followed by some prognostics. First thing I want insist is that I am very emotionally committed to Europe. I do not describe myself as a Euro-skeptic; I am a Euro-phile. This has something to do with chronology, with history. Looking at the history of the last century objectively, I think you can say that “the European project”, that is to say the European Union, is without a doubt one of the greatest achievements of governance and prosperity that history has ever witnessed. So when I say that I am critical, I am critical of the present situation.

Major Transformations in Europe

On the achievement overall, I want to stress that when we now live in an age, at the beginning of the 21st century, where we take for granted where we are, not remembering how some of the historical origins were very critical. I was born in 1945. I was actually not born in Europe but in Washington, DC because my parents had been refugees from Europe. My mother was first a refugee from Spain during the Spanish Civil War. She moved to Paris, met my father, got married, and then they were refugees. This is quite a typical European story. Just to give you some historical data, my grandfather was in WWI and my father was in WWII. Therefore, when I was born – if you were to extrapolate – you would say that I am veteran of WWIII, my son is fighting in WWIV and my grandsons are preparing for WWV. But, we had a break point. Europe was for most of the first half of the 20th century a battlefield. In reference to someone from ASEAN, we must transform Southeast Asia from battlefield to a marketplace. The same thing is for Europe; we were a battlefield.

Just to give you some data, in the first half of the 20th century (mainly 1914-1945) 70 million Europeans died directly as a result of warfare. These were people who were killed in war, not people who died of disease. We had WWI, the wars in the Balkans, the Spanish Civil War, the war in Russia, WWII, the war in Greece, and etc. In the second half of the 20th century that number of 70 million dropped to one million and none of them in the European Union. The one million who died were mainly in the Balkans and the former Soviet Union. This is one of the aspects that has changed very dramatically.

The second aspect that has changed dramatically is the prosperity of Europe in the course of the period from 1945 to today. The European standard of living has risen beyond belief. Another great achievement is that Europe, in the first half of the century, was not only a battlefield of war, but it was a battlefield of extremist ideas. Fascism, nazism, communism and nationalism all came from Europe. We had vestiges after 1945. So, although in 1945 the Germans and nazism were defeated and Germany was incorporated into Europe, we still had a fascist fringe in Spain, Portugal and Greece that lasted until the mid-1970s when Franco died in Spain. And, of course, we had a communist fringe in Central and Eastern Europe which lasted until about 1991.

It is astonishing, when looking back at this history of extremism, that Europe today is blessed with being a huge democratic space. The democracies are perhaps not perfect, but nevertheless when Franco died in 1975, my views on the future of Spain were very negative. I would not have believed that it would have transformed so smoothly and so quickly into a democracy. If I had been told then that someday Lithuania would be part of the European Union, I would not have believed it. In fact, I was in Tallinn, Estonia recently and was amazed by the transformation.

I wanted to emphasize these points because I think that Europe has achieved an enormous amount. I think that if you look at the first half of the 20th century, and perhaps the 19th century, what Europe did to the world was on balance pretty negative and destructive. And, if you look at the second half of the 20th century, on balance, it has been reasonably positive. I think that there are a lot of issues but still Europe has not been a source of global conflict as it was in the past.

This has the achievement, the context and the reason why I feel so strongly European because I was born in 1945. I have three children: two daughters and a son. They don't feel the same thing. When I talk to them about the past it is probably like when people

here talk about the Korea War to teenagers. The point I am making is that this feeling will mean little to my grandchildren.

Construction of Europe

Europe was not an economic project, not a political project; it was above all a human project in many respects. It was based on a vision. In fact, if I were to look at what consultants would call “the key success factors” of Europe, I would identify the following forces. I would say first, vision. There is no doubt at all that people like Jean Monnet and Robert Schuman and many others had a vision, and they then wanted to communicate that Europe should no longer be a battlefield. It had a lot of idealism that was based on reconciliation. It had a spirit of Europe, but at the same time, it was very pragmatic. I think that while Europe is currently adrift, in my view, there is a lot to learn from Europe in terms of regional institution building and confidence building. Today, when we think of Europe we tend to think of the great architects and the great ideas, but probably the most important first step was the European Coal and Steel Community (ECSC). The coal and steel industries were very vital to infrastructure and defense, so it seemed like a good first step.

Another key success factor was incrementalism. You went step-by-step pragmatically rather than leapfrogging. And, of course, bringing people along with you as you did so.

There was fantastic leadership too. The most important was the relationship between President Charles De Gaulle of France and Chancellor Konrad Adenauer of Germany. This is something that I always insist when I am in Japan. There is no alternative to profound reconciliation and this has to be driven by the leadership. De Gaulle as a war hero could have been an obstacle to this reconciliation, but he was a very important element in it. Of course, these conditions created economic dynamism and growth. The first 30 years after WWII in French are referred to as the “*les trente glorieuses*” or 30 glorious years. It was quite intoxicating. Everything that was happening was very exciting: new firms, foreign investment coming in and etc. At every level there was innovation, in the research sense of the word, and also in institution building. There was unity in Europe. If you remember, we were first six, then we increased to nine, then 12, then 15, and now we are at 27 EU member states. Also, there was a young population. They brought a tremendous amount of vivacity to the prosperity.

Challenges in Europe Today

So that was the construction of Europe, but now is where I want to turn negative. Taking into account these various themes, I would like to ask, “What is happening in Europe today?” There is no vision. There is no appeal to the next generation. There is no spirit. There is no idealism. There is “defensism.” When we expanded and brought in these 10 member countries from Central and Eastern Europe, some people like myself were euphoric, thinking that this was a realization of a dream. However, as you may have seen, the reaction of many Europeans was, “Oh, now we are going to be invaded by Polish plumbers.” There was a sense of how do we keep these people out, rather than how do we embrace them. The paradox is that in the rich countries of Western Europe it is extremely difficult to get a plumber. I have said that if I could get a plumber, I would learn Polish. Now, it is very selfish to defend what we have, rather than build on what we have.

Instead of the spirit, most young Europeans would associate the word “bureaucratism” with Europe. The pragmatism is gone. The example I give is the two Lisbon connections to Europe. One is the Lisbon Treaty and the other one is the Lisbon Agenda. The Lisbon Agenda was a meeting of the council ministers which occurred in 2000 and it said that by 2010 Europe would be the world’s most shining and biggest economy based on knowledge industry and the such. If you read the thing, it is a folly of grandeur. When we got to the halfway point in 2005 and nothing had been achieved, Martin Wolf, the well-known Financial Times economic commentator, said the only thing that the Lisbon Agenda proves is that Europe has a sense of humor because these ideas were so wild. Since 2000 it has been revised several times and toned down.

Incrementalism. In the construction phase you had incrementalism and you brought people about with you. What we have had since then is top-down imposition. The European Union decided that we needed a constitution, but it did not talk to the people. It never tried to sell the idea. It said, “You will have a constitution.” It was imposed from above. Two countries, France and the Netherlands (two of the six original members), had a referendum on it and both strongly rejected it. It was rejected in the Netherlands by 63~64 percent. In France, the rejection was also quite strong. It was not so much that people were against or for the constitution, but that they were against this sense of imposition. So this tension has been created which did not exist before.

Leadership. The next point is leadership. Does anybody in this room know the newly elected President of the European Council? I know the name because I have it here in front of me, Herman Van Rompuy. This is pathetic. Like The Economist said, this original idea started eight years ago. In eight years, you build a mountain and produce a mouse. There is no leadership.

Protectionism. The building of the Franco-German relationship was vital. What we saw during the crisis was that there was a lot of intra-EU protectionism. For example, in the UK an Italian company got a contract in some gas industrial development and they brought Italian engineers and Italian workers. There were huge demonstrations from British trade unions and workers saying, “British jobs for British workers.” This is totally contrary to the principles of the freedom of movement within the European Union. My President, Nicolas Sarkozy, gave a speech saying that French cars produced in the Czech Republic like Renault should not be sold in France. This is what we had when the crisis came. Everyone started running off to defend his/her nationalist interests, instead of economic dynamism and growth. The EU is still a very powerful economy but it has become a bit of an economic laggard.

Human Resources. One of the things that we suffer from in Europe is a brain drain. About 70 percent of Europeans who do their Ph.D.s in science in America do not return to Europe. The conditions are simply much better there. Along with brain drain, we are experiencing an entrepreneur drain. We are risk adverse. This is the big contrast to the United States. If someone says he/she is interested in being an entrepreneur the first suggestion is to go to California, Massachusetts or wherever.

Unity & The Lisbon Treaty. We do not have unity. Why do we have eurozone and

non-eurozone? It must be difficult for Koreans to figure it out. Don't worry because Europeans cannot figure it out either. In other words, Europe is coming up much more as a patchwork than as a sense of unity. And, of course, we no longer have a young population. I know that Korea is also facing this challenge. In Europe, it is quite terrible. Particularly, when you get to the age bracket where there are some many people like you. I told me wife that when I retire I want to live in a university town because then there will be young people bringing in a bit more life. Otherwise, Europe is going to be a very depressing geriatric ward as the population ages.

So, this is rather a critical view of Europe, but it is a realistic one. I think the new post-Lisbon Treaty arrangements are going to cause confusion. For example, we now have basically three presidents: the President of the European Union resulting from the Lisbon Treaty – President Van Rompuy, the President of the Commission – Mr. Barroso, and a rotating presidency. Currently, the rotating president is Sweden. Every six months it changes. Next time it is going to be Belgium. So for six months, we will have two Belgium Presidents and one Portuguese. So, I do not know whether President Lee has thought about which European President will come to the G-20 Summit in Seoul in November. I am willing to bet all three will come, so this will be very complicated. Which one is the head of the EU? The answer is probably the heads of France and Germany. It was a very clever ploy. We can talk about the UK later if you would like but the UK has been very marginalized now. There has been a series of mistakes. So basically, it is back to France and Germany and a few minor countries like Poland and the Netherlands. Then there is the question of whether the three Presidents will be speaking with one voice? I have no idea. There is Euro-confusion coming in at the governance level. So, if Koreans or Singaporeans or whoever have difficulty understanding that, they should not worry. We do not understand it either. What we do know is that it is creating lots of jobs at the government level.

Europe at a Glance

Now, let me give a descriptive picture of Europe. I have some data here that I will go through slowly because I think it is quite revealing. The population of the world currently is about 6.8 billion. The population of the EU is half a billion. So Western Europe is about 7 percent of the world's population. If you take all of Europe – adding Russia, Ukraine and so on – it comes to about 11 percent. At the beginning of the last century, in 1900, the proportion of Europeans to total population was 25 percent. It has

gone down in relative numbers. Asia has stayed about the same 60 percent. The big increase this century will be Africa. Europe's total population will be about 6 percent of total population in 2050.

If you take the number of countries in the world, according to this data that I have, there are 193 countries. 27 of which are in the EU, so 14 percent of the countries in the world are part of the European Union. If you take GDP on a purchasing power parity (PPP) basis, the world GDP is USD 70 trillion. The EU GDP is USD 15 trillion, still making it an important economic actor with 22 percent of global GDP. If you take research expenditures, the world is USD 1.05 trillion and the EU is USD 270 billion or 25 percent. It is still quite high. If you look at exports, total world exports are USD 16.6 trillion while EU exports are 6.6 trillion, 40 percent of world exports (including intra-EU exports). Then in foreign direct investment, the world is USD 1.86 trillion and the EU is USD 0.84 trillion, 45 percent. So, the EU is still a major destination for foreign investment. The figure that is often sighted, when discussing US-China relations, is that total US investment in Ireland is greater than US investment in China. That is the current situation. Obviously, the trend will be different. I do not think anyone will invest in Ireland anymore. We have a few problems in Europe now. You probably will hear more Dubai-type stories. People talk about problems that Europe has like PIIGS (Portugal, Ireland, Italy, Greece, and Spain). These five countries, which are all in the eurozone, are in serious difficulty in terms of potential defaults on their debts. Nevertheless, Europe is a major actor and is a very important trading partner to Korea and should remain so.

Key EU Challenges

What are some of the key EU challenges? One challenge is not to unravel. Nothing is irreversible. We went from 6 to 27 member countries of the EU. In principle, Croatia will be joining soon. There are a few other question marks like Bosnia, Albania and, of course, Turkey. You could have a reverse process beginning as well. Again, I think the UK is a question mark. It is almost certain that Gordon Brown will lose the next election. David Cameron, the head of the conservative party in the UK, has committed to holding a referendum on the Lisbon Treaty. He may not do so, but the question of the UK and Europe remains open.

Another common challenge along with Korea is agriculture. It is a very small part of

the European GDP but it is one of the major costs of the European Union budget. We do not have enough money for schools and for hospital but we have enough money to protect and subsidize beetroot and sugar. The common agricultural policy remains a problem and an impediment.

We have a big challenge in terms of climate change. I think Europe is more advanced in terms of climate change policy than the United States. Many years ago people spoke about “fortress Europe,” and there may be a new fortress Europe coming up that is going to be protected by green fences.

We have a challenge in terms of trade. The current commission, I must say, is quite good. Europe has been able to maintain a pretty open trade policy by European standards, but the protectionist forces are very strong. Not surprisingly, they are mainly coming from France, Italy and Spain. There is sort of a north-south dichotomy in European trade. The north is free-trade and the south is more protectionist.

As for the issue of security, in both the European sense and in the global sense, there are still people who would like to think of Europe as a geopolitical power. If you see, for example, President Obama’s request for troops to Afghanistan – whether justified or not – has been muted. While the 27 EU member countries live in an ideal situation, we have neighborhood issues, like the Balkans. Bosnia is a very small place, a population of around 3 million people, but it may flare up again. There are also issues with the former Soviet Union and the CIS (Commonwealth of Independent States) countries. They are European and will want to knock at the European door. What do we do about Azerbaijan and Georgia? The President of Georgia, a funny guy, always has the EU flag behind his desk. They are not members but it is just their aspiration. The Ukraine is going to be big challenge for Europe. I am very much in favor of the full membership of Turkey in due course. It has to satisfy the criteria. What we have been doing, which is absolutely deplorable, is changing the goal posts. We have negotiated with Turkey the conditions of entry and then we keep changing the conditions.

Among the tensions in Europe is a growing tension between Europe and Islam: one being a space and the other one being a religion. We now have a fairly reasonable proportion of the population of Europe that is Muslim, around six percent. In France, it is higher than that. On principle, this should be no problem at all, but a problem is being created. It is Switzerland which had this ridiculous referendum on minarets. Switzerland

is not part of the European Union, but now there are countries in the EU that want to copy that.

This issue is also linked to another big issue that we have, immigration. Having much more open labor markets and encouraging temporary immigration, rather than discouraging it, could solve a lot of the problems of Europe. This is not the mood in Europe at present. We have a situation where we need immigrants but we do not allow them. So, the result is having a lot of illegal immigrants. My mother is still alive at the age of 99. She has a Bolivian woman looking after her. I discovered the other day that she is totally illegal. She came into France but has no papers. She works for my mother, paid by her and lodged by her. When I found this out, I asked my sister who lives in Paris, "Is our mother going to finish her life in jail?" That is just an illustration of the ridiculousness. The point my sister made to me is that there is no option. If you want to have someone to look after an old person in Europe today, you will almost certainly have to go for somebody who is illegal. The government keeps a closed eye on that. They know it is happening but at the same time they do not want to change. We have a big problem. The demographic data that I gave you could change enormously if we allowed immigrants to come in. One of the reasons that I am so in favor of Turkey joining the EU is because it is such a young country. You walk into Istanbul and you see this bustling dynamism of youth that could bring a lot to the EU.

Then we got the problem of the Southern Mediterranean. It is quite striking the contrast between the south and the north of the Mediterranean. The topography and architecture are very similar. The big difference is that when you go into Spanish villages there is nobody. If you see people, they are probably immigrant workers. Spain has one of the lowest fertility rates in the world. Morocco has one of the highest. In 2000, the population of Spain was three million more than Morocco. By 2025, the population of Morocco will be 10 million more than Spain. We have this whole Arabic area in the Mediterranean which has the highest or second highest growth rate in the world. 60 percent of the Arab league is less than 25 years old. It is, on the whole, poor without many prospects for jobs. In a recent poll in Tunisia, 70 percent of those surveyed chose immigration as their top priority. They want to go to Italy which is another country growing old. We could benefit from these kinds of relationships, but this is a big political time bomb.

We also have issues of identity now. This has partly got to do with anti-Islamic views.

Someone wrote an interesting article the other day saying that part of the European reaction to this is that the Muslims have a sense of identity and we do not, and so we are angry with them for having an identity which we do not. Nevertheless, there is this critical issue of identity.

Opportunities for Korea

Now, this, I think, is a reasonably realistic perspective of the EU. As I said, it is critical, and as you prepare for having more extensive relationships with the EU you should be aware that the EU is in a state of drift and decomposition. In terms of opportunities, however, it is obviously still a very big market. It will decline over time for demographic and other reasons, but I would say that it is still a good market for another ten years. The FTA will get more access to the EU market. I think that Korean firms can have some opportunities in Europe and to the European consumption base, but you have to adapt your culture and strategy. Not many Europeans want to work for Korean firms because the image is not there. Samsung may be an exception. Also, Korean companies have the reputation, justified or not, of being quite nationalistic. Europe is a great opportunity but you have to “Europeanize” to a certain extent. The Japanese never really succeeded in doing that but the Americans did. At one point, it was said that the most European firm was IBM. So, as Korea is looking to “multinationalize,” which I guess Korea will have to do for a whole variety of different reasons, there will be lessons that it can draw from Europe and European firms. A European company like Unilever, for example, has a lot to offer. Not any of the key people of the company is Dutch anymore. They have really “multinationalized” quite successfully.

When I was in Korea last September, I heard quite a lot about Korea’s new green deal. Korea’s green policy seems quite advanced. I am absolutely convinced that green business is going to be a minefield and that is why I am convinced that business can be a very important part of the solution to climate change issue. In Europe you will find very advanced R&D in these particular areas. Many European power companies like ABB, for example, have been working at these for more than 20 years. It is not just a new fashion for them. So, I think there are a lot of opportunities between universities, businesses, governments, and institutions in green technologies.

I think another area which could be interesting is collaboration in third markets like

Africa, for example. The Chinese are now omnipresent in Africa. Everywhere you turn there are Chinese and Chinese companies. However, I am not sure the way that they are approaching Africa in the long-term will succeed. I think one needs to use more subtle approaches.

I come to Asia five to six times a year. I have lived here off and on. I am a member of several Asia-based think tanks or track two organizations like CSCAP(Council for Security Cooperation in the Asia Pacific) at which I was at one point the European delegate. I am aware of a lot of the debates going on here in regard regional institution building. In this case, I think that there is really a lot to learn from Europe. This is not to say that you take the European-model and put it in Asia. That is not going to work; instead you need to look at some of the steps in the process. That is one of the points that I keep making, particularly to Japan, that you cannot create economic partnership if you do not have trust. This is one of the lessons which one has to learn from Europe. Europe was not made overnight. There is an interesting place in Sussex called Wilton Park. Wilton Park is an old manor house going back to the 15th or 16th century. A family of aristocrats owned it. The last family member died without any children. He was British, of course, but was also an admirer of German culture and music. When he died, he left the manor and quite an endowment to the UK government to have a center for Anglo-German reconciliation and dialogue. This is without fanfare: no media, no photo opportunities and the like. 10~12 times a year a German team would come meet a British team with backgrounds in science, religion, business, university, or whatever to discuss how to renew trust. This lasted for about 20 years. Then after 20 years, they thought that the Anglo-German relationship, purely bilateral in this context, needed to be broadened to include Europe, and now today it is a global meeting place.

When I established the Evian Group I did not know that there was another Evian Group established by the family that owns Dannon, the yogurt company, on Franco-German reconciliation. They still meet once a year. Again, the point is keeping it low key by not having media coverage. Therefore, it is quite open.

When people talk about a common currency, they tend to look over and try to jump a lot of the steps to get there. I think that if you jump the intermediate steps, then there is risk of it being fragile. Europe is still fragile, but it is quite an achievement. I think that there are a lot of lessons that can be learned from it. With that I would like to close my remarks.

Questions & Answers

Q First, do you believe the EU was driven to become as big as it is in order to challenge the US and NAFTA? Secondly, as the EU has become so large to the point of ineffectiveness, what is the value of the euro since it is not backed up by a power geopolitical entity like the US dollar or Japanese yen?

A I think that there is an issue that European policymakers face: enlargement. When you say that the enlargement issue was based on the desire to compete with the US, this was true of some European thinkers and policymakers but not all. It was true, for example, of the Former French President Valéry Giscard d'Estaing, who wrote the constitution. But, I think many other Europeans just knew that Europe, whatever form it took, would never really be able to compete with the United States as a global power. In terms of hard power, I do not think that Europe would ever have the means or the will to compete with the US. As the enlargement process is concerned, I think that what happened after 1991, the fall of the Berlin Wall, was reactive rather than proactive. One immediate step was to try to secure the liberation of these countries. The first step was to get them to join NATO and the second step was to get them to join the EU. The problem is that the process of enlarging did not gain a tremendous amount of popular support. What are we to do now? We cannot stop. We cannot say to Croatia that it cannot get in. The boundaries of Europe still have not been defined yet. This is going to be an ongoing issue over the course of the next couple of decades. It may, as you implied, be difficult to manage 35 countries. It is already difficult to manage 27 countries.

As for the euro, I think the idea was to offer an alternative currency to the US dollar. I think that the euro as a foreign exchange reserve is stronger than the yen, for example. But, it does have its inherent weaknesses. As I said, there is the fragmentation of Europe. So, the eurozone is not contingent with the European Union and I think that is going to be a limitation over time. It is going to be interesting to see what happens. I do not know what is going to happen with the US dollar.

Q At the moment there are vast differences in the unemployment rates and in growth rates among EU countries. What do you think about the survival of the euro in the long run?

A I would not advise anyone here to go off and buy lots of euros for the short or the long run. There is concern about this. A country like Spain, which was like a “European tiger,” grew fantastically for the first 15 years after joining the EU in 1986. Now, the Spanish economy is doing terribly with a very high rate of unemployment. As I said, there is this problem with PIIGS. So, there is no doubt that there is a great deal of fragility in this.

Q I have two questions. First, with the UK being a passive observer during the integration process, when is the UK likely to join the eurozone? Secondly, you stressed the importance of reconciliation. China and Japan are sitting at the driver’s seat with regards to this issue in East Asia. Do you think that China and Japan are likely to work out reconciliation like the way Germany and France went about it? If not, what role could Korea take in this reconciliation/integration process?

A The UK has always had a problem with Europe and this is not new. This comes about for historical reasons, splendid isolation, special relations with the US, and so on. One piece of good news for me in Europe was that Tony Blair was not chosen to be the President. That would have been absolutely appalling. Tony Blair talked the “European talk” but he did not do anything European. Gordon Brown has been much more distant. Since it is about 99 percent sure that the Tories will get back in next year, the person who will be David Cameron’s Foreign Secretary, William Hague, was a former student of mine (but I am responsible for his views) and has taken a very anti-EU stance.

When will the British pound join the euro? I say probably when you start seeing pigs fly. I do not see this happening. This is linked to another point. I mentioned the weak PIIGS countries, but the country in Europe that has taken the worst battering in terms of its reputation and image is the UK. The UK model was very closely aligned with the US model. In fact, someone at another conference said that the global financial crisis initially was a North Atlantic financial crisis: the US and the UK.

My British friends tell me they do not really see the UK recovering from the crisis. They see it becoming increasingly irrelevant. There is going to be an exodus from the country. Surprising things happen, but right now the UK is really headed for decline and marginalization in Europe.

On the subject of reconciliation, I have written a lot. Japanese have to come to terms with history. It is difficult for anyone to come to terms with history. In France, we had the German occupation and we had a number of Jews in France exterminated. The myth was that the Germans exterminated them all. It was only 10~12 years ago when Former President Chirac admitted that a lot of French were responsible for this. It is not to say that coming to terms with history is easy, but it is a requirement. There would be no Europe if Germany had behaved like Japan. For example, in my late teens I met with a lot of Germans and had many discussions about this. I am not saying this because I am in Korea; I said it in Japan as well. Japan is a problem.

What can Korea do? It could be a venue for trying to create an East Asian *entente*. This has to happen. If it does not happen, then I think that the risks of conflict in this region are very strong.

Q With the rise of Muslim immigrants, how is Europe going to handle this in the coming years?

A I think one of the difficulties about the Islamic issue is that Europe is fundamentally agnostic and secular. Christianity is very weak in Europe today. This has been one of the big changes in my lifetime. When I was young, whether in France or Spain, I saw a lot of priests and nuns. Now, when you go to church in Europe the average age is about 70. Younger people do not go. This is truer in some European countries than others. Most countries are secular. Even in Ireland now, with the power of the Catholic church, it has diminished. In Poland it is relatively strong; in Spain it is nothing. So, I think the problem is not so much Christianity versus Islam but secularism versus religion of any form.