

Königswinter conference

Picture the scene - a group of Germans and Britons assemble in a pretty, provincial town for their annual conference. The state of bi-lateral relations is good, but this year the discussion has a sense of urgency. In a few short months, the UK will vote on whether to remain in the European club or to leave and strike out on its own. Freed from the party whip, British Members of Parliament put forward their case on opposing sides of the debate. Senior officials set out the legal and procedural complexities involved in leaving. Representatives of business fret about the uncertainty and the impact on investment and jobs. In late night discussions, German participants implore their British friends to stay, and ask, 'what can we do to help?' The year is 1975.

This year's Königswinter conference was not the first to have preceded a British in/out referendum. In their opening remarks, the Conference Chairmen and former Ambassadors Hans-Henning Horstmann and Sir Michael Arthur reminded participants that Königswinter had been here before. 41 years ago, Richard von Weizsäcker had given encouragement to Roy Jenkins and Shirley Williams on the banks of the Rhine. That year, the German delegation had been roundly optimistic of the outcome. How times had changed. Now the Germans worried about the strength of the Brexit camp and found it difficult to intervene in the debate. As the last meeting of Königswinter before the British referendum, discussion was needed more than ever. Relations between the two countries were at a turning point. The referendum would have huge consequences, not just for Britain, but for Europe as a whole. Our Chairmen steadied the nerves of participants, 'try not to be alarmed!'

The opening panel on migration was formed of Gisela Stuart (Labour MP and Chair of VoteLeave), Dietrich Neumann (Europol External Relations) and Jens Spahn (Parliamentary State Secretary, German Finance Ministry). As a reflection of the sensitivity of the time, their comments were made off the record. This was also the case with our after-dinner speaker, Helga Schmid (Deputy Secretary General, European External Action Service).

The opening panel was followed by a presentation on the current state of referendum polling from Peter Kellner, the former President of You Gov. His conclusion was that the UK would 'probably vote to stay'. Online polls were very close but telephone polls showed a 9% lead for remain. The main battle line was demographic, with older people 2-1 in favour of Leave and younger people 3-1 in favour of Remain. The Brexit camp had got their campaign off to a good start with some nimble footwork, even managing to grab the headlines on Good Friday with a claim that Easter Eggs would be cheaper after Brexit! However they had also made some tactical errors. Their labelling of the Remain camp's strategy as 'Project Fear' had reminded voters that Brexit was something to be fearful about. Additionally, their shrill complaints about a government funded Remain leaflet sent to all households, had made voters more likely to read it instead of putting it straight in the bin. But the Brexit camp also stood to gain from any 'eruptions' prior to the vote, either from a new wave of refugees from the southern Mediterranean, from a terrorist incident, or even a resurgence of the eurozone crisis. These all highlighted to voters the risk of staying in the EU. For the Remain camp, there were no such eruptions which would move the needle in their favour, although one participant thought that an invasion by Putin might do the trick. A key problem was the Labour party's lack of leadership on the issue, with Jeremy Corbyn's recent speech on the subject more like a hostage victim reading a prepared statement. Turnout would be critical to the outcome, as would the actions of undecided voters. Around 20% of Tory voters still did not know which way to vote, a reflection of the split in that party. The clock was ticking.

Over lunch on day two, Lord Hill provided participants with ample food for thought with a speech¹ in which he called for more scepticism in the debate about Europe in the original sense, 'asking hard, practical questions, wanting evidence, not relying on wishful thinking'. He went on to apply a sceptical mindset to a number of assertions made by the Brexit camp. The first was that the UK was 'shackled to a corpse'. The European and eurozone economies were, in fact, growing. Both the UK and Germany had experienced solid recoveries and Poland was the only country in the EU to get through the Great Recession without a recession. Sweden had growth of 4% and Ireland at around 7% last year. At the same time three out of the four BRICS nations were in recession. The second assertion was that Britain was 'drowning in red tape'. However, the OECD thought the UK had the second most liberalised product market in the world as well as one of the most flexible labour markets. Third, was the claim that Britain always lost. The most recent academic research indicated that the UK was actually on the winning side 90% of the time. Mrs Thatcher's stance against the European superstate and a single political destination had been reflected in Britain's hard-won exemption from 'ever closer union'. There was also the claim that leaving and negotiating a new relationship with the EU would be quick and easy, that the other countries needed us more than we needed them. It was pointed out that Greenland's negotiation to leave the EU took three years to negotiate, and they only had one issue to deal with - fish. If Britain chose to become a competitor rather than a partner, why wouldn't there be a wish to seek a competitive advantage in the new relationship? The question was not whether Britain would survive outside the EU, but rather 'would it flourish?' Markets were increasingly determined by regulatory barriers, so in seeking greater sovereignty a country could end up with less control as the rules of the game would be set without its say. He ended with a hope that voters would be sceptical and listen to that little questioning voice in the back of all of our minds and ask, 'is this idea of leaving actually going to work out for the best?'

¹ The text of the speech is reproduced on the website of the Deutsch-Britische Gesellschaft: www.debrige.de

Group 1: Where is Europe going: Integration, disintegration or both?

Group 1 were set the task of discussing where Europe was headed through four questions: how the eurozone and Schengen challenges could move forward, whether a temporary Grexit or re-imposition of borders was possible, if Russian provocation was necessary to propel greater European defence cooperation, and how the EU would be affected by Brexit. The group's discussion was summed up as, 'Schengen, Greece and Russia, and the 23rd of June won't go unnoticed too'.

The morning's discussion started on that perennial Königswinter favourite: Grexit. There was broad agreement between German and British participants that this was off the table for now. The overwhelming majority of Greeks wanted to remain a member of the single currency, and there were some important institutional improvements such as the introduction of the permanent bailout mechanism (ESM) and European banking supervision. One participant sensed a degree of complacency in the group and cited the Economist Intelligence Unit's forecast that there was a 60% chance of Grexit by 2020. The current bailout review process was tough and the Greek government had the most slender of majorities. The German Finance Minister's proposal for a 'time-out' could easily resurface. Grexit was also an issue that was propelling people to vote to leave the EU in the upcoming referendum. However, the majority of participants believed that politics would trump economics, with Greece's role in the migration crisis weighing heavily in the minds of EU members. There was confidence that this would result in a deal between the IMF, Germany and Greece. German participants disagreed among themselves whether it was even possible to force a Grexit, with some pointing to the need for Greece to issue a new currency (*de jure* Grexit) while others pointed to the fact that Greece had come very close last summer to having its banks cut off from central bank liquidity (*de facto* Grexit). One participant pointed to the looming banking crisis in Italy as a more pressing, significantly larger, and more politically complex problem to solve.

On the Schengen crisis, there was a sense from both sides that Europe had moved beyond the critical phase of the crisis and that we had now 'got our act together'. One enlightening statistic was that Greek registration of migrants had gone from 7% six months ago, to 100% today. The current working arrangements had become more effective and there was a new sense of control. Although there was still plenty to do, with incoming numbers continuing to fall, the hope was that the peak of the migration crisis was now behind us.

The discussion became more fractured on the subject of European defence, with some participants accusing Nato enlargement of being the original sin. A tough discussion ensued, but both sides agreed that the focus needed to be on new challenges and new threats e.g. cyber wars, as well as how to get more 'bang for the buck'. There was broad agreement that Europe could do more on the demand side, particularly on cyber, given demonstrable Russian expertise in hybrid warfare.

The session about how the EU would be affected by Brexit got off to a lively debate. One participant explained how Brexit would represent 'an insurgency against the conceit of elites' and the triumph of what Hayek called 'evolutionary rationalism over constructive rationalism'. A whole array of European institutions would be cast aside as people reclaimed their individual liberty. This would lead to not just national currencies but the existence of multiple currencies in one state. The remainder of the group were not so confident about this, to put it mildly. A debate between British participants ensued: would the UK become more or less liberal outside the EU? Some argued that Brexit would lead to greater calls to put up tariffs, start a trade war with China or block TTIP. The current example of Tata steel was cited. Others argued that if the UK was seen as a liberal force within the EU, then you could not argue it both ways. This British debate spilled over into a discussion about domestic politics. Would Brexit mean a new Prime Minister? And would remain give the Labour Party the impetus to replace its leader? Doubts were expressed about whether the government would continue to wield a functioning majority in the House of Commons.

Participants coalesced around two potential scenarios for the EU in the event of Brexit. The first, more benign outcome, was that nothing much would change, apart from a shift in the balance of power between remaining member states. The second, more worrying scenario, was that it would lead to an unravelling of the European project. Brexit would be deeply corrosive with negative sentiment spreading like a virus throughout the EU. It would spell its end as a desirable model in the eyes of the world and have serious security implications vis à vis Putin. This was not to mention the economic shock that would hit confidence and increase risk aversion at a time when risks were mounting e.g. from China. To lighten the mood, one participant asked what the Bild newspaper headline would be on the announcement of Brexit, to which the droll response was: 'Auf wiedersehen, pet!'

There was also agreement that Germany would have to respond to counter the image that the European project was dead. The remaining EU members would have to 'circle the wagons' purely to unsure survival. Some participants argued that this would be the moment for a convention and full treaty change but others counter-argued that the impending French and German elections would prevent this. And if the UK were to stay? One British participant argued that a clear victory for remain would give a renewed democratic mandate for change in Europe. Other British participants pointed out that the UK had not been involved in any forward leap in the EU since the 1983 Single European Act. Britain might not leave the EU, but the EU would leave the UK behind.

Group 2: Democracy, demography and demagogues

Group 2's discussions centred on migration, a subject that felt unusually urgent and topical this year. The session was summarised by its rapporteur using a variant on that over-familiar British cliché to keep calm and carry on. In this case: keep calm and carry on, but it would be understandable to panic.

The group kicked off by agreeing that anti-immigrant feeling in Europe today should not be confused with old-fashioned racism. There was some discussion about the degree to which Europe's problems were caused by the impact of the 2008-9 financial crisis and its consequences, especially fiscal austerity. This was broadly agreed to be important but there was a recognition that other causes also existed. Declining respect for government and the role of social media was central to this, it was argued that the aggressive role of traditional media also played a part in the current mood.

The group worried about the poverty of political rhetoric and the difficulty that politicians, including Angela Merkel, had in establishing the standing to lead successfully on the migration issue. There was a brief discussion about Islam and integration, but participants could not agree about the practical solutions. Where there was agreement was that we had gone beyond an era when it was possible to talk of a settled state of public opinion, let alone a 'Volkswille'. One participant argued that it had never been easier than to live within one's own ideological universe.

In subsequent sessions, the group focused more on the particular governance and political problems that mass migration brought. 2015/16 had clearly not been the EU's finest hour, although there was some guarded confidence that the most difficult period may now be over and that the EU/Turkey deal could start to work. Some participants recognised that a displacement effect towards people trafficking from North Africa was likely and there was widespread concern that the scale of forged identity documents meant that effective bureaucratic control was almost non-existent at any level, once the migrant has been accepted. The lesson of the last year was that we should not blur the categories of migrant so easily between refugees, economic migrants and foreigners. One suggestion was that the EU should actually take over humanitarian programmes from the UN, in part as a way of managing the migration question better. Some German participants felt that the debate on migration was far too defensive and argued for a greater focus on the countries of origin, in particular on the African continent. The suggestion was that Europeans should coordinate their development aid as well as financial and technical cooperation efforts as an essential element of the Common Foreign and Security Policy.

By contrast the group spent considerable time discussing the practicalities of the situation in Germany and its lessons. Federal and Länder governments had mostly tried to do the right thing in difficult and fast-moving circumstances. But there were lighter moments. The question of whether it was desirable to live in a village in Bavaria seemed to be a recurrent preoccupation. The participants round the table found it hard to think of anything more desirable! But migrants coming to Germany were less enthusiastic about going anywhere except the big cities where their compatriots were clustered. Germany's attempts to distribute the migrant population in an orderly and proportionate way were felt to be very rational, but potentially unenforceable and possibly illegal.

There was another very practical discussion about Schengen. Most participants left the room with their pre-existing views largely intact, which meant that the German participants remained strongly committed to Schengen, while the British were more sceptical. There was general agreement that the principal failure in 2015/16 had been the failure to secure the EU's external border, which was now a focus of reform involving the strengthening of Frontex. There was little confidence that this would be effective but despite that, there was no support, either on a practical or on an ideological basis for actually scrapping Schengen. Russian attempts to exploit the crisis and to encourage the weakening of the EU were raised. Old Königswinter hands were struck by the fact that, unlike in the past when the Germans tended to want to work with Russia and the British were more sceptical, there was now much greater unity about and against Putin and his provocations.

It was pointed out that a key unresolved question, if the UK voted for Brexit, was whether the Brexit leaders would choose to prioritise border controls and migration — in which case future access to the single market would be difficult — or to prioritise the relationship to the single market — in which case border controls and migration would have to take second place. There was a feeling, especially on the British side, that the multi-speed, multi-directional Europe was a genie now out of the bottle, and that the issue would continue to be a real one whether the UK stayed or left.

One impression at the end of the day's discussions was that nerves were steadier than at the start. Perhaps Brexit would not have quite such a big impact as some feared (or hoped) when the group had gathered the previous day. Yet it could hardly be business as usual either. The European Union would surely carry on. But it may be difficult to keep calm.

Group 3 – The future of Europe in the wider world

The third group examined the future of Europe in the wider world – how would the EU manage the 'ring of fire' from the Middle East to Russia and Eastern Europe, improve competitiveness in the face of technological change, forge ahead with TTIP, and withstand Brexit. The strand which linked all four of these questions was the concept of the west, which was threatened by each and every one of these issues. Brexit would be a shock

to the EU, a key pillar of the west, which would have an immediate knock-on effect on the European economy, with a likely weakening in EU foreign policy as a result.

The discussion kicked off on foreign policy, where it was noted that British and German foreign policy, although traditionally different in their approach, had recently shown signs of convergence. This has been the case ever since the German Federal President's speech two years ago at the Munich Security Conference, when he had called for a more proactive approach. Germany had subsequently armed the Kurds and had taken the lead on dealing with Putin after the invasion of Crimea. The British, however, had become more introverted and more 'German' in ceding leadership, particularly on Russia. Participants from both countries were agreed that the EU needed to stand together on the subject of the Russian bear. There were some quibbles over the extent to which the EU should engage with Russia, with some suggesting that a weaker and marginalised Russia could prove more unpredictable and ultimately a greater threat. But overall, the need to demonstrate unity on the issue was felt to be of overriding importance. There was also unity on the risks of American disengagement. The traditional view was that action only occurred if the US was there pressuring the Europeans. The fear now was that America was increasingly uninterested in Europe, while a resurgence in anti-Americanism swept across Europe, and not just in Germany.

On economics and competitiveness, there was broad agreement that Europe's soft power would be damaged if it was unable to compete and thrive in the global economy. Everyone in the room was in favour of greater competition, but some German participants did not see the need to liberalise the service sector at the European level. There was, however, agreement from both camps on the need to promote the digital economy. The reason why the US had the most successful tech companies in the world was partly down to Europe's individual markets being too small. The single digital market would therefore unblock the barriers to flows of data in Europe. Disagreements between the two sides re-surfaced during discussions about energy – especially around the role of Nordstream II, with some British participants seeing it as directly in conflict with the EU's energy and foreign policy objectives.

On trade, the Transatlantic Trade and Investment Partnership (TTIP) was seen as important, not just for the economic boost it would provide, but for its role as 'economic Nato' - a vehicle for the west to set global rules and norms. There was a widely held fear in the group about public hostility to the deal, fueled by anti-Americanism, itself a result of worsening income inequality and a failure of elected leaders to explain why globalisation was indeed good for people.

On the final question, there was agreement from both sides that Brexit would hit the soft power of the EU considerably. Marine Le Pen had likened Brexit to the fall of the Berlin wall. The narrative would be about disintegration, further referenda in the EU would be difficult to stop, and the situation, on top of multiple concurrent crises, would be difficult for Germany and France to manage. Both sides agreed that the day after Brexit a grand Franco-German project to deepen economic integration would be announced, but there were differences in opinion about how meaningful this would be. Some thought it would comprise of lots of symbolic phrases about a 'single economic government' but that the French would not agree to any substantial changes prior to their Presidential election. Others thought the crisis in the markets could be substantial enough to warrant a meaningful leap forward.

The group finished with a discussion about 'the German problem' which participants across the divide thought would get more serious in the event of Brexit. This was partly because the French and the Commission were weak, the British were talking about leaving and Merkel had emerged as the pre-eminent authoritative leader. But this imbalance was neither good for Germany nor for Europe. Brexit would simply worsen this imbalance of power and exacerbate fears across Europe.

Winding up & final address

Dr. Sylke Tempel (Editor, *Internationale Politik*) provided the winding-up address for the conference. The leitmotif she saw connecting all of the discussions in this year's conference was 'leadership', which came up repeatedly in every discussion group, usually closely followed by word 'elite'. Dr. Tempel diagnosed the source of the pain which society was suffering as 'globalisation on steroids' combined with a transformation in the way we communicate. In the past, Europe had changed the world, now it was being changed by the world. It was also noted that the problems we faced did not just exist in the EU but in the US as well. So why was there so much talk about division: Grexit, Brexit and potentially Nexit?

A 'transformational hangover' had caused profound changes in our society, mistrust in the elite, and mistrust in their ability to perform, control events and deliver economic security. Society had to get used to the idea that elected leaders would only be able to moderate and not shape the enormous forces affecting society. Fault lines had opened between the 'elite' and the general population, between internationalism and nationalism, globalisation and localisation. The currents behind this had as much to do with identity politics and a longing for deeper rootedness. We needed to understand the emotional undercurrents and accept that we were doing things without realising that they no longer worked. What was therefore required was a re-calibration of the way we communicated. It was no longer the case that strong decisions led to strong outcomes, so it was essential to have a new sense of sobriety in what leadership could really deliver.

Dinner on the final night was hosted by the Foreign and Commonwealth Office in the splendour of the Ashmolean museum. In his after dinner speech, Dr. Robin Niblett (Director, Chatham House) highlighted how

the UK and Germany were becoming more similar, and how they were drifting apart. The first similarity was the way Britain was trying to emulate Germany's success as an international commercial power, for example, by looking to China as a key opportunity. Likewise, Germany was finding that, much like the UK, a focus on commerce increasingly came with domestic costs (e.g. Sisi and Egypt). Both countries were more ambivalent about the US, with shared concerns about TTIP. Both countries shared the difficulties of integration as 'immigration nations'. Our nations were both increasingly internally divided as a result. Merkel's approach to migration had polarised Germany and fueled the rise of the Alternative für Deutschland. Established parties were struggling to hold the line, as the UK had experienced with the rise of UKIP and Labour under Corbyn. There was growing German concern and engagement with security, traditionally a British strongpoint e.g. German support for the Kurds. Attitudes to Russia had also hardened, although there continued to be little domestic support in either country for external forays. The final growing similarity was a greater appreciation for the intergovernmental approach in the EU.

Despite all of this, Dr. Niblett suggested that our two countries might still drift apart. The key reason behind this was Germany's membership of the eurozone. Further political integration of the single currency area, with Germany at its core, could pull our two countries apart. Many in the UK still saw membership of the EU as a choice, not a necessity. That was why the UK was having a referendum after all. This was simply not the German view, which saw that in an interdependent world, sharing power over some aspects of sovereignty made sense. The call here was for Germany to focus more on delivery, on Schengen, in the eurozone and in services. In short, 'Germans needed to be more British' (a suggestion which led to a large cheer from some participants!) Concluding, he remarked that there was a certain irony given these growing similarities if the UK were to leave at this particular moment. But he cautioned that differences in our people's minds would persist if each side continued to pander to the stereotypes of believing in a federal EU or limiting the powers of the EU as much as possible. Professor Ulrich Schlie of Andrassy University Budapest gave the response. He cited how the UK was becoming more like Germany, with proper showers, better food and dare he say it, even better football! There was much Germany had to learn from the UK, and he ended by imploring to British participants, 'we need you in.'

Sir Michael Arthur closed the conference by thanking Jackie Newbury and her team for all of their work in delivering an outstanding conference. He also thanked our generous sponsors without whom there would be no conference.

Conclusion

The past year had been dominated by events of major import. The migration crisis had caught Europe unprepared. Months of busy diplomacy had resulted in a new settlement for the UK and the calling of a referendum. This year's Königswinter had been markedly different from past conferences when Germans and Britons tended to explain their respective countries to each other. As Dr. Niblett had pointed out, this year, participants from each country spent more time discussing internal divisions with their compatriots and with their counterparts. The opening plenary about migration had been a chance for Germans to reflect on the past year's challenges with other Germans. Similarly, Lord Hill's speech had provided a moment of clarity for British participants. Whatever the outcome of the referendum, we were at a turning point in relations. Brexit would lead to stark changes for both of our countries, but change was also likely if the UK remained. Adopting Dr. Tempel's call for a new sense of sobriety, it was sensible not to be too secure in our thinking about the likely impact of the referendum in June. Sir Sebastian Wood, the British Ambassador to Germany, had said in his after-dinner response that it had been refreshing to arrive in a country where bi-lateral relations were so good. He had spent the first 18 months of his previous posting in Beijing being studiously ignored by Chinese officials, upset by David Cameron's meeting with the Dalai Lama. He hoped that was not an insight into what life would be like after Brexit! But, we were now in the hands of voters. As Lord Hill had said, we could only hope, in the long tradition of British scepticism, that they would listen to that questioning little voice in their head. And, to the last line of his favourite hymn, 'to the still small voice of calm.'