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FINANCIAL NEWS
THE GLOBALISATION DEBATE

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Professor Harold James, Princeton University & European University Institute
Dr Bernd Pfaffenbach, State Secretary, Ministry of Economics & Technology
Group
George Soros, Soros Fund Management

Session Chairman: William Wright, Editor, Financial News

DAVID MARSH You may be wondering why you are sitting in a hall that has been converted in to a used furniture factory. Well, the answer is about to be given to you. It is all basically about the globalisation debate, which we are very happy to be putting on tonight, for your edification and for your amusement. And so I'm very, very pleased to announce a person who will be leading on to the stage his four brethren in the globalisation debate. He will tell you everything you need to know about globalisation. He will lead off the evening's high point. I give you now, the person who had he been performing in a previous age, might have been perhaps presiding over a radio programme of music-hall anecdotes. He is in fact now, the Chief Executive of the Management Consulting Group, he is leading tonight's introduction to the globalisation debate, I give you now ladies and gentlemen, leading on to the stage his four brethren, Mr Kevin Parry.

APPLAUSE

KEVIN PARRY: I'm very pleased to add my welcome to David's this evening and this evening's debate is of course on the subject of globalisation. Few topics are probably as discussed as often as this. Views are pontificated, everybody has got a view on what it means but tonight we have some experts. Indeed, so many of you wanted to come this dinner was over-subscribed. You were originally on tables of ten but David managed to squeeze a few more in as part of the economics of this evening.

Running a management consultancy as I do, I get an opportunity to speak to many senior businessmen about what they see as the future and I think the questions around this theme are very much always the same: where and how. How do we source, how do we build, how do we sell, how do we purchase, how do we hire, how do we invest. Everybody has those questions and I think that's at the nub of globalisation. So whilst the answer for every company and every industry is perhaps different, I think the challenge for everybody is how to get

sustainability for globalisation and what might be right for 2006, might be wrong in 2007 or 2008 and we look to governments I think, to set frameworks within which nations can interact and how they can help us play our part in the global economy.

The impact is significant; it is also about corporate responsibility and that makes good business sense. And if there are common themes to the questions, I think there are common theme to the answers. We never get far without hearing about China and India, indeed my business is no exception. We recently purchased a consultancy in China that helps with setting up and getting businesses established in that part of the world for all sorts of consulting.

The global challenge is with us, there's much in the melting pot. I think we're probably all here to listen and to learn this evening and it now gives me great pleasure to very briefly introduce the distinguished panel that we have. Professor Harold James. Professor of History and International Affairs at Princeton and the author of numerous books, but perhaps very importantly, *The End of Globalisation*, which is highly relevant this evening. No cues for some prospectives here. Dr Bernd Pfaffenbach, State Secretary for the Ministry of Economics and Technology for Germany and also a personal representative of the German Chancellor at the G9 summit. George Soros, Chairman of Soros Fund Management and the Open Society Institute and I think it's through his financial activities and philanthropy that has brought him to the forefront of this debate. And then finally, William Wright, Editor of the Financial News, has been since 2003. He's got the job of chairing the proceedings this evening, and so, without further ado, over to you William.

WILLIAM WRIGHT: Thank you very much and good evening ladies and gentlemen and welcome to this debate. Welcome to a perfectly ordinary Monday evening in my living room, with a discussion – just with a few friends, although I should add that Mr Soros normally pops round to my place on Tuesdays.

Now thirty five minutes is the time we've been allocated to discuss the small subject of globalisation; so without further ado I'm going to dive straight in. There will be some time later for questions and we'll do the directions for that when we get to them.

Now globalisation as we all understand it, was supposed to lead and to breed indeed, peaceful, sustainable, prosperous, integrated, international society. Now in the past few years, it hasn't exactly worked out that way, unfortunately. I'd like to start with Professor James. Now in your latest book, *The Roman Predicament*, which I happen to have with me, and I can strongly recommend it as a read, it's certainly worth buying simply for the cover, with a fantastic picture of George Bush made up as Julius Caesar, available from all good bookshops. In your latest book you argue that the global economy system that has developed over the past fifty years has inherent flaws, that it leads to lob-sided development, to inequalities and ultimately to international rivalry, conflict and even war. That

the liberal economic order subverts and eventually destroys itself. That strikes me as a fairly pessimistic view to take of globalisation, do you really think it's inevitable or is there something simply that's gone horribly wrong in the past five or ten years?

PROFESSOR JAMES: No. I think actually, looking at the past five or ten years is interesting and important, but it really is sometimes very hopeful to think of very very long spans of history and we have really seen, and it's a point that I've made, but it's also a point that a number of my colleagues and friends have made, there have been numerous episodes of globalisation, of increased integration in the past where more goods move, more people move, money moves across national frontiers but all of them have collapsed, whether it's the Roman Empire or China in the 12th, 13th century or Europe in the age of the explorations or Europe in the 18th century, or best known, I think Europe in the late 19th early 20th century when exactly those themes about trade breeding peace and prosperity were trumpeted again and again that people thought at the beginning of the 20th century that really war between the great powers was impossible; so my point really in the book was that all these episodes had ended always with wars and that actually, small wars like the Boar War or the Spanish American War, actually lead to greater tensions that in the end trigger much more major conflicts. And it seemed to me that Iraq was doing exactly that.

WILLIAM WRIGHT: Can I ask George Soros, you've been an extremely vocal critic in the past of the current US regime, in your latest book, *The Age of Fallibility*, another one which I happen to have with me, but again I can strongly recommend. You argue violently and eloquently against that but before that book, or before the Bush administration you were a very vocal critic of the inequalities that are bred by globalisation. Where do you see those inequalities causing the biggest problem, where do you see the next big pressure points in globalisation and potential conflicts.

GEORGE SOROS: Well, globalisation in my view is somewhat lop-sided, it's basically a market fundamentalist project, which favours capital which can move around freely and escape regulation and taxation. Whereas people are less free to move around and even there, highly qualified people, are much more able to move than less qualified, less skilled people so that I think is probably behind the increased differentiation in incomes. Now, I think currently, the problems are not so much on the financial side. Financial markets are, I mean there are of course serious imbalances but we are aware of them and moreover the authorities are aware of them and actually, they are dealing with them. The trouble is more on the political side and one could add to it, the environmental side. I'm a late convert to global warming, but that makes me all the more rabid like you know, a born-again environmentalist because – exactly because I'm so late and because there are such long lead times and long before we fry, we are going to destroy ourselves by wars.

WILLIAM WRIGHT: Do you see specific, would you highlight specific regions or specific countries where we're likely to see the inequalities inherent in globalisation causing conflict with, if you will, the Western Liberal Economic order – would you highlight Russia or is it China or ...

GEORGE SOROS: No. Take the case of Darfur which is a really, one of the darkest spots currently and you know it has, I think a direct connection with global warming because it's the drying up of Lake Chad and the lack of moisture which has led a region which had pastoral and agricultural population but it can't support both and so the pastoral are trying to drive the agricultural out; so that I think is an example it's an early example of the kind of wars that climate change is bringing about. But let's not forget about the political problems, which I think you mentioned Iraq and I think of course the world order, it's basically depending on the United States being the leader of the world and in the last five years, since 9/11, America has led the world in the wrong direction.

WILLIAM WRIGHT: I want to come back to the question of American political and economic leadership or lack thereof in a few moments time. If I could just ask Bernd Pfaffenbach, talking of inequalities, one area where – do we underestimate the impact of globalisation at home if you will. Globalisation has had very significant social, political impact, for example in Germany, in the US and France, it is a political hot potato. Do we under-estimate its impact there or not.

BERND PFAFFENBACH: Well I don't think so necessarily. Of course there are jobs outsourced today to China, India and elsewhere but I regard this as quite a normal process of market rules. If we had the opportunity to provide machinery to India and then we cannot be surprised that they produce textiles with these and they want to export those textiles. And on the other hand, I can tell you there is no – there are few other countries maybe which are as much in the world, independent on the world economy as we are. We have the benefit of being a champion in the world of export – not if you include services of course, but Europe is, if you include services, also world champion with regard to exports and so what can better be done for us than have open markets everywhere and this is of course the good side of globalisation. I do not neglect all the things which were touched before. I also am very concerned and we are concerned in Germany about the climate change issue and it's absolutely necessary to do something there. I had a long discussion this morning with Nick Stern about his actual report and I also feel very much responsible to provide something for the G8 summit to be in Germany next year.

WILLIAM WRIGHT: Harold, can I bring you in on inequalities and then the dangers that they face.

PROFESSOR HAROLD JAMES: Yes, I think it's a really important issue but it's a really rather complicated one because it's certainly a fact that inequality has increased in Britain and in the United States since the 1980s and most European

countries since the 1990s, in most emerging market countries that are doing well, there are increases in inequality. But in my view, I am not actually worried about this and I don't think we should be worried in the sense that, let me just illustrate it if I may by a little example. Supposing one person, one man moves from Guatemala or Peru or anywhere like that to the United States. He or she is moving from probably from the middle of the society, the distribution pyramid in the country that they're moving from, to the bottom in the United States. The result statistically is that inequality in both countries increases, but actually, the person moving is better off, we in the United States are better off and the society that's sending them are better off. So I think you can actually get too worried about inequality and one of the points in my book was that inequality does increase but this is actually part of the process and we can't do anything about it ... (overlaps) ... so we shouldn't ...

WILLIAM WRIGHT: So it's actually handling that inequality ...

PROFESSOR HAROLD JAMES: It's handling that inequality that's problematical yes.

WILLIAM WRIGHT: Well, George, to move on to the issue of American political leadership within the global system and to borrow a quote that came up at the presentation yesterday, Churchill once famously said that you can always rely on the Americans to do the right thing, once they've exhausted all other possibilities. In your book, *The Age of Fallibility* - apologies to any Americans in the room incidentally or adoptive Americans, in your book, *The Age of Fallibility*, you put it in very blunt terms, you say that the United States has failed to exercise the leadership that it should have done and if it does not pick up that mantle, then we could be heading for something far worse than an occasional regional conflict. Obviously you believe that things have gone horribly wrong. What can be done about it now to try and resolve those issues.

GEORGE SOROS: Well I think that basically the United States went off the rails after 9/11. At that time, the United States had a dominant position that couldn't be endangered by any other State or combination of States or any other non State actor. Only the United States itself was powerful enough to destroy its position and by declaring war on terror, that's exactly what we did. War on terror actually is a false matter that has been used the wrong way because terrorism is abhorrent because it kills innocent people for political ends and therefore in defending yourself against terrorism, you have to go out of your way to avoid doing the same thing and we went out of our way actually to do the same thing with disastrous consequences, particularly in Iraq. Now, fortunately we are a democracy and eventually the American people have spoken and they have pretty conclusively repudiated the invasion of Iraq. I am worried that we have, we have not rejected the war on terror as the be all and end all of American policy and until we do that and actually, Democrats have bought in to it as much as Republicans and until we actually recognise that that's the wrong track, we will not be able to extricate ourselves from the hole in which we have, that we have dug. Now the problem is

that the world order in the absence of or the wrong kind of American leadership is turning in to disorder and that is really the real danger and you can see it sort of spreading. Iraq of course is a disaster. I'm afraid that the Israel Palestinian conflict could deteriorate in to the same unless there is greater American leadership in trying to bring about a political solution as long as you have got interlocutors with whom you can deal because if you don't, eventually, there won't be interlocutors, that's the problem in Iraq, that the – it's chaos and it's gangs fighting against each other.

WILLIAM WRIGHT: Harold, do you see, as George has said, we've just had a repudiation election, if you will, last week. Do you see any positive signs of a significant change in America's approach to international affairs in the remaining two years of the Bush presidency and thereafter.

PROFESSOR HAROLD JAMES: Well, I would actually not really accept the idea that what happened after 9/11 was fundamentally flawed. It does seem to me that there was a real problem. It was a problem that any administration would have had to have addressed. Globalisation is actually very vulnerable and one of the things that it's vulnerable to is terrorism. I think we've been really extremely fortunate that there wasn't a repetition of the 9/11 scale of attack. If there had been and people may still think of it as a possibility, but if you imagine a sustained series of biological or chemical or nuclear attacks on major financial centres, on London or New York, you would actually, I think bring down the system. I think it is terribly vulnerable. I'm not even sure that nuclear exchange for instance on the Indian sub-continent wouldn't have the same kind of effect. But we are very very vulnerable and so we had a problem and I think it required some kind of answer. I don't think anybody would really quarrel with what was done in Afghanistan; it was important to deal with the sources of terror there. I think also that one shouldn't imagine that the Middle East in 2000 was a perfectly peaceful place in which lots of very well intentioned and high-minded people were running around, that simply wasn't the case. There were many, many dangerous people there and the hope was that this would stabilise the region. It hasn't done that. I mean I think, as I said, there's a clear agreement on that at the moment, but we've got to think and continue to think about ways of doing that and we shouldn't think that Islamic Fundamentalism and terrorism, doesn't constitute a threat to us because it does.

WILLIAM WRIGHT: As a resolve, partially in the wake of the election, Bernd, could I ask, does this present an opportunity for Europe, for the European Union to engage in a different way with a different US administration. Does it present an opportunity for the European Union to assume a bigger role perhaps outside of its frontiers and to take on a mantle of providing a model if you will for an international society.

BERNARD: Well, maybe I wouldn't be that ambitious to provide a model but of course Europe has to play a prominent role and it's not only a big market, it's a big society, it's a culturally rich society and you know, we in Germany, we had

certain difficulties with Iraq, with the US, and we are glad now that we have come back to the roots so to speak, to normal procedures with actual, Chancellor Merkel, but we cannot do it by bilaterally, Europe and US, we have to see the entire world. We have to see Russia, we have to include Russia in to the system. Of course Russia does not share in each and every instance of our common values, so this is something else.

WILLIAM WRIGHT: How do we engage, how can we engage Russia in ... (overlaps) ...

BERND PFAFFENBACH: Well we have to be confident and assist them that they fulfil and continue their track, moving back from the centralised socialist society and back – continue to the market economy and to an open society and if we wouldn't assist them, there's a great danger of falling back. But there is only one thing with Russia, I could tell you for hours about our aim and our relationship with Russia, because they do not want only to be suppliers of energy, they also want to be participating in more, so they have to be enshrined better in to the world economy. But it's not solely Russia, it's developing countries in particular and that's why there is one thing of utmost importance, and this is the successful conclusion of the so-called Dohar Round, because otherwise, I see the great danger that we get away from multilateralism to bilateralism and bilateralism would be very harmful to the poorest one in the world because no none wants to make contracts with them, it's just the strong ones which come together and so I think this is our task to come to a positive outcome in the next month.

WILLIAM WRIGHT: One area where I think both George and Harold will agree I hope, from my reading of your books, is the potential of the European Union to provide or act as a force for good or to at least act as a better model of how we might run an international society. But George, how do you overcome one of the inherent paradoxes in the European Union, which is that it traditionally has existed and acted as a force for democracy, but itself is not particularly democratic or as democratic as it could be. And at the same time, that it's used the carrot of membership of the European Union as a way of encouraging democracy and short of perpetual enlargement, which obviously is unfeasible, it can no longer use that carrot of membership to promote democracy and economic growth.

GEORGE SOROS: Well I think that actually it's very important the Europe should remain theoretically open to new members because it has really worked extremely well and has really benefited Europe and of course now Turkey is a very big issue and I think that if the door was shut to Turkey, it would constitute a very serious security threat to Europe. Now, I think that Europe does stand for an open society. Europe is looking for its identity and I think its identity as an open society is the one that I think Europe has to re-discover and ...

WILLIAM WRIGHT: Where is it going to re-discover that. Where is that view on new legitimacy, new identity going to come from.

GEORGE SOROS: Well I think you see, I think Europe has been an exercise in piece-meal social engineering in accordance with Karl Popper's prescription for how an open society, social change, should be accomplished and it was very well done because the leadership, a far sighted leadership set limited goals with a limited time table knowing full well that when that goal is accomplished, it will not be sufficient, it will be seen to be inadequate and therefore another step has to be taken, that's how Europe was built up step by step. Now that process now has run its course and run in to an obstacle, actually with the Referendum and the Referendum pointed out that this process was sort of a process of the elite without the sufficient involvement of the general public. Now, I think it's very important to keep going because right now, you have a position of disequilibrium, you have enlarged the Union to twenty seven members but you have a structure which was originally designed for six and still managed to accommodate fifteen. So there is, it's an untenable situation and I think there's a lot of resentment of the very slow moving and cumbersome bureaucracy, so actually public opinion is turning against the Union. So, instead of a progress, you are in the process of starting sort of a disintegration, so I think that the movement forward has to be the greater engagement of the general public and there is a role for the elite, but it's now the role is somehow to mobilise the public in favour of Europe as an open society. Now I believe in this, I'm a devotee of open society, I'm a devotee of the European Union as an open society. My foundations have been active in preparing the countries, accession countries for joining it, so this is an idea that certainly inspires me and I don't see why it shouldn't inspire others. I don't see why the British, you know, who have tied their fortune to the American coat-tail and were not very well treated, shouldn't really become more full heartedly committed to international co-operation within the European Union.

PROFESSOR HAROLD JAMES: I think, if I might add something there. There's a danger that when you try to make the European project more popular and you go beyond the elite and you try to work out some kind of popular basis for support, there's a danger that you repeat what was done in the 19th century with national integration, that is that Italy was built not because there was sense of being Italian, but because it was anti-Austrian. Or Germany was built in large part not because Saxons and Bavarians and Prussians had that much in common but because it was anti French and there's a danger I think a very great danger, that Europe will try to identify itself either by opposition to the United States, which I think would be a terrible path to go, or by opposition to Islam, which I think would also be a terrible ...

BERND PFAFFENBACH: I think that for Europe to be anti American, it's self-defeating because basically Europe stands for international co-operation. You know, we as Germanic people – now face a number of problems which can only be dealt with by international co-operation. And America has failed in its leadership to provide, to be the leader of that you see; so this is what Europe really stands for and therefore it, now maybe after these elections we'll have a

better interlocutor in the United States and there are democracies in the world that could all work together to build a stronger world order.

WILLIAM WRIGHT: Well of course for that to happen, we need to have the right institutions in place. You touched on the fact that the European Union is struggling to keep, that the institutional and structural framework is struggling to keep pace with growth. Bernd, you mentioned earlier the Dohar Trade Talks, do you think there is a structural or an institutional problem that we have. Do we have the right structures, the right institutions, the right rules if you will to ensure a smooth international development.

BERND PFAFFENBACH: I think basically yes, but the political will is not there, it's not enough elaborated so to speak. You know it's, the poorest countries in the world who are not strong enough to defend their interests and so someone else has to take their cards in your hand and I feel it's absolutely necessary to stick to that multilateralism that I said before and of course, some people say after election now in Congress, Democrats would have a tendency to be more restrictive, more defensive, more protectionist even. I don't use that word, I don't like to use it but that's what people feel. I've just been Washington DC two weeks ago, everyone said, no, this will never happen, but it happened in the past of course and so I don't want to point my finger solely to the United States, it's also Europe of course that has to put something on the table and I think it's absolutely necessary that the big ... in the world, including the so-called emerging countries like China and India, they have to make a contribution and we cannot do one thing which has happened so far, with the so-called Dohar Round, this was discussing only on agriculture. This is not possible of course and we also need to discuss what is normally called NAMA, non agricultural market access, so we want a service in return of course, and a service in return would be that we have a reduction in industrial tariffs in the emerging countries, not in the poor countries. We don't want anything from them, they should be the beneficiaries of the system.

WILLIAM WRIGHT: Harold, can I ask, do you see positive signs of the United States moving to engage in a different way countries such as China, developing markets such as India and Africa and do you think that we have the right structural framework to accommodate, what is going to be a very, what is looking unlikely to be the new American century as proposed by the neo-Cons in 1997.

PROFESSOR HAROLD JAMES: I agree very much with Dr Pfaffenbach about the question of the Dohar Round. I think also, we do need to make these adjustments in the international institutions and it does seem to me actually that there is something that is really quite peculiar in that one of the great demands, I think an appropriate demand is for the greater representation of China, India, Brazil and other emerging markets in the global financial institutions, in the architecture, but actually, one of the obstacles, the biggest obstacle to doing that is a European one in that the Europeans have separate representation at the World Bank and at the IMF and that if we're going to adjust the quotas, we really

need to think about merging Europe, as Europe gets a common monetary policy, it seems appropriate that it should have a single representation. That this would actually make it much easier institutionally to do what you're saying. But it's exactly there that the problem is in the European basket, rather than in the American basket, so it's Europe that needs to act on that not the United States.

WILLIAM WRIGHT: Okay thank you. We've had thirty five minutes, so I'd like to take the opportunity please to open up to the floor. You can wait for microphones to arrive and then stand please and say your name before asking the question. The first question over here please.

LORD WATSON: Good evening, Lord Watson. The question strikes a slight different note. I want to ask about locusts. Many of you will know that in the last German General Election, private equity funds were famously described as locusts and locusts were portrayed as a threat to German employment and the result of globalisation. My question is a very simple one. Are private equity funds symptomatic of globalisation and does globalisation mean that the locusts will inherit the earth.

WILLIAM WRIGHT: I think in fairness to private equity funds, they also refer to hedge funds as being in the same bracket. I feel obliged to pass this one over to Dr Pfaffenbach.

BERND PFAFFENBACH: And I admit that the discussion we had, a year ago or so in Germany was not a brilliant one, as you say it that way. The contrary may be the case and though this has raised fears elsewhere and this is more valid because Germany wants to show up as an open country and we are an open country as many of you know and of course, once you have to divide of course as you know between private equity companies and hedge funds and even hedge funds, they have a good roll in our system but there are some instances where one might say, okay, this is the same development yes or no. And this is the only question. I totally understood and we understood that we lead the discussion the wrong way. But if you look now in the United States for example, there is also a discussion on certain hedge funds because private people have put all their money in to a pension fund and the pension fund has put all its money in to a hedge fund and the money is lost and so people care about the future. So what I would intend to do is to look for something not necessarily regulation, I don't, I'm not a very good friend of regulation, but I'm a friend of transparency. So why don't we look for some kind of better transparency.

WILLIAM WRIGHT: It would be remiss of me, sitting next to one of the most successful hedge fund managers in history, not to ask, will hedge funds inherit the earth.

GEORGE SOROS: Well they did.

APPLAUSE AND LAUGHTER

GEORGE SOROS: And as a result, hedge funds find it very difficult to outperform the market because they are the market. Of course they can get maybe superior results by using leverage, which then may justify the 20% or so performance fee.

LAUGHTER

WILLIAM WRIGHT: Or may not of course.

GEORGE SOROS: Well may or may not. In other words it is a self-correcting thing. But there is a certain amount of danger in excessive use of leverage because we come from a period of really tremendous liquidity, with the interest rates in the US down to 1% and zero in Japan. And based on that, it paid to leverage more than it does with 5.25% or so. So, Japan of course is still providing a base for leveraging and that's true of private equity funds too because they really introduced a tremendous amount of leverage.

WILLIAM WRIGHT: Same leverage.

GEORGE SOROS: In the capital structure. So that I think is the aspect that needs to be carefully watched.

WILLIAM WRIGHT: Another question, at the front here.

CHARLES GRANT: Charles Grant from the Centre for European Reform. I have a question about the EU's periphery. There are a number of countries on it, Turkey, Serbia, Ukraine, Moldova, Georgia, which are swing countries. They could join the EU's family of open societies either in the EU or linked to it, or they could fold back towards authoritarianism, nationalism or something worse. We've been critical of the Bush administration tonight, but for all its faults it has taken a serious interest in the fate of these countries, more perhaps than the EU has done. So my question is, what can the EU do, what should the EU do to make sure that these swing countries swing the right way.

WILLIAM WRIGHT: For anyone who didn't hear, what can the EU do to ensure that the swing countries on the periphery of the European Union, actually swing the right way. Harold, could you pick that one up.

PROFESSOR HAROLD JAMES: Yeah, I agree very much with the sense of the question and I think it takes up a theme that we had earlier in the discussion, which is that it's tremendously important for the EU to remain open, in terms of the stabilization of its periphery, but let me just point out a real problem with this. This is massively unpopular with the populations of the existing EU countries and there's more and more of a sentiment that the EU shouldn't be enlarged. If that's the case, it seems to me that the EU is really going to tip these countries in to what is called the trashcanistan of history.

WILLIAM WRIGHT: Can I take another question please.

BERND PFFAFFENBACH: Could I add something to that. I mean I think it's very important for the EU to have really constructive neighbourhood policy. You take for instance Georgia, which is currently threatened by Russia and it would be very important for the European Union to show a little more engagement there and unfortunately, Europe has become too dependent on the monopolistic power of Gazprom and that is discouraging Europe from acting more and I think this is something where I think also it's very important for Europe to have a more unified energy policy, to compensate for the monopolistic position of the Russian supplier.

WILLIAM WRIGHT: One more question.

KILLIAN RYAN: I'm Killian Ryan from the European Research Institute, University of Birmingham. Several times today Mr Soros, you have been asked questions about the relationship within the US, post 9/11 and I'm reluctant almost to Professor James' field, to wander in to history, but in the context of both India today, that we had Clive of India and the struggle between the French and the ... , India's experience of West Europe was not exactly positive. Our first intervention I think in China was that of student Marco Polo, was trying to bring in drugs; so when the Islamic countries look at the Western World, for some legitimate reasons, they have grievances about how we have behaved towards them. And I just slightly controversially want to ask, if we'd turned round after 9/11 and said, in the words of ... (mic gone here) ... say I forgive you, would that have made a difference, if we'd taken a very different attitude after 9/11 and just simply been more open and more forgiving to what happened.

WILLIAM WRIGHT: Who would like to ...

PROFESSOR HAROLD JAMES: I really can't see any circumstances in which I want to be forgiving to the perpetrators of 9/11 but it does seem to me that we should actually do something along the lines that maybe you didn't suggest but you might have suggested, which is that we should talk more about the values that are common to us and to the Islamic world. I mean to go back to the discussion about Europe, there was a moment when people talked about defining Europe in terms of Judeo-Christian values, and it seemed to me that this was a really pernicious phrase because Judeo-Christian was a kind of euphemism for anti Islamic, in the way that Christian used to be a euphemism for anti-Semitic. But I think if we talked about common Abrahamic faiths, and indeed, if you remember John Paul II used to do a great deal of this, and to talk a great deal about the common Abrahamic tradition that we would get a lot further because we can learn I think, find values that are at the root of Christian society of Muslim society and of Jewish societies.

WILLIAM WRIGHT: Is that the answer, to come up with shared common values as opposed to continue to pursue a rule-based system.

BERND PFFAFFENBACH: Well may be it is partially but in any case, I'm a little bit in contradiction here to what has been said before because I don't see, let's say at least now unlimited capacity for new membership in Europe. Even today with twenty five members, things become more and more complex in our structures. If a country wants to have a Commissioner, you have certain things to arrange. If each country, if you're in council meeting... wants to speak in advance, you have to sit for hours there, that's something from the point of organisation, but it goes beyond that. Looking at Georgia for example, you cannot ... to take care that it follows the right values, which should be our values and not the Russian ones. Of course you could do that but I personally feel of course Serbia and Croatia is something totally different. This is a core, or it definitely belongs to Europe from a geographical point of view. But Georgia, I feel is already something else and where should you stop that. What about the northern Mediterranean area of northern African area, they all might to become a member of the European Union. This is not manageable. And also, one further point then I'll stop. You also need a certain, well the same kind of development and the same stage of development, otherwise people get rid of Europe one day, they don't feel any more like Europeans and they don't always want to be a distribution machine.

GEORGE SOROS: Well a neighbourhood policy doesn't necessarily mean membership ...

BERND PFFAFFENBACH: I totally agree with that, totally agree, totally subscribe to that.

WILLIAM WRIGHT: Now I'm afraid we've actually already overrun by a good few minutes. I'm being asked to close down the conversation, the discussion could go on for much much longer. I'd like to take the opportunity to thank all of you for your time. To thank our participants this evening, Professor Harold James, George Soros and Dr Bernd Pfaffenbach. Thank you very much for your thoughts. Thank you.

APPLAUSE

END OF RECORDING