

45th Young Königswinter Conference
2nd - 7th August 2005

- Sir Peter Torry, the British Ambassador to Germany, underlined the importance of economic improvement as the major challenge to the EU.
- Ekkehard Brose from the German foreign office in contrast stressed the need for a common vision on Europe.
- Ulrich Brandenburg from the German foreign office called for more effective and coherent European Security and Defence Policy (ESDP) structures.

During the discussions that followed, participants agreed on several points:

- Political elites are losing touch with the public and need to convince them of the need for the EU in a globalized world.
- Creating a common vision is not the problem, but turning this vision into a reality is difficult.
- Instead of developing more competencies the EU needs to improve its efficiency and transparency in the fields where common European policy is already established
- A multi-speed approach to further European integration seems to be the best way of dealing with Europe's inner complexity.
- Europe needs more research and development as competitors from Asia increasingly compete with knowledge-intensive goods.
- Although Europe is still good at innovation, it has problems implementing and commercialising its ideas
- Common European social policy can work as a productive factor but needs careful handling.
- Demographic change poses a long term threat that should be addressed.
- Globalization will bring change and may cause social problems.
- Europe needs a much wider and more comprehensive notion of security.
- The EU brand must be kept clean in order to maintain its credibility as a civilian power.
- The US is undergoing a learning process regarding its understanding of how to democratize autocratic regimes. Europe is supporting this process.
- Poverty is a long term threat to European security and should be handled with development aid.

DEUTSCH-BRITISCHE GESELLSCHAFT

In the first week of August 2005 the Deutsch-Britische Gesellschaft invited for the 45th time a group of young Britons and Germans to exchange their views on recent political developments. This year's conference, chaired by the former British Ambassador to both German states Sir Nigel Broomfield KCMG and Gebhardt von Moltke, the former German Ambassador to the United Kingdom and the chairman of the Deutsch-Britische Gesellschaft, assembled in the European Academy Berlin to discuss three broad themes concerning the future of Britain and Germany as members of the European Union:

- What sort of European Union do we want?
- What are the challenges to the economic competitiveness of Europe?
- How to address European security and what role for transatlantic relations?

The conference was opened by speeches given by the Ambassadors Sir Peter Torry and Ekkehard Brose who pointed out two different approaches to the current EU crisis. Sir Peter Torry said that economic improvement was the major challenge facing the EU. In order to create wealth, Europe had to have flexibility, legislation which improved the economy and more higher education. In reaction to the common accusation that Britain was the land of unleashed liberal markets, he stressed that the current Labour government had made major improvements in social welfare in Britain, and he asked whether it was more "social" to have 20 million people in the EU unemployed.

This mainly economic perspective was challenged by Ekkehard Brose who emphasized the importance of a shared general vision of the EU, especially in times when people were afraid of the effects of globalization. His analysis of the current crisis saw the politicians losing touch with people as well as the 'European idea' ie that the EU was a guarantor of peace and economic success. In his speech he said it was necessary to step back in order to create a common vision for the future and to help people understand the need for the EU in a globalized world.

These two perspectives gave an excellent starting point for the study groups.

What sort of European Union do we want?

The first working group dealt with the broadest and most fundamental topic. The central theme was the common vision that Ekkehard Brose had said was a pre-requisite for overcoming the current EU crisis.

Mark Gill, one of two participants who gave an introduction to this

DEUTSCH-BRITISCHE GESELLSCHAFT

working group, underlined the problem of a European elite which was out of touch with its public. He said that the major challenge was for politicians to become more responsive to the needs of people. In general, politicians were challenged by the speed of changes and current national economic environments which caused the electorate to lose faith in the ability of politicians to solve these problems. Regarding European politics participants criticised national politicians for using the EU as a scapegoat and making European institutions responsible for unpopular decisions. These aspects compounded the problem that the role of the EU was no longer self-evident, as its primal aim to avoid war in Europe was now mostly taken for granted. Because of this situation, participants decided it was necessary to clarify the aims of the EU. The recent rejection of the EU constitution had showed that the visions politicians tried to explain did not convince their publics. In many areas the EU needed to re-establish an agreement with the people affected by its decisions. Therefore it might be necessary to reach an agreement on a common vision for Europe at first amongst the European elites as Ekkehard Brose claimed. This agreement should not only cover the details of European integration but also specify what sort of Europe was wanted. Using an image to illustrate this, the second introducer Thomas Motak asked whether Europe wanted to be a Don Quichote, fighting the honourable but wrong battles or a Columbus opening new ways.

With this fundamental question in mind the working group started to discuss what an ideal EU would be like. At the outset, participants agreed that the EU in its current condition did not satisfy even individual visions of Europe. Participants criticised its inflexibility, partial weakness and its lack of coherence. They agreed that the future EU should become more competitive, stronger, more flexible, responsive to the needs of people but at the same time reflecting the colours and shapes which make Europe a unique region in the world.

From this broad vision, the group moved on to discuss how to achieve this end and experienced a situation which mirrored current debates at the European level. Even with a common and pro-European vision for the EU it was difficult to agree on the concrete actions required in order to realise this vision. The discussion followed the lines of current debates in Europe, focusing on EU competencies, the further enlargement process, the question of identity for Europeans, the institutional setting in the EU and the problem of engagement of European citizens.

Regarding the competencies, the group debated which policy fields needed to be handled on the European level and agreed that there should be strong EU influence on the economic aspects. But the question whether social issues should be included in common European activity caused more ambiguity, further reflecting the actual state of discussions in Europe. As in the recent political debates, there seemed to be a tendency to keep the status quo.

DEUTSCH-BRITISCHE GESELLSCHAFT

A further central topic was the prospect of ongoing enlargement. The results of the referendums in France and the Netherlands were thought to have been mainly (though not solely) due to the issue of enlargement. While Ekkehard Brose emphasized that the EU membership had to be an open membership and thus further steps to enlargement had to be taken, the working group had a more ambiguous discussion showing some specific national sentiments. While the British participants tended to be more in favour of further enlargement the German part of the group tended to keep a more reserved position. Participants noted that the focus on existing and potential immigration problems rather than the possible opportunities and benefits that enlargement could bring had created a negative public reaction in some countries.

Closely connected to the question of enlargement was the discussion about a European identity. "Where does Europe end and who is European?" Interestingly, during the discussion about enlargement candidates concentrated on Turkey, virtually ignoring other prospective candidates such as Ukraine. As Turkey was amongst the candidates for EU membership with – according to public perception – the most different religious and cultural background, the discussions about its possible membership might indicate Europe's difficulty in defining its finalité not only in constitutional terms but also in terms of its identity.

Nevertheless, there was already a certain feeling that Europeaness was somewhat different from national identity. Regarding the relation between these two aspects of identity a similar difference within the working group was observed as had previously occurred in the Eurobarometer polls. The British participants tended to feel more national than European while the German participants tended to feel more European than national. But notwithstanding this observation, the group agreed that a stronger European identity would be needed in the long run to promote European integration. However, such an identity had to develop naturally and could not be imposed on people. To promote its development the group suggested work might be needed in the fields of language skills, exchange between the citizens of European countries or knowledge of history.

The constitution treaty tried to bring Europe to the people and thereby encourage European citizens to identify with the Union. The constitution was supposed to improve the institutional setting of the European Union - an absolute necessity according to Ekkehard Brose who emphasized the importance of a clear description of powers within the EU and on the levels of common European versus purely national policy. He also argued that the EU had to overcome the three pillar model, inherently meaning stronger European institutions. Both introducing speakers, Sir Peter Torry and Ekkehard Brose, agreed that the EU had to prove that it worked in order to convince people of its necessity. The working group were also of the opinion that the EU needed to increase its legitimacy and accountability. As a means to this end they demanded a stronger European Parliament which would genuinely represent the interests of all its constituents

DEUTSCH-BRITISCHE GESELLSCHAFT

Closely related to the institutional setting as well as to the aspect of common identity was the problem of engagement of European citizens. The working group agreed that the existing lack of an active European citizenship was problematic and not easy to change. The most fundamental precondition to promote people's engagement in European politics was seen as an improved transparency of the EU's institutions. As long as the majority could barely understand the functioning of EU procedures they would hardly be willing to engage actively in the system.

— It became clear to the working group that to be pro-European did not necessarily mean there must be a consensus about how to deal with the problems of European politics. Even with a common vision of how the European Union should be, it was difficult to reach agreement on the details. The group in the end moved away from the need for a common European vision and found a more realistic approach to deal with Europe's problems. It seemed better for Europe not to gain more and more competencies but to improve its efficiency in the fields where common European policy was already established. Furthermore, the deepening of the EU might be better organized using a multi-speed approach, allowing member states to proceed in the same direction towards integration, albeit at different paces. This would possibly improve stability and avoid crises like the recent one on the constitution as it would not force 25 or more states to move at the same time with the same speed.

— In the end this group could be taken as a case study for Europe's future. The audience noticed that the German participants did not argue for a more integrationist approach. This was considered to be in tune with the British European Council presidency, and the beginning of a more pragmatic German approach to European integration. Nevertheless, the working group's discussions brought one obvious conclusion: what Europe needed was an ongoing broad and intense discussion in the academic, political and public sphere about what sort of Europe people wanted.

What are the challenges to the economic competitiveness of Europe?

In her introduction to the second group, Stormy Mildner, took up the theme of a common vision and asked what happened to the economic visions of Europe, the dream of a complete and fully integrated market and a well functioning Economic and Monetary Union (EMU). Her analysis of the actual situation of the EU showed that, despite some improvements in the single market and the EMU, the EU needed to improve its economic performance. The main question to answer was whether the European Union was getting closer to its goals, whether it was stagnating on a relatively high level of global competitiveness or whether it was losing ground internationally.

DEUTSCH-BRITISCHE GESELLSCHAFT

As Sir Nigel Broomfield had mentioned, this question had been placed on the agenda by the last review of the implementation of the Lisbon strategy. The Lisbon strategy had aimed to make the EU the most competitive, dynamic and knowledge based economy in the world in ten years time, but after only five years these aims had already begun to seem far too ambitious. At the moment the EU faced the problems of a low growth rate, falling productivity and innovation rates and continuously high unemployment. Certainly there were differences between the states as Bernhard Welschke from the Federation of German Industries (BDI) mentioned. Hence, he pointed out, there were some highly competitive states as well as states with serious economic problems. But as the performance of the EU depended heavily on the larger states a closer look must be taken at states such as Germany which in some areas were losing competitiveness.

Beside actual economical weakness the competitiveness of the EU was also affected by major challenges such as globalization and the development of new and powerful Asian competitors. The effects of globalization (for example shifting industries) were not new to the European continent, as Dr. Richard Torbett, the second introducer to this working group, concluded. However some new aspects were to be found in recent developments; especially the growing share that developing countries had of world trade which posed a low cost threat to EU industry.. Furthermore, countries like China and India were increasingly competing in the field of knowledge-intensive goods and services, bringing the competitiveness of Europe's economy into question. In the end, Dr. Richard Torbett pointed out, there would be a shift from low skilled, low technology jobs to new high skilled knowledge-intensive jobs in Europe in order to compete in global markets. This change, however necessary or successful, would cause fears amongst the people. These fears had to be considered and every profound European economic policy had to consider the different social models in Europe.

Included in the problem of increasing competition from Asia was the question whether Europe was innovative enough or not. The presentations on Europe's economy frequently criticized the decline in research and development funding. One of the consequences of this (as Bernhard Welschke pointed out) was a decline in productivity due to falling investments per working place.

Demographic development also presented a major challenge. The fast ageing population in all European states was putting European social systems and economies under pressure. Without a sufficient proportion of people working, current social welfare states were not sustainable and the EU economy would lose ground against the competitors from America or Asia.

DEUTSCH-BRITISCHE GESELLSCHAFT

With this rather grim picture of the EU economy the working group started its discussions. They managed to give the audience conclusions in five major areas: Innovation, European social model, demographics, open markets and structural change.

Innovation

The working group reiterated that growing competition from knowledge-rich goods from Asia, combined with a reduction in research and development funding in Europe had been creating problems. It felt that as diverse societies were often supposed to be the most creative ones, Europe's diversity should be giving it a competitive advantage in innovation. However, though Europe was good at generating ideas, it had a problem commercialising them.

Considering the cause of these commercialization problems, the group found that European society was too risk averse – partly due to the prevailing perception of failure in Europe. While in the United States failure to implement new concepts and technology was accepted as part of the research and development process, in Europe failure could lead to a much more serious situation: as Bernhard Welschke mentioned in his speech, the bankruptcy laws often created situations where failing once became failing for life. While these laws could be amended in the short-term, the perception of failure and tendency to avoid risks could only be changed with longer term measures, such as introducing students at an early stage to the working mechanisms of the economy. The generally high regulative burden on European companies was also cited as a problem, reducing the flexibility of Europe-based companies and sapping their will to innovate.

In the discussions there was a clear sense that European member states should play an active role in promoting research and development in universities as well as in companies. Bernhard Welschke suggested that universities should raise their own funding, especially for basic research; with encouragement from business they could then do further research and finally implement successful new technologies and ideas.

European social model

In the introduction to this policy field it was mentioned that any European economic policy and thus any kind of regulation or deregulation should consider its social impact. The question for the group was whether this should be done at the European level, ie. establishing a European social model or whether it should be kept at the nation state level. The first problem the working group encountered was to define a genuine European social model while the EU consisted of 25 member states with 25 different social models and different ideas of what a social Europe might be. As an example of social policy at the European level, the group discussed the working time directive (WTD). This proved divisive as some

DEUTSCH-BRITISCHE GESELLSCHAFT

participants argued that workers should be allowed to choose how long they work and that such a directive decreases competitiveness. Other participants disagreed, saying that the directive could help avoid excessive working hours which reduce productivity. They also felt that it might help older people and young parents to stay in the labour market. The discussions showed that the effects and usefulness of this directive varied between different states and possibly even between different sectors. However, interestingly there was no general division between Britons and Germans on this point, in contrast to most public debates where Britons are often regarded as liberal and pro-market while Germans seem fierce supporter of a strong state. Instead there were divisions amongst both German and British participants.

Demographics

The working group discussed the serious problem of the explosion in the number of elderly people and a simultaneous decline in birth rates. It was emphasized that increasing life-expectancy is not the problem but rather the shrinking proportion of workers in society. This was perceived as a long term threat to growth and productivity, though solutions to this problem were not yet on political agendas because the full effects of demographic change had yet to be felt.

The group suggested that a three pillar model should be used in response to the demographic problem. The first pillar would focus on increasing the proportion of people in work by raising the statutory age of retirement. This would also mean reducing opportunities for early retirement. The second pillar would focus on increasing the birth rate. Currently, the average birth rate in European countries does not match the necessary reproduction quota.. In order to change this the group suggested reducing the opportunity costs of child bearing and enabling flexible working patterns for women and men. The third pillar would encourage immigration as a short-term solution to work-force shortages. However, as immigrants would themselves age, and might also adopt the mentality which leads to low birth rates, this measure would not provide a sustainable long-term solution.

Open markets

In respect of open markets the group felt that the free market had not yet been completely established and therefore not all benefits had been seen.. In the introduction Stormy Mildner underlined that not all member states had adopted all the single market regulations, and in addition many non-tariff barriers were still in existence. Regarding the service sector, Sir Peter Torry said that the lack of a single market in this sector was absurd, and that a service directive would be on the agenda of the British presidency. Also a single market for capital would benefit the European economy.

DEUTSCH-BRITISCHE GESELLSCHAFT

The working group agreed that further liberalization regarding the market for goods and services as well as for the capital market was necessary; however there was disagreement about whether the labour market should be completely liberalized and whether all services including government services should be liberalized. Also the aspect of external openness could not be answered easily showing some doubts about sensitive areas in the European economy.

Nevertheless, the group agreed that the EU would profit in the long term from further liberalization but would also experience serious problems in the short term. Liberalisation would necessarily mean that there would be some losers, who would need to be dealt with by the EU or member states.

Structural change

Under this heading the working group discussed the shift in the European economy from manufacturing to services as a result of globalization. The group underlined that growing competition would lead to resources being directed to the most efficient activities. This would improve Europe's overall economic efficiency and competitiveness in the long run, but it would also bring transition costs of instability or social exclusion caused by rising unemployment in declining industries. Worries were raised that these effects would be tremendous for some parts of society. Therefore the working group argued it would be necessary to increase society's ability to absorb the unemployed into the economy. This would require a flexible and competitive economy, a re-skilling of unemployed workers, the ability to anticipate change and a diversified customer base.

European security and the role of transatlantic relations

The introducer of this topic, May-Britt Stumbaum, began by saying that the EU had largely been seen as a civilian power and military action had only been connected with its single member states until the Balkans war had challenged this perception.

All the speakers pointed out that currently Europe faced several threats. The most frequently mentioned were the threat of terrorism, the distribution of weapons of mass destruction (WMD), regional conflicts and organized crime. These threats were common to all European countries and could be better handled by a common effort than by each constituent state acting alone. The lack of sufficient military capacities forced the EU to rely on the support of the US in order to deal with a unique European security issue.

Ulrich Brandenburg from the German foreign office pointed out that in the same way that there were common threats, there were also com-

DEUTSCH-BRITISCHE GESELLSCHAFT

mon strategic goals. Such goals included strengthening the security of Europe and contributing to world order according to the idea of multilateralism. However, he said that while political tools (such as the economic carrots and sticks that had been used to stabilize Eastern Europe) were relatively developed, Europe's military capabilities were more questionable.

For the national level the second introducer, Chris Reynolds, illustrated the problems by describing Britain as being overstretched and Germany as lacking a military that could match modern standards. At the European level, the group felt that the EU did not have sufficient capacities in its joint forces to match Europe's role in the world.

Ulrich Brandenburg showed that the structures to achieve the central strategic goals of the EU had already been laid out in the ESDP. However, the problem was a lack of money to foster these structures and quarrels over competence were reducing the effectiveness of common EU missions. Facing a problematic situation in almost all European states regarding state finance, he suggested that Europe's Security Policy could be improved by enhancing the efficiency, organisation and coherence of already established structures.

The central role of NATO within Europe's security architecture was not challenged. Nevertheless Chris Reynolds pointed out that though NATO's role had changed since the cold war the institution had not been redefined. Ulrich Brandenburg added that regardless of the changing international situation NATO remained a strategic partner for Europe's security. He recognised the importance of NATO in building consensus and offering the most elaborate multilateral command structure available under democratic control.

Discussing these inputs, the working group decided that a much wider and more comprehensive notion of European security should be adopted. They criticised the fact that some of the most dangerous threats had not been dealt with by the 2003 European security strategy, and they suggested that the notion of 'human security' should be used to cover threats such as fundamentalism, poverty, famine, disease, natural disasters and conflicts about natural resources.

Following this definition, the group focused on terrorism as one of the most pressing problems. As the introducing speakers mentioned, this threat was not just external, but could also come from within member countries. This made a more holistic approach to terrorism necessary. While discussing different reasons for terrorism and tools to deal with it, the group found four major dilemmas which the EU had to handle.

First of all, the group decided that Europeans had to agree whether they wanted the EU to use hard force and if so, in which situations. The group found that Germans would more likely accept the application of hard

DEUTSCH-BRITISCHE GESELLSCHAFT

force by the EU than by Germany alone. However, the group agreed that it would be difficult to reach a broad acceptance of EU led troops in most of EU countries. While EU missions might find support in cases of morally based missions, they would face serious problems if the missions were more self-interested. This could also damage the EU's credibility and reduce the effectiveness of soft power measures. In the end the group concurred that the EU's brand must kept clean and thus retain its credibility as a civilian soft power in global politics. While this approach would fit with the lack of structures, capabilities and political will to act as military force, it would also mean relying further on the US to carry out any international military role.

The group found that the second dilemma in the EU security problem was related to the Middle East autocratic regimes. Here the problem was how the European Union should deal with states which were opposed to democracy and might pose a threat to Europe's security as well. The working group agreed, that the EU had to accept these governments and could not force a regime change from outside. Any democratization of these states had to come from within but could be supported by the EU. Regarding expectations of how democracy should work, the EU had to respect the different social and cultural backgrounds of these states and regions. However, as Europe had witnessed very different versions of democracy and democratization it could enrich the notion of democracy used as a guideline in US foreign policy. The participants saw an ongoing learning process in the US, which Europe was supporting; but the question remained how the EU could support change in these autocratic regimes. Here the group demanded a more coherent and comprehensive approach. Sir Nigel Broomfield underlined that there was uncertainty in Europe about what would happen if Europe supported civil society groups in autocratic states, but nevertheless that the EU should be brave in doing it and hope for the best.

Focusing more on the economic problems the working group discussed a third dilemma outlined in the question: How should we integrate development aid into security policy? Behind this question was the broader definition of European security including the effects of poverty. The working group argued that perceived economic injustice could pose a threat to Europe's security by destabilizing regions which favoured the development of organized crime and terrorism. Participants agreed that an early warning system should be developed, and that development aid could be used as a long term strategy to respond to the threat of increasing poverty in developing countries. However, the group wondered whether it would be moral to link development aid with self-interest/security in this way. They decided that the EU should promote the development of poverty-stricken countries and Europe's own security interest, but should not be perceived as egoistic.

Closely related to this problem was the fourth dilemma of how to handle terrorism. Here the working group discussed whether security

DEUTSCH-BRITISCHE GESELLSCHAFT

could be best achieved by improving the integration of religious and cultural minorities into society or whether more control was needed in the form of increased internal surveillance capabilities and possibly reduced civil liberties. The London attacks served as an example of terrorism from inside the state, although they could also be regarded as an imported threat that had arisen due to the war in Iraq.

An interesting observation was the pragmatic approach to security policy which prevailed during the conference. Regarding the role Europe should play, especially towards the United States, the discussion focused on what seemed to be realistic in the actual circumstances. No strong apologists for the idea of Europe as a counterbalance to the United States could be found as most of the participants thought Europe would be unlikely to be strong enough. However, this did not mean that Europe could not play an important role in international politics, exercising a positive influence on America, as well as promoting peace and stability.