

155TH BERGEDORF ROUND TABLE

Athens, 14–16 March 2014

**EMERGING FROM
THE CRISIS.
THE FUTURE EUROPE**

KÖRBER FOUNDATION
INTERNATIONAL AFFAIRS

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Executive Summary

- The most important task for European politics is to re-build the citizens' trust in the European Union.
- In order to secure Europe's long-term economic future, structural reforms to improve its competitiveness must be undertaken immediately.
- If Europe wants to remain a relevant actor in the realm of international security, the trend of continuously shrinking defense budgets of EU member states has to be reversed.
- In the case of Ukraine, Germany must prove that it is prepared to assert foreign policy influence and demonstrate its willingness to put its short-term economic and energy interests behind long-term European interests in stability and peace in Eastern Europe.

The impact of the crisis on the Union

The participants of the Bergedorf Round Table agreed that the worst part of the crisis has been overcome. Growth rates in Europe are positive; and some states have left the euro rescue fund. However, the European elections in May 2014 will serve as an indicator for the actual state of the European Union.

Greek participants argued that the measures implemented so far to combat the debt crisis have led to an erosion of societal structures. An increasing number of citizens are falling through the social safety net and now have very few chances to earn a living. It was stated that the banks had benefitted most from the crisis, as the guarantees they now receive from nation-states make them stronger than ever.

The participants agreed that the financial crisis has led Europe to slip into a deep crisis

of confidence. They pointed out that populist positions and political parties have grown stronger throughout Europe. Consequently, the view that the European Union could eventually fail was no longer merely held by extreme Eurosceptics; it has become part of mainstream political discourse.

The participants continued by emphasizing that regaining trust was currently the most important task for European politics. However, they repeatedly stressed that the EU not only lacked trust, but also legitimacy. However, one participant countered that the legitimacy argument was regularly abused as an excuse to put off difficult political decisions.

Finally, it was underscored that European citizens must play a central role in Europe, as

“THE FINANCIAL CRISIS HAS LED EUROPE TO SLIP INTO A DEEP CRISIS OF CONFIDENCE.”

only when citizens believed their voice was being heard, would it be possible to prevent a further drifting apart of the European idea, and European reality.

The future of European institutions

A contentious debate took place about the future shape of European institutions. Greek participants argued that the impact of the crisis could only be combated by reforming the structure of the Eurozone. Others were convinced of the necessity to deepen cooperation within the EU by developing a new contractual basis, particularly for members of the Eurozone. This view was countered with the argument that doing so would only spark new divisions within Europe. The majority of the participants rejected the idea of a Eurozone treaty. In fact, a number of participants were convinced that this idea, while appealing to many in Germany, did not resonate at the European level. Moreover, the divisions in Europe were not viewed as existing between the Eurozone and non-Eurozone countries, but rather as located within the Eurozone itself. Future institutional reform, it was argued, must be acceptable to all EU member states.

The participants contended that the Eurozone still faced massive structural deficits.

As such, simply relying on enhanced coordination between member states was considered neither an efficient nor a democratic method of solving these problems. Instead, one participant argued that long-term democratic legitimacy could only be achieved through a Euro-Parliament that took national parliaments into account. This was viewed as the only way of taking binding decisions when dealing with member states of the Eurozone that violated commonly agreed upon rules with respect to debt and fiscal policy. In addition, it was suggested that mechanisms could be created as part of a European economic government to install controlled transfer mechanisms. The necessary financing for a supranational body such as this could be gained through a financial transaction tax or other forms of special levies for the entire Eurozone.

This idea was particularly criticized by political decision-makers who countered that the level of distrust of European institutions and sometimes even of national political elites was simply too strong for such changes to be implemented.

“SUMMITS ALONE WILL NOT SOLVE THE EU’S PROBLEMS – WE NEED TO STRENGTHEN THE DEMOCRATIC STRUCTURES IN THE UNION.”



The future of the European economy – between competitiveness and social justice

The participants agreed that Europe has a problem in terms of competitiveness and that this must be addressed with structural reforms. Greek participants, in particular, however, emphasized the importance of taking the social effects of any future measures into account.

One participant went as far as to suggest that competitiveness and social justice were mutually exclusive. This assumption was challenged by numerous other participants who viewed the two aspects as complementary. Social security created the space needed for investment and as such increased a country's competitiveness.

“CURRENT POLICIES ARE HAMPERING GROWTH IN COUNTRIES THAT NEED IT MOST.”

State regulation was perceived as imperative in guaranteeing a more equitable distribution of income.

Furthermore, reforms would have to be implemented at the European level, but particularly at the national level because one of the causes of the Greek debt crisis, for example, had been Greece's bloated public sector.

It was argued that if Europe was to secure economic growth, it would have to turn to new and innovative sectors and free itself from its focus on exports.

A number of participants emphasized the importance of countries such as Greece and Portugal remaining able to provide a social security system for their citizens. They also argued that problems in the field of youth unemployment in Southern Europe needed a speedy solution. Some participants called on Germany to raise salaries and encourage con-

sumer spending in order to reduce current account imbalances. They maintained that growth in the whole of Europe would not be achieved if domestic demand were to collapse due to strict austerity measures.

Leadership – who can guarantee the success of the European project?

One participant noted that it was no longer useful to speak of Europe as a “project”, as something unfinished. Europe, it was argued, had long since become reality. Despite this, it remained unclear who could take on a leadership role at the European level. He added that the German chancellor was viewed as having generally avoided this role; France's weakened economy meant that it was structurally unable to offer leadership; and Poland's head of state was viewed as not particularly enthusiastic towards Europe, and certainly not in the position to breathe new life into the institution.

Consequently, it was quite clear that there was no one waiting in the wings to take on a leadership position. At the same time, the structure of the EU was viewed as having been deliberately constructed in a manner that prevented a single state from assuming formal leadership. It was regarded as essential that Europe develop a soul and a voice.

One participant remarked that this might be best achieved through a common European president, directly elected by the citizens of Europe. Presidential candidates would be expected to organise pan-European election campaigns, which could have a unifying effect on the European Union.

However, there was clear opposition to this proposal. Critics offered the fight against the financial crisis as an impressive example of a form of collective leadership that had prevented the Eurozone from falling apart.

“TO REGAIN CONTROL OF ITS DESTINY, EUROPE NEEDS A SOUL AND VOICE.”

One participant suggested that individual leadership in Europe may now finally belong to the past. Moreover, the Balkans and the Iranian nuclear issue were said to have demonstrated that Europe as a whole was clearly capable of assuming a leadership role – even on a global scale.

Europe’s global role

According to one participant, Europe should set three strategic priorities at the international level: (1) its eastern neighborhood; (2) Turkey; and (3) the transatlantic partnership. The EU’s Eastern European neighbors were seen as strategically more important than those in the south, because Europe actually has something to offer them. Accordingly, the EU should be able to exercise more influence in Eastern Europe than in other regions. In addition, the current situation in

Ukraine demonstrated the fragile stability of the EU’s eastern neighbors.

The future of Turkey was seen as of central importance, and as constituting the greatest strategic challenge in Southern Europe. The EU’s policies towards Turkey were assessed as currently unconstructive, and as having rarely contributed to Turkish integration into Europe.

The transatlantic partnership within NATO was viewed as ultimately providing the foundation for European security. It was argued that Europe would eventually have to offer the US more in the long-term than continually declining military budgets in order to remain a significant strategic partner. This position was particularly important to participants from Eastern Europe. They argued that Europe urgently needed to invest more in its military capabilities in order to remain relevant at the global level. The development of a new Transatlantic Trade and Investment Partnership (TTIP) was viewed as representative of the resilience of the transatlantic alliance. Be that as it may, many participants doubted that the current negotiations would lead to the successful finalization of an agreement.

“IN THE LONG-TERM, EUROPE CAN ONLY REMAIN AN ATTRACTIVE AND RELEVANT STRATEGIC PARTNER FOR THE UNITED STATES IF IT IS WILLING TO INVEST MORE IN ITS OWN DEFENSE CAPABILITIES.”



In questions of international politics, many participants stressed that Europe's difficulties were less about strategic priorities, and more about the fact that Europe often lacked the will to make decisions and implement them. Europe had become known for talking a lot and for taking little to no action. One participant suggested that it was time to promise less; but when promises were made, they should be implemented with more wholeheartedness than is currently the case. Ultimately, it was in the wider European interest to maintain and further develop a rules-based international order. It was up to Europe to act when its interests were threatened.

Crisis in the Ukraine

The role of Russia dominated the question of possible strategic partnerships in European foreign policy. A heated discussion developed around the question of the use of sanctions as a means of resolving the crisis in Crimea.

Some participants underlined the current policy of sanctions as indicative of the failure of European conflict mediation. In contrast, other participants emphasized the importance of sending a clear message to Moscow that it had violated international law and that Europe would not simply stand by and watch.

The situation in Ukraine was viewed as demonstrating that the system which developed in Europe after the Cold War no longer existed. One participant pointed out that no new institutions have been created since the end of the East-West conflict. Instead, it had simply been assumed that Western institutions (the EU and NATO) would be expanded. Resistance to this process had not been expected. It was argued that Putin's actions towards Ukraine were purposely aimed at marking a change of

the game. Europe must thus be aware of Russian opposition to attempts to expand the European sphere of influence eastwards. Some participants warned against incorporating Ukraine into NATO. Doing so would send the wrong signal to Moscow, which already held Eastern Europe as its economic hostage.

Finally, many participants agreed that Germany must prove that it is prepared to assert foreign policy influence in the crisis in Ukraine and demonstrate its willingness to put its short-term economic and energy interests behind long-term European interests in stability and peace in Eastern Europe.

"IF EUROPE ACCEPTS THE RUSSIAN VIOLATION OF INTERNATIONAL LAW, IT ALSO HAS TO ACCEPT THAT IT NO LONGER PLAYS A ROLE IN INTERNATIONAL POLITICS."

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