

DEUTSCH-BRITISCHE GESELLSCHAFT

57TH KÖNIGSWINTER CONFERENCE
POTSDAM, 10-11 MAY 2007
CONFERENCE REPORT



BRITAIN AND GERMANY:
WHERE DO WE GO FROM HERE?

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Gebhardt von Moltke, Alan Watson



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BRITAIN AND GERMANY: WHERE DO WE GO FROM HERE?



THURSDAY, 10 MAY 2007

14:00

Opening of the Conference

Ambassador *ret.* *Gebhardt von Moltke*

Chairman of the Deutsch-Britische Gesellschaft and

Lord Watson of Richmond

CBE Chairman of the British Koenigswinter Committee

14:15

Plenary Discussion

The State of our Nations

Moderator: *Jürgen Krönig*, Die ZEIT

Speakers:

Lionel Barber, Financial Times

Werner Hoyer MdB

16:30 – 18:30

Working Group Sessions

Group A

Challenges to our economy:

**Assembling in Germany, outsourcing from Britain:
how do we remain internationally competitive?**

Chairman: *Sir David Brewer*

International Financial Services

Rapporteur: *Helmut Kranzmaier*

CNC Communications

- ▶ China, India, Brazil. Competitors, markets, investment.
How do we draw the benefits?
- ▶ Energy security: Finding the right bedfellows – Russia,
Iran, Central Asia, Venezuela
- ▶ The internal market and international free trade:
Have we reached the limit?

Group B

Challenges of an increasingly unstable world:

Containment or solution

Chairman: Ambassador *Wolfgang Ischinger*

DGAP

Rapporteur: *Professor Stuart Croft*

Warwick University

- ▶ What role for military force, what are its limitations?
- ▶ Democracy, development assistance, good governance:
Do they really help?
- ▶ Transatlantic relations:
Will the gulf be bridged?
- ▶ Israel/Palestine:
Is this the key issue? Can it be solved?

Group C

Challenges at home: Ethnic integration, terror and domestic stability

Chairman: *Dr. Simon Green*

University of Birmingham

Rapporteur: *Dr. Cathleen Kantner*

Otto Suhr Institute Berlin

- ▶ Segregation, subversion, self censorship:
Is that what diversity means?
- ▶ Terror at home:
What is it doing to our social cohesion?
- ▶ Immigration: How much do we need?
How much can we manage?

19:00

Transfer to "Neue Kammern"

(New Chambers Palace; Sanssouci)

19:30

Reception and Dinner at the Neue Kammern at the invitation of the Federal Foreign Minister

Presentation of the Great Cross of Merit

with star to Lord Watson

Introduction: Ambassador *Wolfgang Ischinger*

Speaker: State Secretary

Reinhard Silberberg, Foreign Office

22:30

Transfer back to the INSELHOTEL



FRIDAY, 11 MAY 2007

9:00

Working Group Sessions

11:30

Transfer to
Cecilienhof, Palace of the Potsdam Conference

12:00

Guided tour of Cecilienhof

13:00

Lunch at Cecilienhof hosted by the British Ambassador

Speakers: Ambassador *Sir Peter Torry*, KCMG

Thomas de Maizière, Federal Minister,

Head of the Federal Chancellery

Sir Peter Ricketts

KCMG, Permanent Undersecretary,

Foreign and Commonwealth Office

14:45

Transfer to the INSELHOTEL

15:15

Plenary Session

with the Rapporteurs of the three Working Groups

Chair: *Karl-Theodor Freiherr zu Guttenberg*, MdB

followed by a **Plenary discussion**

16:45

Winding up Speech

Speaker: *Michael Binyon*, The Times

17:00

Concluding Remarks

17:15

Transfer to the Airport



For two days in mid-May, Inselhotel Hermannswerder, a waterfront retreat on the outskirts of Potsdam, Germany, was transformed into an observatory of contemporary domestic and international affairs. The Inselhotel located on the Havel river seemed perfectly suited as a stage for this cordial British-German exchange of views. Current events were once again setting Europe's political and economic landscape in motion. The location and theme of this year's 57th Königswinter Conference neatly captured this mood of shifting tides: *Britain and Germany – where do we go from here?*

Throughout the years, the chairman of the Deutsch-Britische Gesellschaft, former Ambassador Gebhardt von Moltke, noted in his welcoming words how the style, spirit and reputation of Königswinter inspired many similar gatherings and programs. However, its informal atmosphere and the distinguished calibre of its participants still give it a special place. Königswinter remains 'copied but unmatched' and continues to set the standard for regular informal dialogues between two nations' decision and opinion-makers.

The unique feature of the Königswinter Conferences, as Lord Watson of Richmond, President of the British Königswinter Committee put it, is their tendency to take place at a particular 'conjunction of circumstances'. This year was no exception. Under its Chancellor Angela Merkel, Germany was living up to its economic potential again and assuming international leadership in Europe and the G8. Only a few days previously, the French people had elected Nicolas Sarkozy as their new President. Furthermore, the very day the conference was opening, while participants were checking into their rooms, British Prime Minister Tony Blair was on his way to his Sedgefield constituency in north-east England to announce that he would leave Downing Street on 27th June 2007.

Against this background of a Europe about to enter a new era, the opening plenary session served to set the course for the following discussion. Lionel Barber, Editor of *the Financial Times* and Werner Hoyer, Member of the German Bundestag provided their perspective on the changes and challenges ahead with two presentations on the 'State of our Nations'.

Lionel Barber reminded the audience that Mr. Blair 'had been in office, but no longer in power', since he had been pressed by his own party to commit to handing over his leadership of government and the Labour party in the middle of his third term. In his view, Britain was not simply experiencing a change of leadership, but a transformation of the political scene. Now that Gordon Brown is taking over, Labour's hold on power could no longer be taken for granted. After years of unchallenged rule, one could in fact see some parallels between David Cameron's emergence as a leader of a revived conservative party and Labour's rise in the mid-nineties. To him 'competitive politics has returned to Britain' and the outcome of the next election is more open than at any time during the last decade.

To win a fourth consecutive mandate for Labour, Mr. Barber noted, Gordon Brown will have to pass through a 'metamorphosis' of both his personality and his style of political management. First of all, Mr Brown will have to establish himself as a man with whom the British public can identify and acquire some of the 'blokish qualities' that made Tony Blair such a charismatic leader.



Lionel Barber

Of similar importance will be his behaviour 'once he gets his hands on the top job'. As Prime Minister, in contrast to his reign at the helm of the Treasury, Mr. Brown will have to include dissenting views within his cabinet and refrain from micro-managing the government in the same way he managed the Treasury.

Mr. Barber predicted that Britain will stay out of the Eurozone for some time to come. He emphasized that this has been, and still is, the right decision for Britain to take, since the economic conditions to do so will not be met in the near future. However firmness on the common currency does not inhibit flexibility in other policy domains. Resolving the European Union's constitutional deadlock, he said, 'does not require much political imagination.' With modifications to the European Constitutional Treaty presently under consideration, and French President Sarkozy's intention to not submit the new text for a referendum, he could very well imagine 'one British Prime Minister endorsing a revised treaty and another ratifying it'. The biggest question regarding the foreign policy of a future Prime Minister Brown is whether he will continue on the path of liberal interventionism that Mr Blair had set out.



Mr. Barber then considered some peculiar features of the 'Blair era'. After years of the presidential yet informal style of 'sofa-government' cultivated by Mr Blair, there was a clear need for political decision-making to return from 'sofa talk' with close friends to a broader basis. He noted a disconnect

between the internationalised part of the economy and domestic economic structures. Driven by its central role in the global financial service industry, Britain has become 'the most successful offshore economy in the world', with the bizarre effect of gaining London a status as a 'refugee for plutocrats'. Irrespective of this image, it is at the same time imperative to preserve a policy of openness to the outside world. In Barber's view, it was obvious that Britain benefited to a great extent from keeping its job market open to labour market entrants from new EU member states like Poland.

Another key future task is to keep the housing market in balance. He noted that high prices were increasingly imposing costs on the overall economy, notably a lack of affordable housing for young and old people alike. Finally, there was the puzzling rise in inequality after a decade of prosperity in Britain, most notably the existence of a significant 'undereducated rump' in British society. After ten years of Tony Blair, it is time to ask again, 'how cool is Britannia?'

Turning to Germany, Werner Hoyer alerted his audience that as a member of Germany's biggest opposition party, he could not avoid the intrusion of partisan criticism in his analysis but would strive for objectivity as much as possible. He conceded right away that he, too, was delighted to see positive change taking place. While in the past, 'the mood has been better than the actual situation, now the mood is still pretty good and the situation has improved.' 'Germany is no longer the sick man of Europe.'

However, the public gives very little credit to the government. Instead, business is considered the main driver behind the current upswing. Noting that he shared this view, Hoyer praised the resilience and current dynamism of the German corporate sector. He refuted an earlier claim about the pace and comprehensiveness of economic reform in Germany, adding that, 'the only thing we have not touched upon is the labour market.'

Hoyer considered the present government in a state of disintegration. He pointed to the paradox that on many issues the social democrats had succeeded in imposing their political agenda on the coalition treaty, but two years later, with many of these policies in place, Chancellor Merkel has emerged as the most important and most popular figure on the German political scene.

Mr. Hoyer identified 'money, health and family' as the three dominating political issues ahead. In his view, much scope for divergence among the coalition partners persists on each of them. He expressed his pessimism about the ongoing efforts for reforming the public health sector, expecting an outcome that was very likely to make the current situation worse. In his view, the governments growing tax revenues will cause conflicts between those favouring fiscal consolidation and those seeking an increase in expenditures. This fight for the distribution of the newly available funds is yet to come.



Werner Hoyer

He ended his overview with a comment on the international performance of the present government and claimed that overall, the Parliament, not only representatives of the ruling parties, were satisfied with the conduct of the double Presidencies of the EU and the G8 by Chancellor Merkel and her team. He was optimistic about the prospects of resolving the deadlock over the EU Constitutional Treaty under Germany's leadership. However, he emphasized that across the different party lines, German lawmakers were not willing to back away from much of its content as a trade-off for leaving behind the present impasse. He acknowledged that the text contains many contested issues but stressed that many of these were the product of a sensibly crafted compromise and would not be put back on the negotiating table.



Jürgen König

Moderator Jürgen König, longstanding UK Correspondent of the German weekly *Die Zeit*, drew the audience's attention to the psychological state of each nation. To him, both nationalities don't seem to be happy but rather marked by a 'contemptuous' mood. And despite strong differences in past economic performance, there was a common trend to be detected in the popular press of both countries. Both are marked by a growing 'sensationalism, oversimplification and emotionalisation' of reporting and a cynical attitude towards government in general.

The ensuing discussion focussed on the challenges to social cohesion and the prospects for a common EU agenda. A British participant objected to the notion that Britain under Tony Blair had become a more unequal society. He added that the huge cultural change which took place over the last decade was one of Tony Blair's most remarkable legacies. Society at large had become more tolerant and liberal. Gay and Lesbian rights had increased. For the first time ever, the House of Lords has a black leader, an even stronger symbol of change.

The integration of ethnic, in particular Muslim minorities was raised and each country's different experiences and approaches were discussed. On the British side, a breakdown of trust among the different communities was identified. Inter-cultural relations had become a central element of the political agenda. Since the London terror attacks of 7th July 2005, 'faith has become a more important political issue than at any time in the last 200 years.'

In Germany, some participants saw the scope for political dialogue constrained by the lack of civil society representation of the Muslim community. A first government effort to foster a dialogue between the government and representatives of the Muslim communities had remained inconclusive. However, the political landscape was changing. One participant remarked that the fact that the German Minister for the Interior had stated that Islam was at home in Germany represented a significant departure from previous positions.

It was concluded that core liberal values as well as the heritage of the enlightenment still provided a solid foundation on which to build a common society and facilitate the integration of ethnic communities. However, there was no longer an easy answer to the question of what it means to be either British or German. By interrogating the principles of its national identity, British society was now experiencing the sort of self-doubts that were long considered a German 'Trauma'.

A question raised by one British participant on whether the present political configuration of Europe and the current set up of a European Union of 27 meant a renaissance of the nation state, sparked a debate about the pursuit of national interest in European affairs. To one British participant, this was 'the ordinary way to do business in Europe'. In his view, the EU's central achievement has been, and still is, the accommodation of the multiple interests of its constituent parts. Britain, he continued, was 'very comfortable within the present EU'. German participants objected. Although it was true that national interests mattered in every European bargain, Europe was more than 'coordinating national interests' and one should not overlook the common interests that made more than the sum of its parts. The habit of government leaders laying out their 'successes' to their national audiences after every summit, they admitted, contributes to the perception that European integration was a 'zero-sum' game. This, however, is missing the point. The case for Europe was most obvious in areas where the national constraints to manoeuvre were felt most, such as foreign policy. A European response was required on issues such as failed states, energy policy or nuclear proliferation.

Participants agreed that although a new spirit would come to the Brussels table once Brown, Merkel and Sarkozy took their seats, expectations in the new trio should not be set too high. As one German participant pointed out, the changes in leadership in both Russia and the US in the next twenty months carried with them some potential for tearing the EU apart. The best way to look ahead was with a healthy blend of 'sceptical optimism'.

RECEPTION AND DINNER AT THE 'NEUE KAMMERN'

At the invitation of the Federal Foreign Office, participants came together for an evening reception and dinner at the 'New Chambers Palace', the guest house of the Prussian King Frederic the Great's summer residence, Sanssouci.

As they assembled in the New Chamber's 'Ovid Galerie', with its delicate marble floors and its interior blend of Frederican Rococo and Classicism, participants were put into highspirits as the evening speakers praised Königswinter's special place in the post-war history of German-British relations.



*Reinhard
Silberberg*



The German Ambassador to Britain, Wolfgang Ischinger, stated that for both countries, British-German cooperation was now one of the most important bilateral relationships. Both countries had quickly come

*Wolfgang
Ischinger*

to develop a robust and deep friendship fostered by strong social, economic and political bonds, and further build on mutual appreciation. He praised the low-profile, unassuming but steady nature of the relationship, features that according to him probably suited both nations' characters. He wondered how much more could possibly be achieved if as much effort was put into public diplomacy, such as cultural and youth exchange programs among Britain and Germany as was being done in the case of Germany's relations with some other European partners.



Reinhard Silberberg, State Secretary of the German Foreign Office, offered some insights on British-German cooperation in Europe. He pointed out that in many important areas such as Europe's economic reform agenda, the environment, energy security and climate change, both countries shared the same objectives and were working in close partner-

ship. In climate change policy, Mr. Silberberg saw Britain and Germany as a 'common avant-garde' within Europe. He pointed out that both countries are staunch advocates of climate change diplomacy abroad and have adopted ambitious national emissions reduction plans and policies at home that go well beyond the recently agreed EU-wide objectives. Among the audience, Mr. Silberberg was sure to find some surprised over how close both countries are on the question of the European Constitutional Treaty. Under its EU Presidency, Germany, he explained, was holding talks with its EU partners with two objectives in mind: to provide a way out of the present deadlock and to preserve the political substance of the present text. Wrapping up, he quipped that many differences could be solved simply by agreeing on the right terms. For instance, Germany could very well live with the idea of dropping the position of a European Foreign Minister foreseen in the text, 'if the post of a Foreign Secretary would be created instead.'

The State Secretary and Ambassador Ischinger had yet another surprise in store for his guests. Whilst reading President Horst Köhler's official document, Ambassador Wolfgang Ischinger presented Lord Watson of Richmond with the German Great Cross of Merit with star – an internationally recognized award for his contribution to British-German friendship and his dedication to the Königs-winter Conferences. In his words of gratitude, a visibly touched Lord Watson let his sense of humour keep the

upper hand. The Order he said, 'was coming at the right time'. He had always been optimistic about Germany, and with this 57th Königswinter Conference, he happily noticed that Germans are now 'equally optimistic about themselves'.

LUNCH AT THE CECILIENHOF PALACE

Cecilienhof, the last palace commissioned by the German Emperor Wilhelm II, is better known as the venue of the Potsdam Conference. Between 17th July and 2nd August 1945, in the aftermath of World War II, the allied powers met up at Cecilienhof to sketch out the contours of what would become the division of Germany. Taking a guided tour of the Palace, passing documents, maps and photographs, delegation rooms and the originally furnished conference room where Truman, Stalin and Churchill sat down to negotiate, participants literally walked through the makings of an old world order and history was becoming alive again.

At the invitation of the British Embassy, participants stayed to have lunch at Cecilienhof Palace. British Ambassador Sir Peter Torry gave a warm welcome to Thomas de Maizière, Federal Minister and Head of the Federal Chancellory. In his speech, Thomas de Maizière offered participants an insightful and well-humoured tour d'horizon on the state of British-German relations, European integration and international affairs.

De Maizière praised the depth and strength of German-British relations which in his view were underestimated by the public in Germany. He suggested that Germany is equally at ease with Britain and France, although bilateral relations with the latter would attract much more attention. In his view, this lower profile was probably due to similar mentalities in Britain and Germany – where for historical reasons, politics was approached with less pathos than in France. The difference, he considered, would be visible in the upcoming inauguration ceremonies in France and Britain for the country's new political leaders.

He highlighted the close cooperation between Britain and Germany on international issues such as climate change. Tony Blair and Angela Merkel had worked closely in tandem to promote the shared objective of devising an international agreement on this issue. In her traditional role as a bridge to the US, Britain, starting with Tony Blair himself, had provided an important channel of communication and advocacy for the German G8 Presidency. Another natural area for British leadership, de Maizère added, was in setting up an EU-wide immigration policy. He praised the admirable 'angry silence' with which the British public had reacted to the London terror attacks of July 2005. He stressed that an important change of mentalities was underway in Germany. This change was illustrated by the current Interior Minister's assertion that 'Islam has a home in Germany', a statement almost inconceivable only a few years ago.

De Mazière then turned to Germany's EU Presidency and its task of renegotiating the European Constitutional Treaty. To provide the public with tangible and concrete deliverables, Germany had put policies before institutions and turned its attention to devising an EU energy policy and climate change strategy first, before tackling the question of jump-starting negotiations on the European Constitutional Treaty in a second stage. De Maizère noted that many of the issues that now appeared contentious were as much a matter of terminology as of substance. To begin with, this would apply to the text itself. He suggested that instead of calling it 'Constitution', one should end up calling it by its real name, a 'European Constitutional Treaty'. This difference was important in particular for countries like Britain with legal systems without a written constitution. Although important European partners had rejected the Treaty two years ago, he nevertheless underlined that the text had also been ratified by almost two-thirds of all EU member states. As EU Presidency, it was therefore equally important for Germany to support those countries who wanted to benefit from the greater range of manoeuvre for EU policies offered by the Constitutional Treaty de Maizière

explained that Germany's objectives are to devise a timetable for the negotiation process and create a framework agreement on the modalities and political substance of the Treaty, so that negotiations could be closed prior to the elections for the next European Parliament in 2009. He welcomed the fact that Prime Minister Tony Blair would stay in office until 27th June and half-seriously quipped that he did so to be able to participate in the two big international summits hosted by Germany, the G8 meeting and the European Council. He noted that there was a curious historical precedent to the scenario where an agreement could be struck on the EU Constitutional Treaty at this point, with Tony Blair participating on Britain's behalf. In fact, something similar had occurred right there on the premises of Cecilienhof in summer 1945 at the conclusion of the Potsdam Agreement. Prime Minister Winston Churchill had represented Britain during the negotiations. With Churchill subsequently voted out of office, it was his successor, Prime Minister Clement Atlee who signed the final agreement.

Against this background, one participant was interested to learn what Chancellor Merkel's message was for British opposition leader David Cameron given his critical stance towards Britain's participation in European integration. De Maizière replied that Chancellor Merkel and the German government considered Britain and the British conservatives a key partner in European affairs, but that being part of the same European political family also implies a shared political platform. This condition would no longer apply if Mr Cameron chooses to leave the European People's Party.

WORKING GROUP SESSIONS

Group A

(chaired by Sir David Brewer):

Challenges to our economy:

**Assembling in Germany, outsourcing from Britain:
how do we remain internationally competitive?**

Introducing the discussion, the chairman of the group shared his personal observations on the new global economic landscape. He pointed out that the rise of countries like China, India, Russia and Brazil presented both challenges and opportunities. It is not possible to have one without the other. Brewer stated 'for a long time, the world has been going into these markets, now these markets were coming back to the world'. In his view, Germany and Britain both still have a lot to offer in this world, Germany as a global leader for high-end specialised manufacturing and machinery, Britain for her leading role in international financial services. Driven by the petrochemical industry, the UK has become the leading investor in China, while Germany is the leading exporter to China.

The group agreed that focussing too much on the challenges alone was concealing as much as it was revealing. Instead, it is necessary to look beyond the headlines and better define the gains, trade-offs and risks in present trends, for example the fact that most Chinese exports are produced by foreign companies. Britain, Germany and Europe are not simply subjected to economic forces, but actually had become a 'springboard' for global growth. Across the globe, growth dynamics were facing distinctive and country specific constraints. India is not only the largest democracy in the world, but also the world's largest coalition which inevitably puts a brake on its pace of global economic integration and attractiveness as a destination for foreign investment. Another participant added that China had so far only gone through the easier part of economic reform and global openness. The more difficult part of the road was still ahead.



One participant suggested that the future challenges Europe is facing are best viewed and analysed as two separate issues. That is, how best to secure and promote a competitive global European economy, and how best to preserve and advance European economic interests in a globalized world. Both required adjusting to and shaping of structural change.

One way to tackle the first question, one participant added, was to look at the fragmentation of today's global supply chains. Globalisation was basically the 'deconstruction of the global value chain' with competition taking place across its component layers. To a German participant this decomposition also explained the present pressures on global economic governance. Business had gone global, but there was no global framework that had evolved with it, so it was very hard to determine 'against whom we are competing and how to remain competitive in such a setting.' In the absence of a multilateral agreement, bilateral trade deals should not be considered a substitute to a comprehensive governance framework. By overloading trade agreements with human rights or ecological issues, one merely created roadblocks impeding further integration without achieving any of the desired outcomes. Participants agreed that there was no easy answer or short-cut for establishing a global level playing field, but that it represented a key future task for Europe.

Participants agreed that one essential element of any forthcoming international economic framework was the need to insist on the principle of 'reciprocity' in economic relations. This reciprocity, it was added, would have to go beyond 'mutual recognition'. Since mutual recognition was increasingly proving to be insufficient for the European single market, it was unlikely to be applicable to the world economy as a whole.

One participant recalled that it was important to bear in mind that competition was principally taking place among companies and not between countries. For Europe to preserve its global role, it was important to keep up competition within Europe. To secure this vital dynamic, it was necessary to complete the single European market.

The following day, the discussion turned to the issue of European energy policy and energy supply security. Minimal time was spent debating the perils and benefits of the different geographic regions that could serve Europe's demand for hydrocarbon energy resources. Instead, it was the question of nuclear energy that captured participants' minds. There was no German-British divide on the issue. Participants agreed that nuclear energy was on the rise again and that a slow change of perception was underway. In the words of one delegate, 'nuclear is out of the bottle' again. It was felt that the nuclear option had been badly explained in the past and participants were confident that the two main issues, nuclear safety and waste management were no longer an obstacle to the development of nuclear energy. To rule out nuclear as an option in its mix of energy sources was not a sensible thing to do for any country. Within Europe, each country should be able to determine its own energy mix. One participant asked whether the EU had been unfair to require its new Eastern member states to close down their old Soviet-style reactors. This perception was not shared by everyone.

The group agreed that determining a country's energy mix is a national policy domain, not a European one. The fallacies of defining a comprehensive energy strategy limit the scope for public policy. Political commitments, that is, widely shared views, cannot simply catch up with rapidly changing market developments. Planning and implementing a long term energy policy therefore would mean constant adjustment to a number of moving targets. For this reason, national energy provision, including the development of nuclear energy sources, was best left to the private sector. However, public sector support will be necessary to redress the human capital shortage the industry is facing and which is becoming a serious obstacle to any coming nuclear revival.

Participants stressed the difference between energy policy and supply on the one hand and energy security policy on the other. Agreeing that the former is best addressed in a national context, participants recognized the need for the development of a common EU energy security strategy in order to gain better leverage towards energy exporting countries. Again, the internal dimension mattered. The better integrated the common market, the more resilient the EU would be to potential supply side shocks. Yet political commitments and stable relations with potential suppliers will not suffice to secure Europe's future energy supply. Instead, participants considered the biggest problem to be insufficient infrastructure investment in resource rich countries. Most saw a higher potential for serious delivery shortages and disruptions in Russia's limited capacity to explore, produce and export the volume of oil and gas to satisfy the needs of its customers and its own population than in a politically inspired embargo.

Group B

(chaired by Ambassador Wolfgang Ischinger) – Challenges to an increasingly unstable world.

A critical look at the non-violent means of political enforcement such as economic sanctions in today's international environment kicked off the discussion. The group then turned its attention to the role and limitations of military force in today's international environment, starting with an analysis of the distinctive experiences and contributions of both countries in promoting international security and stability. Germany and Britain had moved along two very different trajectories in recent years. Although both would not have a hard time to agree on a joint conceptual approach that combines military and civilian elements in peace-making and peace-building interventions, attitudes towards the role of the military in each country's foreign policy tool-box and implementation on the ground have been, and still are, shaped by two very distinct historical experiences.

A stronger belief in the role of the military and the use of force as a last resort instrument of foreign policy had prevailed in Britain. In fact, under the stewardship of Tony Blair, Britain had become a driving force of the liberal interventionism of the last decade. This ambition had culminated in Iraq. However, given the ill-conceived advocacy for the war and the current stalemate the coalition forces are in, the tide is turning. Britain, as one British participant put it, had 'wanted to be from Mars' but is now returning back to Venus. In his view, less interventionism should be expected in the future. By contrast, some participants felt that Germany had yet to fully accept the consequences of its participation in NATO operations beyond the European theatre, such as in Afghanistan. Caught between opposition to the use of force and to the military by its domestic constituency and its commitments to its partners in NATO and the EU, it was pending towards downplaying the positive role military could play.

The group agreed that in the future, conflicts would continue to demand active involvement of the military. It set out to define four key criteria future military operation should meet, beginning with clearly defined boundaries of the military's mission in any given conflict. Once an operation had clearly defined objectives and benchmarks, it was important to establish what is to be done and what can be done to achieve an expected outcome and what cannot be achieved by military means. From the start, a clear link between the civilian and military instruments and the terms of their interaction needs to be articulated. To assess whether military instruments are meeting their objectives, it is equally important to define an exit strategy prior to any intervention. British participants pointed out that it was now the military leadership itself that was criticising the inappropriateness of the government's strategy in Iraq. This situation was seen as unsustainable, in particular for the deployed troops.

One German participant reminded the group of the need to distinguish between military interventions and civilian operations in state-building and peace-keeping operations and criticised a too narrow focus on NATO. Since the inception of its European Security and Defence Policy, the EU had launched 17 operations from Bosnia to Aceh in Indonesia, involving a broad range of activities from rule of law to disarmament and police missions to military protection forces. Thus, more innovation was taking place than a first glance at the most headline-capturing conflicts suggested. Another participant noted, that there is indeed an increasing demand for this particular EU tool box. In its capacity to link civilian and military instruments is well adapted to address today's multi-dimensional security challenges.

Participants agreed that more needs to be done to improve coordination and cooperation between the development community and the military. Concerns were raised that soldiers increasingly struggle to understand the overarching goal and underlying policy of their deployment abroad and that this was becoming a drain on their motivation. There was a wide consensus that development and security had to be addressed in one integrated approach. That there was no development without security, but neither sustainable peace without an economic or developmental dividend had by now become 'conventional wisdom'. Instead, it is the means of delivery that pose the most challenging questions. One participant stressed that while emergency aid was often best and most quickly provided by the NGO community, this also caused a proliferation of actors in the provision of social services that was risking replacing government structures and rendering much needed and more complex coordination. Moreover, there is the additional risk that ill-conceived aid was distorting the economy, putting many states on an aid-dependency track that proved hard to overcome. Another trade-off is the dilemma between international goals such as the promotion of democracy and the ownership of the populations concerned. Objectives should be more modest to avoid an imposition of external agendas. Instead of 'promoting democracy', a focus should be placed on establishing the rule of law, the backbone of political and economic stability.

Recent experience had also revealed a serious shortage in the knowledge of foreign languages, cultures and regions - study areas that often suffered most from budget cuts. It was important to regain this expertise. If cultural understanding and outreach to populations in conflict areas were to be successful, there was no technological substitute for human intelligence and capabilities.

The discussion continued the following day with an assessment of the state of transatlantic relations. The group focussed on Europe's contribution to strengthening the alliance and the way in which Europeans should engage with the US in the years ahead. Although relations were improving, and, as it was pointed out, never had been without tensions and diverging interests, participants felt that relations were drifting rather than moving in one direction. Participants expressed concern about the risk of an international power vacuum with either side unable to effectively fill the gap at a crucial point in time.

One participant asked whether there will be any transatlantic relations at all until summer 2009. Experience had shown that one year before and after an US Presidential election, with the incumbent President at the end of his second mandate, foreign policy would fall into the background. Any new President would need at least a year until the outline of his foreign policy would come into being. Still, most agreed that this was no time for the Europeans to simply sit out the end of the second term of the Bush Presidency. Instead, Europe should seize the opportunity to make its voice heard. Now is the time to shape ideas and minds and reach out to a new team, but also to identify the partners in the present administration that were regaining the initiative. One British participant complained that 'the State Department has been given the right to do diplomacy again' but few in Europe seem to be interested in it.

One German participant pointed to rapprochements on some essential issues. The prospects of a new agreement on energy and climate change are looking better than had been imaginable at any time in the past years. Many emphasized the new German initiative for greater transatlantic market integration launched by German Chancellor Angela Merkel as an important contribution to strengthening transatlantic relations. In its strategic importance, one participant pointed out, this was far more than just a 'business gimmick'.

Given that a range of policy issues are now as important as security, one participant suggested that NATO might have a too limited focus to continue to be the lynchpin of transatlantic relations. Some rather saw NATO opening its focus in the near future. Others noted that Afghanistan was the real test for the alliance's future viability and that the present discussion on commitments and restrictions to the deployment of troops to specific regional areas are 'destructive to the alliance'. From the perspective of the US, countries such as Australia or Japan had emerged as more reliable partners than some European countries.

To one German participant, the reason for many transatlantic disagreements on international issues was ultimately related to different perceptions of the future world order. Though the partners are ready to address their differences over some issues, they are still 'tip-toeing' around their fundamentally different approaches to international relations. This difference is captured in the US's and the EU's respective security strategies. While the former was a pledge to adhere to a unipolar world and preserve US hegemony, the latter laid out the EU's approach and vision of a multipolar order.



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Many participants emphasized the need for the EU to have a recognizable agenda, strategy and leverage. Europe still does not know what to respond when asking itself 'who are we'? Expectations by British and German participants were high that this issue could finally be tackled under Germany's EU Presidency. It was widely agreed that for Europe to have a consistent and visible foreign policy agenda, it is high time to consolidate European external relations into a single structure. This requires merging the External Relations portfolio of the Commission with the Common Foreign and Security Policy responsibilities of the High Representative of the European Council, and putting an end to the system of rotating Presidencies. This way, the EU would become a stronger partner for the US, a key to bridging transatlantic differences. Participants saw a real window of opportunity. If the EU gets its 'foreign policy act together', there is a real chance that for the first time, an incoming US administration would come to power with a singular EU foreign policy set up in place.

To become a stronger player, the EU partners would have to become more reliable among themselves, one British participant noted, pointing to Estonia and Poland and their present disputes with Russia. He demanded more action from the German EU Presidency. In his view, these countries were more or less left alone. The participant reflected on how bad Russian behaviour needs to get before Germany would acknowledge that it is bad. Another British participant suggested that the G8 democracies should consider the idea of excluding Russia from the G8. Most German participants disagreed. Germany was neither shying away from addressing controversial topics with Russia nor disregarding the interest of its Eastern partners. There was just not much to be gained by public posing. It was noted that for Germany, 'excluding Russia from the G8 concert of leading nations would be the biggest foreign policy defeat since reunification'. Furthermore, given that with Russia, 'there are always many balls in the air at the same time' the question was in fact what was to be gained by such a stance. Energy, Iran and Kosovo were just a few of the issues for which Russia was an essential partner one could not exclude.

At this point of the discussions, the state transatlantic relations got mixed up with the wider state of international affairs, notably the Middle Eastern region. With Iran taking a centre stage in international security, the unsolved conflict between Israel and the Palestinians was no longer the single most pressing issue of the many challenges facing the wider region. A German participant pointed out that while much attention had so far been devoted to preventing Iran from developing its nuclear weapons capacity; it was time to work on a parallel political strategy for dealing with a nuclear Iran and to think about 'what this meant for Europe.' In his view, Iran had cleverly managed the negotiations until today. It had been able to move ahead with its agenda by adjusting the pace of its nuclear program to the different stages of negotiations. In addition, given that the US, according to his information, was ruling out a military strike, a nuclear armed Iran would sooner or later need to be accepted. The question was therefore, how to increase the price tag for Iran going nuclear?

The impression that the US rules out a military option against Iran was not shared by everyone. One British participant drew attention to the US progress in developing new conventional weapons capacity which though short of being nuclear, was increasing US offensive capacities to the extent that targeted air strikes against Iranian nuclear facilities are now conceivable. This confluence of nuclear proliferation threats and new conventional weapons capacity would require a new transatlantic dialogue on deterrence for which Europe was largely unprepared.

Though the upcoming direct talks between Iranian and US diplomats were welcomed as a positive step, it was apparent to many that the transatlantic partners were far from agreeing on a regional security solution for the Middle East. 'Two years ago, we complained that the US do not consult. Now they do consult and we discover that we disagree'. However, 'time is running out to wait for the perfect solution.' One British participant observed that the EU enjoys much less leverage among the regions' protagonists but is the more credible force in the region. To him, 'extraordinary rendition' damaged the perception of the US as a defender of freedom. Guantanamo and Abu Ghraib had discredited US soft power in the region and across the world.

Another participant pointed to the Western reaction to a Hamas-led government in the Palestinian territories to stress Europe's complicity in undermining the Western stance on democracy promotion. The boycott of the Hamas executive and its co-government with Fatah insulate Hamas from political reality and the need to face its responsibility and accountability vis-à-vis the Palestinians. Instead, Hamas now thrives in 'perpetual opposition' even while in government. Recognizing its democratic mandate would not have necessarily meant engaging in direct government-to-government talks. Dealing with Hamas, the West had shown a lack of creativity.

Participants noted that the US did not invest much political capital in the peace process, but that there were now signs that the US was rethinking its Middle East policy. Though the technical and political feasibility of a two-state solution was still conceivable, there was uncertainty about the right timing. No-one expected a solution in the near future.

Group C

(chaired by Simon Green) –

Challenges at home:

Ethnic integration, terror and domestic stability.

From the outset, the group acknowledged that it faced a difficult task. It was heading for a discussion in which perceptions, knowledge and values were inextricably intertwined and it embraced the challenge with enthusiasm. Specification and differentiation were the catchwords of the ensuing debate. Participants were unanimous in their view that the challenges of ethnic integration and immigration and the threat of terrorism posed by specific minorities such as radical Muslims were to be addressed and treated separately in both analysis and discourse. As it turned out, domestic stability is where the two eventually meet.

In the future, societies would have to strike a fine balance. Missing out on the opportunities of migration will be their own loss, ignoring the potential threats will be at their own peril. Some participants felt that the media was missing out on striking that balance to the point that one-sided reporting on radical Islam is now contributing to group building among the faithful that in general would disagree and keep their distance from radical messages and groups. But it is exactly this battle for winning over the silent majority that needs to be won. It is therefore imperative to prevent the alienation of the large group of immigrants who by and large display a loyalty to their host country, and to focus on the minority among them that indeed might become a security risk.

Participants agreed that immigration and integration had become inseparable and that the former was neither viable nor possible without the latter. From this point of view, multiculturalism as an ideology has failed. However, it has also become a fact of modern urban life in European capitals that one could be perfectly integrated in one's host society in daily working life while staying entirely within the realm of one's own national community without giving up its traditional costumes, habits and lifestyles for the rest of the time. This equally applies to a German banker or a Pakistani taxi driver in London or a Turkish shop-owner in Berlin. Such a life of shifting identities, religious belief systems and permanent exposure to 'multi-optional societies' constitutes an important obstacle for the integration of immigrants into mainstream society.

One participant stressed that although most Muslim members of society are firmly part of the British political mainstream, there is a potential risk of further radicalisation, as some groups are engaging in a competition for attention in which the degree of alienation is becoming an asset. Another pointed to the importance of ensuring equal prospects for upward mobility. Immigrants would often move into the lower levels of society, starting out with a strong belief in the political promises of equality of opportunity. If these then failed to materialize, it would fuel antagonisms. Preventing this was a matter of managing expectations. While upward mobility was acknowledged as an important element of successful integration, participants agreed that there was no immediate causality between terrorism and economic and social deprivation. From the Red Army Faction in Germany to the perpetrators of the 2001 attacks in New York or the 2005 bombings in London, terrorists were rarely social outcasts. Some of them had behaved as British as most of their fellow citizens, and some even more than that. One of the last activities one perpetrator was involved in was participating in a cricket tournament. Most of those now facing trial in Britain for terrorist actions are from rather well-off families. Spotting these individuals posed the biggest challenge to intelligence agencies.

Participants reflected on what was exactly the right degree of urgency and vigilance required to counter these dangers. The very concept of preventive action seems to imply that you never know whether you are successful or simply lucky. Moreover government actions in response to domestic security threats could contribute to a growing sense of grievance among migrant populations.

The discussion then turned to the big 'what if' scenario – another terrorist attack and its political and social consequences. The group agreed that this is the Damocles sword hanging over the future of liberal and open societies.

Here is the greatest risk of giving in to terrorism and its destructive objectives. They shared the conviction that it is of particular importance not to cast immigrants 'as the enemy within'. So far, the attacks of July 2005 appear to have little impact on British politics and the public. The liberal spirit has prevailed. However British participants voiced their concerns about the potential effects of another successful attack on British soil. In such a case, the reaction of the British public would be unpredictable and the prevailing tolerance could erode and civil liberties put at risk. A German participant added that his biggest nightmare is waking up one morning to learn that a Turk had committed a terrorist attack. To him, the consequences of such an attack for the fragile acceptance of Turkish migrants in Germany could be devastating.



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Participants then turned to the link between foreign policy and domestic social cohesion. If there is any such relation, it is specific to each country. While the close ties between Britain's Pakistani community and Pakistan highlight the importance of analysing potential threat scenarios in an international context, it is important to realize the different political settings in which they occur between many European countries. One participant stressed that for Britain the biggest security risk now is a 'threat from without'. According to him, the primary concern of British intelligence services is the ongoing import of radical ideas and agendas brought into Britain by groups from Pakistan looking for a foothold in Britain. Adding that more than 400,000 people move in and out of Britain on an annual basis, he emphasized that it was nearly impossible to monitor and identify the right individuals or groups among them.

The next day, the debate continued as lively as it began. The group started by discussing the importance of the heterogeneity of Muslim migrant groups in Britain as opposed to Germany, where a large proportion of Muslims are made up of migrants with Turkish origin. This triggered a lively debate about size and proportion of different migrants groups. Origins of ethnic groups are significant for two reasons – as a transmitter for developments in contemporary Islamic thinking for both moderates and radicals and for their role in building the link between domestic security and foreign conflicts. In Germany, recent threats were linked to the Middle Eastern context or inspired by political developments in Turkey. Violent actions could be seen as the continuation of foreign conflicts, whereas in the UK, actions were directed against the UK itself. The assessment was not shared by all German participants who also regarded Germany as an immediate target.

The group concluded that consciousness of one's own moral and constitutional values remains the best defence and guidance liberal societies have at their disposal. The need for continued surveillance and vigilance was undisputed, but in the long-term mutual learning among host societies and their foreign citizens was the best way to ensure that alienation and antagonisms would not become the defining principle of inter-cultural relations. They agreed that it is important not to neglect the positive effects of immigration, a phenomenon which, all agreed, was here to stay, and to avoid the 'securitisation' of the subject. Also, it appeared necessary to sketch out the benefits of immigration in less instrumental or economic terms. On the security side, the famous quote of the American philosopher Benjamin Franklin still offered guidance to most. 'They who would give up an essential liberty for temporary security, deserve neither liberty nor security'.

FINAL PLENARY AND WINDING UP

Back at the Inselhotel, participants got together for the concluding plenary session. As the rapporteurs presented the conclusions of the group discussions, the broad sketches of Britain's, Germany's and Europe's way ahead became discernible. Varying according to the conference's many topics, the mood was shifting between optimism and scepticism to caution and confidence.

Though no one considered the work to be complete, participants felt that each country was on the right track towards economic reform, each facing its distinctive future challenges. Surely, the economic doomsday scenarios that only two years ago had dominated talks about Germany's economic future now seemed an issue of the long distant past. On energy policy, one felt a sort of 'Königswinter Consensus' on the need to put the nuclear energy option at the core of the debate on a future EU energy policy. Globalisation was here to stay and represented challenges as much as opportunities, but there was a sense that Europe was better equipped to face the economic challenges of the future than was often assumed.

Those agreeing with the notion that the 'world is flat' were challenged by the security outlook presented by the second group. On the positive side, transatlantic relations were improving, and while Europe was making strides towards better external representation, 'more Europe' no longer seemed to mean 'less America'. The group concluded that it was now the time to engage with the US, if Europe were to shape future policies. However transatlantic differences

would remain, not least because of different conceptions of the future of the international order and very different threat perceptions. The Israeli-Palestinian conflict no longer seemed to be the most dominant concern. Other equally pressing and dangerous issues had risen to prominence.

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Nuclear proliferation, illustrated by, but not limited to, the current conflict about Iran's nuclear programme, will become a dominant feature of international relations, and a viable international solution reconciling the security concerns and interests of the nuclear-haves with the have-nots has yet to take shape. International terrorism remains unabated and will require continued international attention and concerted action. Uncertainty persists about the future of Afghanistan and Iraq, and the prospect of a premature US withdrawal from Iraq was worrisome to most. The centre of gravity of global power was gradually moving east, but there is still a long way from acknowledging change to finding a strategy to coping with it pro-actively.

The challenges of immigration, terrorism and domestic stability proved most emotive and puzzling. There was little argument however that immigration does not pose a threat in itself and has to be addressed pro-actively as potentially beneficial to society. Equally, integration is a necessary component of any immigration policy. Participants agreed that the prevailing antagonisms were now about 'faith' and no longer about 'race' and that this was posing a completely different challenge for the future of open, liberal societies. Participants were confident that the power of enlightened principles and values would prevail, not least because they also had a strong appeal to most of the immigrants moving into society. In this respect, some identified the need to have more confidence in 'our Muslim citizens'. The difference between Germany and the UK in the composition and heterogeneity of migrant groups was also taken into account. These different experiences require different responses in dealing with the more radical elements among them. All agreed that a new terrorist attack could have dangerous consequences in shifting the balance between freedom and security in domestic law and that preserving this balance would require continued vigilance in the future.

Winding up, Michael Binyon of the Times offered some reflections on the Königswinter conferences. In his view, the spirit and nature of the discussions had changed



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Marcel Berlins*

during the course of the years. He remembered that when he first attended Königswinter in the late eighties the German participants were less sure of themselves than today, and were approaching their British partners to seek endorsement or guidance for their own actions. To Germany, Europe appeared to be the universal

solution to any problem. Having left behind the sober philosophising for which they were known, Germans were now much more factual and pragmatic and aware of where they wanted to go. Instead, it was now the British that had become more self-reflexive and were displaying a degree of uncertainty. While the meaning of 'Germanness' had always been a rather blurred concept, British people are now discovering that there was no straightforward answer anymore to what 'Britishness' really meant. He considered these developments healthy. Both sides were taking on some features of the other and the outcome was positive.

Binyon remarked that some things don't change and continue to determine the discussions. Question about relations with Russia and the USA were coming back 'again and again'. A new feature was that while usually slight nuances prevailed in British and German analysis on transatlantic relations, everyone now shared a sense of concern about the state and direction of the Bush administration. Overall, he noted a convergence on economic and world affairs between Germany and Britain.

Like the USA and Russia, France had also always been present in Königswinter and remains the invisible third in discussions on Europe. Now some newcomers were to be welcomed: India and China. He felt that although their importance was recognized and implicitly had informed the discussion, both countries were still not a strong enough feature of the discussions, a task for future Königswinter conferences. Summing up his two-day stay at the Inselhotel Hermannswerder he felt confident that in the future, the two attributes best suited to describe Königswinter would remain unchanged: sharp and successful.

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▶ THE KÖNIGSWINTER CONFERENCE

The Königswinter Conference was established in 1950 with the aim of re-establishing good relations with Germany and its neighbours. It takes its name from the Rhineland spa opposite Bonn where the first Conferences were held. Since then the Conference has convened once a year bringing together around 100 German and British politicians, high ranking diplomats, top business managers, academics and journalists for a profoundly stimulating exchange of ideas. Königswinter has created friendships that have often lasted over decades helping to foster a common understanding of topical issues and to formulate joint approaches transcending day-to-day policy differences. The conferences are held alternately in Germany and Britain.

The themes discussed over the years have been, for example, security policy, the Atlantic alliance, the degree of European integration, changes in society, the future of the welfare state, education policy, integration of ethnic minorities, and international economic policy. This selection demonstrates that at "Königswinter" the most important questions of European history since 1945 have been discussed. Königswinter has always been a place for frank and open debate and discussions have yielded valuable contributions.

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The Conference Report provides the main results of the 57. Königswinter Conference held 10/11 May in Potsdam on "Britain and Germany: Where do we go from here". Discussions turned around economic challenges, challenges of an increasingly unstable world and challenges at home. The Conference Programme and participants are included in this report as well.