

# DEUTSCH-BRITISCHE GESELLSCHAFT

## 56<sup>th</sup> Young Königswinter Conference

Tuesday 19<sup>th</sup> July – Sunday 24<sup>th</sup> July, 2016, Berlin

### Conference Report



## The future of the European Union and the United Kingdom outside of it

1. Internal issues
2. Financial discussions
3. The future of the European Union





## **Programme**

### **Conference Venue / Accommodation**

Europäische Akademie Berlin  
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### **Organiser**

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### **Date**

19. - 24. July 2016

### **TOPICS**

1. Internal
2. Financial
3. Future of the EU

### **Tuesday, 19 July 2016**

18:55 Arrival at Berlin Tegel (BA 986)

19:00 Light dinner at the EAB

As of 21:00 Opportunity for a welcome-get together at the EAB

### **Wednesday, 20 July 2016**

08:00 Breakfast

**09:00 Opening of the conference**

by the Chairman Sir Nigel Broomfield, Former Ambassador to the Federal Republic of Germany and the German Democratic Republic and Hans-Henning Horstmann, Ambassador ret. Chairman of the Deutsch-Britische Gesellschaft e.V.

**Key note Speakers**

Dr Peter Ptassek, Deputy Director-General for European Affairs, Auswärtiges Amt  
Sir Sebastian Wood, KCMG, British Ambassador

10:30 Group photo take and Coffee break

11:00 Introductions to the study group topics by selected participants

12:30 Lunch at EAB

14:00 Study group sessions begin  
Selection of Chair and Rapporteur

15:30 Coffee / Tea

16:00 Continuation of working groups

19:00 Walk to the British Ambassador's residence

19:30 Dinner hosted by the British Ambassador to the Federal Republic of Germany, Sir Sebastian Wood

As of 22:00 Walk back

**Thursday, 21 July 2016**

08:00 Breakfast

09:00 Lecture with regard to the topic of group III  
**Speaker:** Almut Möller, Head of Berlin Office,  
European Council on Foreign Relations (ECFR)

10:30 Coffee break

11:00 Lecture with regard to the topic of group I

**Speaker:** Dr Nicolai von Ondarza, Deputy Head of Research EU/ Europe, Stiftung Wissenschaft und Politik

13:00 Lunch at EAB

14:00 Study groups

15:30 Coffee break

16:00 Study groups

18:30 Transfer to Würth Haus

19:00-21.30 Würth Haus, Schwanenwerder  
**Dinner Speaker:** Hans-Henning Horstmann

### **Friday, 22 July 2016**

08:00 Breakfast

09:00 Study groups

10:30 Coffee break

11:00 Study groups

13:00 Lunch at EAB

14:00 Study groups

15:30 Coffee break

15:30 Direct bus transfer to Federal Ministry of Finance,  
Wilhelmstraße 97, 10117 Berlin

16:30 Lecture with regard to group II

**Speaker:** Dr Martin Heipertz,  
Federal Ministry of Finance

18:30 Walk to Brasserie Am Gendarmenmarkt

19:00-21:00 Dinner at the invitation of the Federal Foreign Office

**Speaker:** Dr Peter Ptassek,  
Deputy Director-General for European Affairs,  
Auswärtiges Amt

As of 21:00 Time off

**Saturday, 23 July 2016**

08:00 Breakfast

09:00 – 10.30 Study groups

10:30 Coffee break

11:00 Preparation of study group reports

12:30 Transfer to Berlin-Mitte, Deutscher Bundestag

13:00 Time off

17:30 Walk to the Berliner Dom

18:00 Boat trip through the historical centre of Berlin with buffet,  
Berliner Dom at the Radisson Blu Hotel

21:00 Time off

**Sunday, 24 July 2016**

08:00 Breakfast and check-out

9:00-12:45 Presentation of working group results  
Plenary session

12:45 Wrap-up  
Feedback

13:00 Lunch at EAB

14:00 Transfer to Berlin-Tegel

## Conference Sponsors

This conference has been made possible by the kind support of:

- Auswärtiges Amt – Referat 601 Kultur- und Medienbeziehungen mit Skandinavien, den baltischen Staaten, Großbritannien, Irland und BENELUX
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- Königswinter Stiftung
- Rolls-Royce International Ltd
- Tata Ltd
- Vodafone Stiftung Deutschland gGmbH
- Würth-Haus, Berlin

# Topics for the 56<sup>th</sup> Young Königswinter Conference 2016

## Terms of Reference

2015 and 2016 have not been good years for the EU. It has faced and continues to face a range of problems which individually would have taxed the Council of Ministers. Collectively the European Council has not shown leadership and unity. The result has been a mood of doubt and pessimism among EU citizens which has found expression in political parties in some countries who openly campaign for their electorates to leave the EU. The most striking example of this is in the UK where pressure from the UK Independence Party coupled with its success at the European Parliamentary elections forced the British Prime Minister to concede an IN/OUT referendum. The shockwaves from the UK vote on 23 June to leave the EU have reverberated strongly in the EU and more widely in the world outside

Europe. The conference gave participants an opportunity to look to the future of the EU and the UK outside of it. The following issues were suggested as topics for discussion at the conference. Others also arose as the week went on.

### 1. Internal

Brexit will continue to dominate politics in the UK. What should be the main aims in the UK position for negotiations with the EU? What chances does the UK have of realising its aims and what might a realistic outcome look like from both the UK's as well as Germany's points of view? Is a common view achievable? How widely has the feeling that the benefits of globalisation have not been fairly distributed in the UK and possibly other EU member states, contributed to Brexit and anti-establishment attitudes? What accounts for high levels of dissatisfaction with 'Brussels'? What might be done to counter this? Depending on the outcome of the UK/ EU negotiations what is the likelihood of Scotland holding another independence referendum and Northern Ireland deciding on a much closer relationship with the Republic of Ireland leading to eventual Union? Both processes driven by a majority view in both countries that they wish to remain members of the EU. Can the EU rise to the challenge of agreeing a long term policy on immigration which divides those arriving into economic migrants and refugees? Can they take the step of separating an offer of asylum from automatic citizenship after three or so years of residence? Will they accept that Syria is not the main driver of immigration, which smart phones are making more attractive to sub-Saharan and other economic migrants? Is it thought that the agreement with Turkey will last given Erdogan's record on human rights in Turkey? How have Germany and Sweden coped with major influxes of both asylum seekers as well as economic migrants? What lessons can be drawn from their experience so far? Can Schengen survive on an EU wide basis? Is it the main driver of opposition parties in EU member States? What effect on the development of the EU will the campaign/ results of the US Presidential elections have?

### 2. Financial

What is the future of the Euro given the wide disparities in economic development and attitudes to free market economies as opposed to those which are more influenced by state decisions - currently the focus of difficulty and probably the defining issue in the 2017 French Presidential election? Will Germany agree to the other elements needed to support the Euro

in the future, in particular a 'federal' insurance policy to help countries which get into difficulties? Will the ECB's policy of Quantitative Easing succeed in boosting lending and thus growth in the Eurozone? What solution to the Greek debt crisis can be found that is acceptable both to Germany and Greece? Will stability return to markets in China?

There is likely to be continuing uncertainty in US Federal policy until the US Presidential election is over on 8 November. How will this affect the economic and financial outlook in the EU? What financial effect might aggressive Russian policies in Ukraine have on confidence in EU markets? Will a new gas pipeline to the EU deliver more growth or more dependence both economically as well as politically?

### **3. Future of the European Union**

The UK's intention to leave the EU on the grounds that it has become an undemocratic and unrepresentative institution has raised similar concerns in other EU countries. What does Germany want to see the EU become – A United States of Europe with all the relevant institutions (on US lines) or a United Europe of States with more subsidiarity to Member States and only the main lines of policy decided in the Community institutions? How big a role should the European Parliament play given that many would claim it does not represent a European electorate but an amalgamation of national parties with similar views? What can be done to give the Parliament greater legitimacy to go with its increased powers? What are the prospects of Turkey joining the EU? Have Greece's difficulties and the immigration challenge brought into sharp focus the question of solidarity between EU Member States?

Will the US presidential election-whichever candidate wins-result in greater demands that EU member states who are also members of NATO should pay their committed contributions or face a less committed partner? Should there be a 'European' Army? How can the EU use its considerable 'soft power' to its benefit?

## **Report**

### **Opening of conference**

**Wednesday 20<sup>th</sup> July 2016**

The 56th Young Königswinter conference was held between the 19<sup>th</sup> and 24<sup>th</sup> July 2016 at the Europäische Akademie in Berlin. It was attended by 34 delegates from both Germany and the United Kingdom, representing a range of interests and professions, including business, academia, the civil service, think-tanks, politics and finance. The conference took place at a time of political and economic instability in the European Union following the UK's vote on the 23<sup>rd</sup> June 2016 to leave the European Union and the increasing strain on member states caused by the refugee crisis and fears of terrorist attacks. Much of the week's discussion was centred around these topics, with a particular focus on the potential effects of the UK referendum and the following negotiations.

Sir Nigel Broomfield, Chairman of the conference and the Former British Ambassador to the Federal Republic of Germany and the German Democratic Republic, welcomed delegates with a comment on the fascinating times in which we found ourselves and the continued importance of the relationship between Germany and the United Kingdom. It was suggested that the nature of the relationship was particularly poignant in light of the decision of the new Prime Minister of the United Kingdom, Theresa May MP, choosing to make her first foreign visit to Berlin to meet with Chancellor Merkel that evening.

### **Key note speeches**

**Sir Sebastian Wood, KCMG, British Ambassador**

Sir Sebastian Wood began by emphasising the interesting political times in which we find ourselves and the ability of MP's to come to terms with the decision of the British electorate far quicker than those working on, or in favour of, the European Union. He emphasised that politicians recognise that the whole point of democracy is that the electorate must always be viewed as right and it is now the role of politicians to implement their wishes. The majority of his speech focused on the next steps following Brexit and the respective roles of three British Government departments (The Foreign and Commonwealth Office, The Department for International Trade, and the Department for Exiting the European Union) in negotiating terms with other European actors. In general, he presented a relatively optimistic picture regarding the continued role of the UK in Europe and the benefits to both the UK and the other 27 member states to maintaining favourable terms.

Before talking in more detail about issues surrounding the referendum he also made reference to the potential changes in British domestic politics that would be influenced by the appointment of the new Prime Minister Theresa May MP. In particular he referred to her early speeches regarding the intended relaxing of austerity politics, an intention to invest in structural reforms, and to impose a system of representation for workers and unions on corporate boards. He drew parallels here with the German system, suggesting that both countries were looking to overcome the problems occurring from the narrative of winners and losers of globalisation that may be responsible for a growing sense of Euroscepticism across the continent.

On the future of the United Kingdom following Brexit Sir Sebastian Wood made a number of observations. The first referred to the necessity for an increased role for the British Foreign Office in establishing a strong British voice in NATO and the Security Council to ensure that the loss of influence caused by leaving the European Union was minimised. Secondly, he spoke about the role of the International Trade Office and the need to start focussing on potential trade agreements once the United Kingdom has left the European Union. He did highlight the fact that legally trade agreements could not be agreed whilst the UK remains within the European Union as trade negotiations remain the role of the Commission. However, he did also suggest the need for informal discussions prior to exit to ensure some deals were in place to underpin the British economy.

Finally, he spoke about the third department he saw as fundamental to the post referendum political landscape, the Department for Exiting the European Union, and the two key roles he felt this department needed to fulfil. The first, he argued, was in establishing the process and sequence of negotiations. It was his opinion that once Article 50 had been triggered the two year negotiating period would be fixed as it would be unlikely that the other 27 member states would agree to an extension. He felt that as a result, some informal discussions prior to this moment would be important for the UK, as well as establishing a common understanding between the parties involved. The second key role he felt this department needed to play was in establishing the substance of a post Brexit deal; in particular, the role of the UK in justice, economics and foreign affairs. He discussed the question of justice in slightly more detail, suggesting that it is in the interests of both the UK and the European Union to maintain strong partnerships in this area, whilst also maintaining continued institutional links with regards to foreign affairs.

**Dr Peter Ptassek, Deputy Director-General for European Affairs, Auswärtiges Amt**

Dr Ptassek opened with a less optimistic reading of the current political situation. Arguing that the situation Europe found itself in following the referendum in the United Kingdom would not actually be beneficial for either the United Kingdom or the remaining 27 member states. He drew attention to the fact that Article 50 was intended to be dysfunctional in its conception and as such a two year period to disentangle the UK from the European Union was going to be challenging. He referred to German businesses, suggesting that they were shocked by the UK decision and were still hoping for a reversal, which he felt was unlikely.

He made reference to a number of the points raised by Sir Sebastian Wood in the previous speech, in particular the question of informal negotiations. He made it very clear that the German position at the current time was that there would be no informal negotiations before Article 50 was triggered. He suggested that this decision stemmed from concerns that the UK would use informal negotiations as a method of staying within the European Union whilst attempting to broker a better deal, particularly in regard to freedom of movement of people.

Following on from his discussion of the potential negotiations Dr Ptassek focused his discussion predominantly on the remaining 27 member states, suggesting that they have started to talk about the European Union in positive terms again and he is optimistic that this will lead to a recommitment of all 27 to a European project. The question of what that project

will look like, he felt, is particularly interesting, especially in terms of further integration. He suggested that in the current climate the focus needed to be on the needs and problems on which the European Union can deliver and it was important to accept that, in the current political climate, limited appetite exists for further integration.

When asked how the 27 diverse member states will come to an agreed position regarding the future relationship with the United Kingdom Dr Ptassek suggested that this would be achieved through meetings of the heads of member states, the next full meeting occurring in September. He did however suggest that a number of meetings would be taking place prior to September between smaller groups who share a particular position, such as the founding fathers. In concluding this point he talked about the repercussions of any deal with the United Kingdom for the national politics of other states. In particular he highlighted the upcoming elections in France and the Netherlands and the growing concerns about Euroscepticism in these countries. He suggested that for these countries, rather than for Germany, it was important that any deal that was offered to the United Kingdom did not put them in a better position than before they left the European Union, as doing so would encourage Eurosceptic voices elsewhere.

### **Study Group introductions**

Two members of each of the three study groups were asked to present their initial thoughts on the questions set for each group, areas for discussion that they felt would be particularly interesting, and any additional questions they felt should be at the core of the next four days discussions.

#### **Group 1- Internal**

##### **Ulrike Esther Franke and Joshua Harris**

It was clear from listening to both speakers that the key focus for this group was going to be the referendum on the United Kingdom's membership of the European Union and the necessary responses to the outcome. The speakers took different approaches to understanding this topic, particularly around the question of whether the referendum result should be binding.

Ms Franke opened by suggesting that this was not simply a referendum on the UK's position in the European Union, but rather it was a response to the negatives of globalisation that have often been forgotten by elites. She felt that a key question for the group in the coming days would be how the British Government in particular, but also the governments of the 27 other member states, could address the people in their countries who feel that they have been left behind, or disadvantaged, by globalisation.

Following her discussion of the broader questions surrounding globalisation she also raised the issue of populist politics and whether or not what we were seeing was the death of representative democracy. She saw this as a key question for the group, as well as questioning how governments could respond to the problems of populism.

Ms Franke ended her discussion with what she viewed as the key issue facing both Group 1 and the British Government: how can the referendum decision be reversed? She argued for a reversal of the decision and suggested that three possible models existed for achieving this.

The first, she suggested, was for MP's to regain control of the decision, to view the referendum as advisory only and then to vote on the question of invoking Article 50 in The House of Commons. The second option she saw for reversing the decision would be to hold a general election at which a party would stand on a pro-EU platform with the intention of gaining a mandate from the electorate to reverse the decision. Ms Franke did suggest that this would be unlikely to succeed as an approach to reversing the referendum result and thus went on to suggest a third option: a second referendum following negotiations between the United Kingdom and the remaining 27 member states to vote on the deal presented.

In contrast to Ms Franke's position regarding the potential reversal of the Brexit vote, Mr Harris suggested in his opening remarks that this would be a mistake as it would have negative effects on the electorate's trust for both politicians and representative democracy more broadly. He also suggested that free movement is likely to be a red line for the British Government's negotiations. The narrative of taking back control has spoken to a sense of powerlessness felt by the British electorate and to ignore this would further disenfranchise the electorate. Mr Harris suggested that one of the key questions for his group to focus on in the following four days would be whether the remaining 27 countries were likely to rethink the question of free movement, particularly in light of the current limits being placed on movement within the Schengen area.

A second fundamental question raised by the referendum in the United Kingdom, it was suggested, was associated with the question of representative democracy more broadly and a lack of confidence in the current system, particularly in the representatives. As a result, the question was raised as to whether there is in fact a future for a representative system within Europe. Mr Harris closed by reiterating the point of an increasing scepticism among the electorate, suggesting that this should be a central theme of Group 1's discussions as the week continued.

## **Group 2- Financial**

### **Florian Flachenecker and Michael Martins**

Similarly to the introductory talks given by Ms Franke and Mr Harris in Group 1 Mr Flachenecker and Mr Martins used their introductions to raise a number of questions that they felt would be central to their group's discussions in the coming days.

Mr Martins suggested that the ideas offered as suggested topics of discussion could be summarised in two key questions: what about the future inspires confidence? How do we overcome issues of mistrust? In making this claim he talked about trust and the future as key variables in the financial markets and suggested that the recent referendum had brought a sense of crisis to the United Kingdom which led him to feel pessimistic about the current economic situation. Much of this pessimism came, Mr Martins suggested, from the likely hesitation of both European and British investors to invest in one another because of the opportunity cost and the sense of an uncertain future combined with complicated politics.

Mr Martins suggested that it is also important for the financial group to consider the similarities between European nations more broadly, but specifically between Germany and the United Kingdom, as it is those similarities that have prompted the current focus on differences. He argued that it is often national politics that disrupts the ability of international

bodies to work effectively and that a sense of empathy and understanding is key to solving global problems. He argued that meetings such as the Young Königswinter Conference had a fundamental role to play in building understanding and collaboration between nations.

Complimenting Mr Martin's talk, Mr Flachenecker spoke about the problems facing the European Union and the need to respond to the euro crisis in the short term. He suggested that the deepening economic problems needed to be a key focus of the European powers in the coming years. In particular he highlighted the failure of the European Union to become an optimal currency area and the need to work towards a more effective currency union. He suggested that the asymmetric effects of the financial and economic crisis on the different member states suggested the failings of the currency union; particularly the depth of the crisis faced by Greece, Spain and Italy.

Following his discussion of the need for answers to the crisis he talked about two potential solutions that he felt would be important areas of debate for Group 2 in the coming days: the role of structural reforms and budget consolidation and the concept of countercyclical spending and debt mutualisation, suggesting that this could be a key area of interest for the discussions that would follow.

### **Group 3- Future of the European Union** **Ruth MacDonald and Natalya Nepomnyashcha**

Similarly to the previous two presentations Ms MacDonald and Ms Nepomnyashcha used their opening remarks to pose questions for Group 3 to focus on in the coming few days. In particular they were able to narrow the focus of the broad topic of the future of the European Union and provide a starting point for discussions.

Ms MacDonald spoke about the importance of trust in official information, and the need for governments to rebuild that sense of trust that allows the electorate to feel confident that the information they are being given is accurate. She discussed this in the context of the referendum result in the United Kingdom and the situation in which the electorate were unwilling to believe governments, academics or the IMF when they made predictions about the future economic situation following a vote to leave. She suggested that there are lessons to be learnt not only by the United Kingdom, but also for the remaining 27 member states of the European Union, resulting from the vote to leave in the UK. As such, she suggested that what these lessons are should be a key discussion point for Group 3 when debating the future of the European Union. Extending from this point, she also spoke about the need to recognise the many and not simply the few when debating economic progress within the EU. Ms Nepomnyashcha also spoke about the importance of recognising the views of those who may not have seen the benefits of European Union membership and the need to respect and listen to divergent perspectives.

Ms MacDonald went on to talk about the importance of international collaboration when facing issues such as climate change and the refugee crisis, suggesting that a lone country would be ill equipped to address these larger issues. She also highlighted the value of the Digital Market to the European Union economy, which she suggested was predicted to be up to 330 billion Euros, and the influence Brexit will have on the completion of the Digital Market.

Both Ms Nepomnyashcha and Ms MacDonald raised the question of future relationships with the European Union, be those trade relationships with the United Kingdom or with external countries such as Russia and China. Ms Nepomnyashcha, in particular, focused on the role the European Union could rightfully play in the politics of other countries. She also suggested that the divided views that exist about the European Union within member states is not simply a divide between generations, but also within generations, as those that have been positively affected by European membership feel differently to those that have seen limited benefits.

It was suggested that there are a number of options open to the members of the European Union moving forward, and that these options should be central to Group 3's discussions: firstly the European Union could accept the diversity that exists between publics, in fact viewing diversity as a positive gain; secondly the European Union needs to build a sense of solidarity between member states, this is particularly important when dealing with the economic crisis in Greece; and thirdly, the EU needs to tackle the inequalities that exist both between, and within, member states and in doing so they need to make political and business elites more approachable to the wider citizenry.

**Thursday 21<sup>st</sup> July 2016**

**Lecture with regard to the topic of Group 3**

**Almut Möller, Head of Berlin Office, European Council of Foreign Relations (ECFR)**

Ms Möller opened by suggesting that from the 1990s until as recently as 5 years ago the German narrative regarding globalisation focused very heavily on the opportunities it provided. In the last 5 years, however, that narrative has changed as it becomes harder to access the opportunities provided by a global world, and of course the security situation in Europe looks very different. She suggested that the annexation of Crimea had led to a shift in perspective of Berlin towards Russia. In particular, it raised questions about what instruments Berlin has to respond to the crumbling of global orders and increasing security issues. The European Union is viewed by Berlin as an important instrument for German decision makers to respond effectively to issues of prosperity and security. Germany has also recommitted to NATO and views it as an important tool for responding to future security threats, both nationally and internationally. She did suggest that the German media was starting to raise questions about whether the German government should go it alone in Europe, but that in Berlin there is still a strong willingness to remain within the European project and to lead it.

Ms Möller then moved on to speak about what Germany foresaw as the future direction of the European Union and what they hoped this direction should be. She spoke about the value of institutions in the European Union and the system of voting that ensures a sense of equality between nations of different size and power. She suggested that reliance on the institutions helps to overcome issues of dominance that can be a concern for Germany as they continue to be one of the strongest nations within the Union. The German approach to EU reform has also changed. In the past, Germans would focus heavily on shared values but since 2014 Chancellor Merkel has been talking in terms of concrete aims and policies which, Ms Möller suggested, is a noteworthy change of approach. Beyond this, she did also point out a key difference in how Germany and the United Kingdom approach the concept of the European

Parliament, suggesting that because the make-up of the German representatives is actually quite similar to the make-up of the Bundestag the parties are able to make greater use of the Parliament. In contrast, the UK representatives don't properly mirror the political make-up of Westminster and the links between the two are thus much weaker. Whilst Germany places far greater emphasis on the utility of European institutions, they do still see a key role for national governments working on an intergovernmental basis on some key issues such as the Eurozone crisis and associated bail outs.

From this point Ms Möller moved on to the key question of how the legitimacy of the European Union as a supranational actor could be improved, with the obvious solution here being an increase in voter turnout in parliamentary elections thus allowing voters to see that the European Union does indeed work in their interest. One example Ms Möller referred to as demonstrating the potential legitimacy was the role of German MEP's in criticising TTIP. The critique given by the Green Party MEP's then spilt over in to national politics which provided a tangible example of how MEP's can, and do, work for their constituents in the same way national politicians do. People currently feel disenfranchised by parliamentary democracy, but if they feel like their views do matter, and are represented, then they will feel empowered to play a greater role in the future.

The question of solidarity is a fundamental one in the current economic and political situation, both in terms of supporting other European states financially, and, with discussions surrounding a European army continuing, militarily. These are both key issues in Germany currently, focusing in particular on where security obligations lie and what European solidarity really means. Relations with the United States within NATO also rely heavily on Europe taking responsibility for its own defence and Germany views the maintenance of security in the EU post Brexit as a central aim currently. She also reiterated that the historical examples of the European Union vying for power against NATO are no longer an issue and the focus now is purely on using all available tools to successfully guarantee European security.

In answer to the question of whether the European Union is sustainable in the long-term, Ms Möller closed by suggesting that the German perspective was that it very much was. A strong Union, built on partnership in the spirit of European-ness will make it a lot easier to respond to the challenges of globalisation. They do recognise the need to accept certain differences and to compromise on certain points to enable collaborations to occur, and it is for this reason, she suggested, that Germany wants to find a way to work with the United Kingdom following the vote to leave. Ten years ago the aims and role of the European Union were definitely clearer to Germans; in recent times the fragility of the Union, both in terms of security and prosperity have demonstrated a need to rethink and sustain, especially surrounding discussions of the Eurozone.

### **Lecture with regard to the topic of Group 1**

**Dr Nicolai von Ondarza, Deputy Head of Research EU/Europe, Stiftung Wissenschaft und Politik**

Dr Ondarza opened by sharing a story of a meeting he had recently had with a number of German business leaders following the decision by the United Kingdom to leave the European Union. German business, he argued, had two current priorities with regards to the United

Kingdom's vote to leave: the need to reduce uncertainty as soon as possible within the German market, and the need to maintain the United Kingdom's access to the Single Market. He suggested that both of these priorities are unrealistic within the current political climate.

In framing his discussion of the European Union's response to Brexit Dr Ondarza suggested that Article 50 not only sets the legal background for leaving the European Union, it also asks a number of questions of politics and politicians. He used his lecture to set out, and respond to, three questions. The first, he suggested, focuses on when the UK should trigger Article 50. He clarified that it is the sovereign decision of each member state to trigger the leaving process and thus the remaining 27 member states cannot influence this decision. However, this does raise a further issue regarding when negotiations begin, and whether or not this can happen before Article 50 is triggered. The second question Dr Ondarza spoke about was how the remaining 27 member states deal with the United Kingdom in the 2 year negotiations period. He referred to the fact that a number of the United Kingdom's MEP's have already reported feeling like they are being side-lined from key parliamentary roles, yet at the same time they still have a right to be involved until the point that the United Kingdom officially leaves. Finally, he argued that the third key concern for politicians will be how to combine the different treaty elements when reaching an agreement between the UK and the remaining 27 member states. For example, how to combine the exit agreement with changes to the treaty that currently provides the UK with opt-outs, as well as a future agreement between the EU and the UK. In particular, a debate exists between the United Kingdom and Brussels as to whether the exit and the new relationship should be agreed simultaneously, or whether the UK should lose access to the Single Market before a new deal is agreed upon.

Dr Ondarza spoke about each of these questions in turn. In response to the first, he talked about his surprise at the lack of planning for a vote to leave, not only by the UK Government but also by the remaining 27 member states, all of whom seemed equally unprepared for this outcome from the referendum. He suggested that a key concern for Prime Minister May in the coming years would be not only how to demonstrate her own dedication to leaving the European Union but also how to keep the United Kingdom united following a vote that led to further discussions of independence referendums from Scotland. He suggested that it would be difficult to balance the goals of those aiming for Brexit with the Scottish position. As such, he argued that the United Kingdom is unlikely to trigger Article 50 until the point where it is most strategically sensible for them to do so. He suggested that he could see this taking at least a year even though Brussels are pushing for it to be sooner. He also spoke about the upcoming elections in France, the Netherlands and Austria, suggesting that the European Union will be unwilling to give the United Kingdom access to the Single Market without the guarantee of the four freedoms in a situation of increasing Euroscepticism in these countries. In contrast, however, the UK is the third largest export market for Germany so they, at least, will be looking for some form of agreement.

Speaking about the second question Dr Ondarza talked about the role of the United Kingdom's MEP's and the likelihood that they will lose key roles within the European Parliament even though formally they maintain rights as members until the United Kingdom actually leaves. He also discussed the possibility of the United Kingdom blocking certain policies in a situation where exit talks were becoming strained. He also spoke about external

partners and the fact that the negotiations between the United Kingdom and the European Union leads to uncertainty in other areas, especially in terms of trade with third countries.

In concluding his talk, and in response to the final question, Dr Ondarza suggested that he could foresee the United Kingdom's exit process taking a minimum of 5 years, with an expected three phases to any negotiation. The first being the pre-Article 50 phase, in which there are some attempts at informal discussions. The second being the two year exit process following the triggering of Article 50, potentially with some form of transition agreement in place to prevent trade relations relying purely on WTO rules. The final stage being a fully developed future relationship which, he predicts will be along the lines of a deep free trade agreement, similar in nature to CETA.

## **Friday 22<sup>nd</sup> July 2016**

### **Lecture with regard to the topic of Group 2**

**Dr Martin Heipertz, Federal Ministry of Finance**

Dr Heipertz opened with an observation that the United Kingdom and Germany have mutual interests in limiting the damage from the United Kingdom's vote to leave the European Union. Not least the 8 million jobs in the UK in the financial market, many of which rely on the Single Market and the necessary reliance on partner intelligence in guaranteeing security. He suggested that the exit process is a particularly complicated one which would require time to prepare for. He suggested that there will be much debate around the question of informal negotiations prior to the triggering of Article 50 in the sense that such negotiations would favour the United Kingdom, whilst the remaining 27 member states would probably benefit from waiting to negotiate once the two year exit period had begun.

Similarly to Dr Ondarza, Dr Heipertz foresees a situation in which the treaty for exiting the European Union will be separated from any future agreement. From a financial perspective there may also be repercussions for the European Investment Bank, as the Bank currently requires its members to also be members of the European Union. However, the United Kingdom removing its capital from the Bank will have a negative effect on investments more broadly and as such Dr Heipertz predicted this will be a key element of negotiations. He suggested that an approach of accommodation and compromise might be helpful in moving these discussions forward.

A second key financial concern in the wake of the vote to leave is the question of the European Union budget, and budget contributions by the United Kingdom to a range of different projects. The question that needs to be worked through is not simply about ending contributions, but rather how to disentangle the current contributions from individual projects. This will be a key area of the talks.

He concluded by suggesting that the remaining 27 member states would be working together to establish a collective approach to negotiations, starting with the Council meeting in Bratislava in September. He closed by suggesting that treaty change seemed unlikely.

## **Sunday 24<sup>th</sup> July 2016**

## **Study Group Presentations**

### **Group 1- Internal Issues for the European Union**

The group focused predominantly on the United Kingdom's referendum on membership of the European Union. They opened their presentation by making reference to the key disagreements that had come up throughout their discussions, admitting that, on most topics, opinion was divided. As such they decided to present their discussions to the group as a series of debates; asking which side of the debate the rest of the room came down on before talking in more detail about the discussions that had been had over the previous few days. The statements they raised for discussion were: Brexit should be stopped, the European Union had nothing to do with Brexit, the European Union should not allow the United Kingdom access to the Single Market without free movement, and the European Union is stronger without the United Kingdom. Similarly to the situation within Group 1, each of these statements met with a mixed response within the broader room, with little agreement being reached on any of the four points.

Following the introduction of each of the statements arguments were presented for both sides of the debate. The first, Brexit should be reversed, was particularly controversial within the group. It was suggested by some that Brexit could and should be reversed either by a vote in Parliament on the triggering of Article 50, a general election or a referendum on the exit deal. Some participants felt that the design of the referendum had been unsatisfactory because there was no firm alternative proposal to EU membership and that therefore the result should not be acted upon. In contrast, other participants suggested that a failure to recognise the electorate's decision would lead to even greater disillusionment with parliamentary democracy within the United Kingdom and would strengthen the position of Eurosceptics in other member states in their upcoming elections.

The debate surrounding the second statement focused on the reasons behind the United Kingdom's vote to leave. The group spoke about populist politics, a simple answer (we quit) to a complex situation (membership of the EU), dissatisfaction at levels of immigration, the EU being an easy scapegoat in domestic politics, the ability of the leave campaign to "offer something to everyone" as there was no firm proposal of what leave would look like, and the failure of the EU and national governments to acknowledge and seek to compensate the "losers" of globalisation.

In contrast, discussions surrounding the third statement placed greater emphasis on the decisions of the remaining 27 member states and the effects of offering the United Kingdom access to the Single Market without freedom of movement on elections taking place in France, the Netherlands and Austria in the coming months. It was also mentioned that the likelihood was that before triggering Article 50 the UK would want a plan for its future relationship with the EU that had broad agreement across member states. How realistic the achievement of this is in the context of the domestic policies of the other states was also raised as a key point for discussion.

Group 1 closed by discussing the fourth statement. It seemed that, regardless of a preference for a European Union with or without the United Kingdom, the majority recognised that the EU needed to have a clearer future vision. Although some of the group were pro further integration within the European Union, it was acknowledged that the political climate meant that was unlikely at the moment. Whether the European Union is ultimately about individual country interests being benefited by working together, to create more prosperity and security, or is about a greater sense of European solidarity and identity was debated. The argument was presented that the European Union may be better off without the UK, as Brexit may allow for the other member states to move towards an “ever closer union”. It may prove to be the crisis that triggers a re-evaluation of the European Union’s vision and ultimately a move towards a United States of Europe.

## **Group 2- Financial Discussions**

Group 2 focused their presentation around the question of European integration, reaching the overall conclusion that greater integration would benefit the European Union member states as a long term strategy. They opened by arguing that historically European integration had been necessary not only to overcome economic concerns, but also political. More precisely, that European integration had enabled member states to raise the living standards of their populations and avoid war.

Having discussed past successes they then went on to question the problems that exist when the European Union talks about further integration. They spoke first about the differences that exist between member states; the fact that macroeconomic business models differ between states and that culture plays a key role in a state’s identity. They then went on to discuss the need for “housekeeping”, or a continued commitment to common rules or laws, and beyond this, how the European Union could guarantee adherence to these rules, whether trust based on pledges made was enough. Finally they discussed the problem of crisis, how can the European Union control member states action in times of crisis whilst still remaining a legitimate power?

In answering these questions Group 2 spoke of three possible responses. The first being to maintain the status quo, or to “muddle through”, with the European Union largely maintaining the same levels of power and legitimacy as it currently holds. The second option they talked about involved further integration: putting greater emphasis on the alignment of aims, goals and values, whilst also reducing the reliance on national policy making. Finally, they talked about the counter position in which the European Union would move towards a model of reduced integration, loosening the ties and placing greater emphasis on intergovernmental partnerships rather than a supranational collaboration.

By way of concluding their presentation, they spoke about the solution that they as a group felt was most appropriate: to integrate more. To achieve this they suggested that greater emphasis should be placed on fostering exchange of ideas through organised exchange programs on a range of different levels: within an education environment, on a professional level, as well as for people in their retirement. They also talked about the need to pool resources as a key priority, both through the Eurozone budget but also in establishing a sustainable welfare program. The key point here was the need to foster a sense of solidarity

and support between the winners and losers of globalisation. Finally, they talked about the need to strengthen the European parliament by increasing ownership and transparency which would help to reconnect the parliament to the people it was intended to represent.

### **Group 3- The Future of the European Union**

Group 3 set themselves the task of analysing the current situation within Europe and then making concrete suggestions for change going forward. Their suggestions can be summarised as “making what we have work better”. As such, their recommendations focused around the better implementation of policy tools that already exist within the European Union and consolidation of current programmes rather than a deepening or widening of the European Union’s remit. Their presentation was separated into four themes: European values, the structure of the European Union, external relations and communication.

In opening their discussion of values, they firstly questioned whether, beyond the formal declarations in the *Acquis Communautaire*, European values really exist. If they do exist then what should be done to enforce them? Can they be imposed both internally and externally? When Europe talks about values and rights does this step beyond European borders, if so, does the closing of borders to refugees not contradict European values? Can these values be drawn up on to establish impetus moving forward? For example, to establish further integration be that through an economic, political or cultural union. In answering these questions the group suggested that they did not believe that the political climate currently supported greater political or economic union but a greater emphasis should be placed on cultural collaboration to organically build a sense of shared identity. An approach based on the sharing of film, sport, and music across different age groups and without the emphasis on politics.

Their second discussion point was around structure and the issues stemming from the perceptions of the European Union as undemocratic and failing to listen to citizens. The group suggested that, whilst they recognise that perceptions are different from reality, the key point here is how to communicate effectively how the European Union actually works. They made a number of suggestions, firstly increasing the role of national actors, giving them a right to propose legislation, seeing national parliamentarians in the European parliament, harmonizing the dates of national and supranational elections, and placing a greater emphasis on constituency accountability for MEP’s. At the European level they suggested a revised and enhanced role for the European parliament (as the only elected body), a greater responsibility given to the committee of the regions, and greater dialogue and synergy with national parliaments.

On the topic of external relations the group suggested that there should be three key areas of focus: civilian or soft power, which they felt should be the key diplomatic tool of the European Union, with a focus on leading by example. The second being military or hard power, which the group felt was not an appropriate tool for the European Union and should remain the remit of NATO. Finally they talked about the usage of economic sanctions within foreign policy, as well economic rewards. This topic, in particular, caused the greatest controversy in the group and as such limited suggestions were made in this area.

The final topic discussed by Group 3 was the issue of communication, which they suggested underpinned all of the discussions they had had in the previous four days. In particular, they spoke about the fact that most of the time when one of their members suggested a policy in one of the other areas another group member suggested that a similar policy already existed within the European Union. It was this lack of collective knowledge about the policy tools available that highlighted how limited the European Union's communication was with the citizenry. As such, they made a number of suggestions for improving communication from the European Union to the electorate. These ideas focused around raising awareness, education and youth engagement, taking the politics out of the European Union and building grassroots interests. The suggestions included: expanding Erasmus beyond university students to include professional and retirement exchanges; ensuring that projects partly funded by European funding were presented as a collaboration between local government and the EU; and the creation and development of cultural collaborations.

### **The Social Programme**

The programme of social events enabled delegates to continue discussing and debating the key topics raised by the conference in less formal settings. On the evening of the 20<sup>th</sup> July Sir Sebastian Wood kindly offered the Ambassador's residence for a lovely meal hosted by the Deputy Head of Mission Nick Pickard. On the Thursday evening The Würth Group generously hosted dinner at the stunning Würth Haus on Schwanenwerder Island. As well as an excellent meal, the delegates were treated to the music of an accordion player and a fascinating talk from Hans-Henning Horstmann talking about the current political situation within the European Union from his own perspective and experience.

Following the visit to the Federal ministry of Finance on Friday 22<sup>nd</sup> July delegates enjoyed dinner at the Brasserie Gendarmenmarkt where there was an opportunity to hear once again from Dr Ptassek and to share with him the insights of the conference so far. This was a fascinating evening of discussion and debate as the discussions between delegates and convenors were substantial and engaging. On the Saturday evening delegates had the opportunity to see a little more of Berlin with a boat trip along the river. Each of these social events provided an excellent opportunity for delegates to build hopefully lifelong friendships in the spirit of the German, British collaboration that lies at the heart of Königswinter's ethos.

### **Final comments from Sir Nigel Broomfield**

In closing the conference Sir Nigel asked delegates to join him in a vote of thanks to the Deutsch-Britische Gesellschaft and its Chairman, Hans-Henning Horstmann, who had attended throughout, for their continuing commitment to the Young Königswinter Conference. He thanked Ellen Haußdörfer and her team for organising the conference, and the Europäische Akademie Berlin for hosting. He also expressed his gratitude to the many organisations that had supported the conference.

Finally he thanked the delegates for attending, particularly the German participants for speaking English throughout the conference and helping to facilitate the amazing debates and discussions that had taken place over the 5 days. He ended with a call to all of the delegates to continue to take a part in public life, whether that was politics or some other form and to maintain and develop the relationships that had been built here in Berlin.

On behalf of the delegates, I would like to thank the organisers and guest speakers, in particular Sir Nigel Broomfield and Hans-Henning Horstmann for continuing their fantastic work in bringing together young people from Germany and the United Kingdom to build friendships and professional relationships in the spirit of German-British cooperation that the society was developed to promote.

Dr Gemma Bird  
The United Kingdom, August 2016.

