

**Young Leaders Study Group on the Future of Europe:
The EU, the West, and the Rest**



**"The Debate Goes On: Widening vs. Deepening –
Europe between Enlargements"**

Report

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A Global Neighbourhood – Introduction

For its fourth and final conference, the Young Leaders Study Group on the Future of Europe, convened by the American Council on Germany, the Dräger Foundation and the ZEIT Foundation Ebelin und Gerd Bucerius, gathered in Brussels – in the heart of Europe, politically speaking. 18 months after their initial conference in Berlin, and pursuant to meetings in Washington, D.C., and Istanbul, the group's debate went on: "Widening vs. Deepening – Europe between Enlargements."

How much things have changed in this short period of time: The great transatlantic divide looks like a thing of the past. This is as much due to the outside challenges both the United States and the European Union are facing as to changes in leadership – changes that already took place in major European countries and that are bound to take place, one way or another, in the U.S. in January 2009. Concurrently, the EU has enlarged again, though with less of a big bang than last time. Romania and Bulgaria joined at the beginning of this year, while negotiations with Croatia and Turkey are still dragging on. Finally, the European Union managed to boil down the Constitutional Treaty of 2003 to the Reform Treaty of 2007. Technically, this is not much of a progress, and we are still awaiting referenda in some member states. Yet, for the moment, the paralysing debate is over and the Europeans, together with the Americans, can devote their energy to the problems of the rest of the world.

These problems, it seems, have not changed much: Relations with Russia have rather soured than improved; the Iranian nuclear programme is still not under control; and globalisation, the continuing rise of great powers like China, India, and Brazil, and the most recent crisis on the global financial markets have left "the West" somewhat clueless about what to do. The only thing that is clear is that all these global issues concern us too much – today and in the future – to simply blind out the thought of them.

In 2003, in the face of its biggest enlargement ever, the EU suddenly discovered its "neighbourhood" and started to devise a policy to deal with its so far little known neighbours, now ranging from Belarus over the Black Sea states to the Middle East and Northern Africa. Maybe it is about time that European and Americans together realise the "global neighbourhood" they live in – and jointly tackle the challenges arising from it?

Summarising the main threads of discussion emerging from three and a half days of debates, this report will first look at the two institutions that unite, at least on a broad front, Europeans themselves (the EU) as well as Europeans and Americans (NATO) – and to whose headquarters participants paid a visit while in Brussels. It will then analyse current issues of both geopolitics and geoeconomics, the latter referring to the regained importance of "land" in the world economy. (While one would think "land" in terms of nation states, it could refer just as well to "property" if one had the U.S. housing market in mind...) Finally, History returns and Future comes into play when providing an outlook onto the coming years.

1 Neighbours

A famous Brussels quip about NATO and the EU has it that "the two organisations inhabit the same city but live on different planets." The North Atlantic Treaty Organisation, a military alliance with the United States as by far biggest and most powerful member, and the European Union, a long-standing economic power with diverse and growing membership, have always had different missions and cultures. Yet, as George Bush could notice in 2005 during the first ever visit of a U.S. President to the EU, the two Brussels-based organisations are just a quarter of an hour apart, give or take a few minutes depending on the notorious Brussels traffic.

Most recently, NATO and the EU have come closer in political and even operational terms. Nonetheless, both organisations have their own and very institutional problems, deriving from a similar set of questions: What is our mission and where? How many new members should we take on and when? After all, the strength of an institution does not derive from being successful but from overcoming failure, as *Robert Cooper*, Director-General for External and Politico-Military Affairs at the Council of the European Union, observed. And the EU, just like the United States, has been remarkably strong on this, he found.

1.1 The European Union

As for the EU proper, two important issues are in the centre of the debate these days: The question of how far integration should continue and whether it could also take place with a smaller group of countries than all 27, and the related question of who should provide leadership for the next integration steps.

1.1.1 Continuing Integration

Heather Grabbe from the Cabinet of Enlargement Commissioner Olli Rehn thought it a fallacy to assume that one had to choose between either "deepening" (i.e. more integration) or "widening" (i.e. more members). In the past, the EU had always done both, and often it was the widening that produced the deepening: Cohesion policy started after the Greek entry, talks about the Single Market followed the accession of Spain and Portugal. The Common Foreign and Security Policy (CFSP) and Cooperation in Justice and Home Affairs (JHA) came into function after Austria and the Nordic countries joined in the mid-nineties, and now we have a Reform Treaty after the 2004 Enlargement.

On this issue, *Heather Grabbe* received some support from *Jean Pisani-Ferry*, director of Bruegel, a European think tank devoted to international economics. He called it yesterday's debate that we have long overcome. However, his conclusion was a different one: The deepening steps of the past, like the Single Market or the Euro, were created for a small and homogenous group of countries. With enlargement at 27, the EU has changed enormously and it is time to recognise voluntary participation in these and, of course, any future integration steps, he said. Applying the same economic criteria to a large and diverse group of countries, like the Euro or the Lisbon Strategy do, does no longer make sense.

Instead of aiming at technical convergence in highly specialised fields, *Pisani-Ferry* proposed to focus on what he called European public goods like energy, environment, or migration. Each of these issues begs for a definition of oneself as

well as of one's relation with the world. The aim is not to be identical on them but to be stronger together, as the EU's relevance will be defined by its ability to influence the rest of the world. A good opportunity for a redefinition of the public goods the EU should provide comes with the budget review of 2008/09, he continued. Establishing a budget is a question of self-definition; and today's budget, with a focus on entitlements (like agricultural subsidies and structural funds) rather than investments, does not reflect today's priorities.

Some of the uncertainties about the future direction, and degree of integration, of the European Union had surfaced in the debate on the Reform Treaty, in which Poland and the Czech Republic had come to be seen as "putting the brake" on. In the end, both countries agreed to the Treaty, and Poland has even had a new government since; nonetheless, the two countries received particular attention during the group's discussions, to the extent that they may also represent the mindset of the loose group of "new member states".

Janusz Reiter, former Polish Ambassador to the United States in Washington, D.C., asked participants not to expect too much from the new government, given some underlying determinants of Polish policy. The initial motives for his country to join the EU were, on the one hand, the desire to emerge from a historic and socialist backwardness and, on the other, the drive to overcome the geopolitical dilemma of having been the victim of both Russia and Germany. Upon entry into EU, Poles realised how much things had changed: They perceived member states as being more assertive than before, in particular Germany, a country that is part of the Polish domestic agenda. The question how Poland should then define its interest coincided with the Iraq conflict. The Polish decision to join the U.S. alliance was determined by its interest in Atlantic relations, while French President Chirac's infamous comment on all new member states was regarded as the quintessence of the Western approach towards the Central Eastern European countries.

In essence, two things will therefore remain the same, despite the change of government, *Reiter* said: Poland will continue to struggle to define its position in the EU, reflecting the ambitions of a country smaller than the "big Three" but bigger than the Netherlands, Hungary, or the Czech Republic. And Poland will nurse its new, fragile Atlanticism, trying to balance European and U.S. views. What, in contrast, will change? Each government should be tough on substance and soft on language, *Reiter* explained, even though the old Kaczynski government sometimes worked the other way round. The new government will be more pragmatic, seeking solutions without being easy for EU partners, but playing by the rules and with less ideological considerations.

Jiří Brodský, Deputy Director of the Political Department in the Office of the President of the Czech Republic and a Study Group participant, first reminded his colleagues of the difference between the EU and Europe. His government simply could not, as some might have suggested, put the brakes "on Europe." Furthermore, to his knowledge, it had only once put the brake on EU integration, i.e. when it supported the Polish proposal for a new voting system at the June 2007 summit. Other than that, he saw his country not as being anti-EU, but thought that prospects for the ratification of the new Treaty are good. He claimed that his countrymen had had

realistic expectations about the EU membership, neither dancing in the streets in May 2004, but nor worrying about the EU either.

At present, the Czech government is concentrating on the EU Presidency that it will take over in January 2009 for the first time. They initiated, already in early 2007, meetings of the trio presidency together with France and Sweden. As usual, most of the agenda is already set: budget negotiations, further enlargement, elections for the European Parliament, and the final Treaty ratification all fall into the six-month period when the Czechs are at the helm of the EU. In addition, *Brožský* said, his government wants to set some priorities of its own, namely to work on the realisation of the four freedoms, in particular European competitiveness; to promote a common energy policy, e.g. by building trans-European networks; and to strengthen the EU as a global partner.

If this programme looks somewhat the same as for all other EU presidencies, it underlines the fact that the EU is no longer run by national interests, one participant remarked. It also reflects the complex nature of the problems that the EU deals with, *Janusz Reiter* added. Answering this complexity with a multi-speed Europe is not a real option, he continued. At least, there is nothing to gain for Poland politically but rather a risk of being excluded. It is a favourite issue for journalists but as a concept not relevant for a country like Poland that is interested in political integration. *Jiří Brožský* disagreed by saying that a multi-speed EU is already today's reality, given the Schengen area, the Euro, and other opt-outs. It should, however, not be the EU's goal to integrate selectively. *Michael Karnitschnig*, Speech Writer for the EU Commissioner for Foreign Affairs and Neighbourhood Policy, Benita Ferrero-Waldner, however, saw these new ways of integrating not necessarily as a failure. The community method is about lawmaking, and this may not be feasible in all areas. In these cases, soft methods like the Lisbon Agenda for economic competitiveness or the Prüm Treaty for combating terrorism and cross-border crime were possible solutions that could be initiated by some member states and successively taken over by those wishing to do so, he opined.

1.1.2 Seeking Leadership

Whether in smaller circles or for the whole group of, presently, 27 member states, the question of further integration boils down to the question of leadership, both at the individual and country level. *Petra Pinzler*, Brussels correspondent of the German weekly DIE ZEIT, first asked participants about whom they thought was a leader in today's Europe. The answers – putting German chancellor Angela Merkel in the first place, followed by French President Sarkozy, former British Prime Minister Blair, and, sharing the fourth place, current UK Prime Minister Brown and Russia's Vladimir Putin – mostly listed heads of national governments. EU representatives, like Commission President Barroso, or intellectual or spiritual leaders like (former Czech President) Havel and the Pope only appeared further down the list. This was quite symptomatic, *Pinzler* argued, and it revealed a traditional concept of leadership.

In contrast, in today's Europe, leadership should be multidimensional and post-modern, she continued. A leader should be able to give intellectual input, just like the long-standing Commission President Delors. However, it was his visionary leadership

that made national governments afraid of leaving leadership to the Commission, a body that, today, is bogged down in day-to-day work providing no vision at all.

Ironically, those mentioned as European leaders appear to be quite weak at home. Merkel's grand coalition will probably drag on until the elections in 2009, and while she personally is very popular, the government is not. As for Gordon Brown, one can be sure that he would sell Europe for an election, but other than that he remains an enigma, *Pinzler* said. And President Sarkozy of France was experiencing strong headwind from strikes throughout the country just when the group met in Brussels.

Some structural deficits also remain: Brussels with its boring and somewhat authoritarian EU rhetoric is not a fertile ground for leaders, one participant said. At the same time, the cumbersome EU processes that keep the whole project going are nothing worth writing about for a journalist, *Pinzler* added. The new institutional arrangement after 2009 will at least provide the EU with two new leadership positions, an EU President and a foreign minister; however, the two will not bring a common policy by themselves but are rather another step in the process towards more common – and visible – positions, *Heather Grabbe* opined.

Others in the group were more wary of the endless talk about a "lack of leadership", which they saw as a means to circumvent political processes. Instead of thinking about big leadership, one should iron out the best compromise possible. In the end, *Pinzler* concluded, power sharing rather than decisive leadership is part of the European identity. This does not always have to be disadvantageous. As a lesson from history, Europe chose to be less emotional because rationality, other than emotions, seldom leads to war.

1.2 The North Atlantic Treaty Organisation

The one organisation that prevented a hot war by the very rational means of deterrence is NATO. While the European Union "only" has to think about what *other* tasks it should take on in addition to the undisputed aim of integrating the continent economically and politically, NATO's identity crisis goes much deeper. The demise of the Soviet Union has left the alliance bereft of an enemy and, consequently, of its initial *raison d'être*. One and a half decades later, it still has not recovered from this, despite some or the other grand strategy being put on paper. When NATO activated, for the first time ever, its Article 5 mechanism of mutual defence following the 9/11 attacks, the United States preferred to use a coalition of the willing. On substance, therefore, its basic mission is still undefined, a fact that, just as in the case of the EU, affects also the decisions about future engagements as well as enlargements.

1.2.1 An Old New Mission

Michael Rühle, Head of the Policy Planning and Speechwriting Section in NATO's Political Affairs and Security Policy Division, outlined to participants his view of NATO as a "transatlantic security community." After having missed the opportunity to develop a new strategy in the wake 9/11 and having lead a masochist debate about differences among allies instead, today's NATO is marked by a new commonality, subsequent to the painful detour through Iraq's desert. With the extremist positions discredited, both sides of the Atlantic now are more humble, which makes a reappraisal of transatlantic security cooperation possible. *Rühle* saw NATO's main

value in security coordination, assigning the alliance a catalytic function in five areas: at the intellectual, military, institutional, geopolitical, and political level.

- Intellectually, NATO is the place for new thinking about current challenges. NATO is no longer Euro-centric, as many Europeans used to perceive it, but its predominant security concerns are now outside of Europe. Today, all allies are active in Kabul, situated some five and 5.500 kilometres away from Brussels. Consequently, threat perception is defined in functional, not geographical terms.
- On the military side, NATO allies have adapted their operations planning and procurement capacities, and generated more expeditionary capabilities. While this is nothing new to the Americans, it has been a big change for continental Europeans.
- Institutionally, NATO had to learn that it is no longer, as during the Cold War, "the only kid on block". Today, many security concerns are beyond NATO's reach, when, as in Afghanistan, the success of its military mission relies on social or economic factors it cannot influence. NATO thus is dependent on the broader international community, on actors like the United Nations (UN), the World Bank, or even non-governmental organisations (NGOs). In the end, a comprehensive and interdependent approach is needed.
- In geopolitical terms, NATO increasingly cooperates with other national players, be they troop contributors like Australia and New Zealand, donors like Japan, or operational partners like Pakistan and China. It is NATO's interest to have global partners wherever on map, as long as mental maps are in sync.
- Finally, there is the political level, the "mother of all points" where partners need to see eye to eye, *Rühle* said. Due to the focus on operations, the notion of NATO as a consensus-building device had been neglected during the past years. The military power of the organisation should be complemented with a political consultative framework, where partners agree both on developing their capabilities and on how to use them.

As for the relations between the EU and NATO, *Robert Cooper* thought them to be good – with 19 common members, it would simply be impossible to have bad relations. Historically, NATO was a precondition for the creation of Union. Today, the EU wants to be a great power but not in military terms, thus not rivalling NATO on that front. At times, the appearances of the two would neatly complement the other, with the EU being the soft face of transatlantic relations, whereas NATO is its hard face. Instead of an overall rivalry at the level of goals, he perceived some rather "theological difficulties." The United States does not want NATO to have bilateral relations with the EU, while France is being difficult about its reintegration into the military structures. But he was sure that on these technical difficulties, a new deal could soon be made, maybe with new US administration.

1.2.2 Operations and Enlargement

Against the backdrop of such fundamental considerations, NATO is currently preparing for its next summit in Bucharest in the spring of 2008, *Stefanie Babst*, Deputy Assistant Secretary General for Public Diplomacy, explained. This meet is

part of a "transformation agenda" and a good opportunity to put pressure on decision-makers, both with regard to their commitment to operations and mid-term perspectives like enlargement.

At this time, there are two major operational challenges for NATO: Afghanistan and Kosovo. The main challenge in Afghanistan is to develop a politico-military vision and a comprehensive strategy of where the country should go. This is important both for the Afghan population and the electorate in NATO member states, where often a majority demands a withdrawal. However, "end state" and "exit strategy" are non-words because they would send the wrong signal to Afghans and their neighbours. One of these neighbours is Pakistan, and the country is plagued by problems similar to the ones in Afghanistan. However, allies do not yet collectively deal with this connection; it was only two years ago that cautious diplomatic ties were knit with Pakistan. This in itself was revolutionary, *Babst* revealed, and these contacts are in no way institutionalised.

With regard to Kosovo, the official NATO stance supports the troika efforts to come to an agreement based on the so-called Ahtisaari plan for supervised independence of this Serbian province. As for the repercussions of a potential unilateral status settlement, she dismissed all kinds of wild speculation about regional instability, but reassured the group that NATO had made its contingency plans. The issue of "what if" was, however, not discussed at the North Atlantic Council in order not to send the wrong signals about the expected results.

Enhancing its military capabilities rests an ongoing task for the alliance. The NATO Response Force, unfortunately, could not yet be declared operational, *Babst* announced, and for present missions allies have reached the limits to contribute forces. This notwithstanding, force generation remains a major challenge as nations often commit troops politically but then cannot follow up on their commitments, as for example in Afghanistan. Here, members should aim for longer-term commitments, not just six months or so, and put fewer caveats on the use of certain assets. While these may be understandable from the point of view of member states' governments, it clearly hampers commanders' room for manoeuvre in the field.

Finally, NATO is pondering further enlargement. Already, three countries are part of the Membership Action Plan (MAP): Albania, Croatia, and Macedonia. While progress of these three is certainly mixed, new invitations could be issued and further Action Plans drafted. One such candidate could have been Georgia, had there not been the recent events where the government cracked down on opposition demonstrations.

2 Geopolitics

Enlarging the former Cold War alliance to the borders of the former adversary – indeed taking on countries like the Baltic States, which used to be an integral part of the Soviet Union – is an element of geopolitics. For NATO, this thinking in geopolitical terms does come naturally. For the EU, however, "economic giant and political dwarf" of the past, this clearly is uncharted territory. Even so, by enlarging to

27, by engaging into peacekeeping operations outside of Europe, and by having a former superpower as a direct neighbour, the EU is forced to think more strategically.

2.1 Enlargement and the European Neighbourhood Policy

Enlargement, neighbourhood policy, and the question about the EU's (eventual) borders are all linked to the question about the EU's nature, *Michael Karnitschnig* started out his presentation. Enlargement, in general, has been a great success, not least because it has made the EU stronger also on world stage. Public opinion often mistakes the effects of globalisation for problems of enlargement, and they see the EU as a Trojan horse of, and not as a defender against reckless globalisation. This had also to do with the communication from and within member states that lie about past and future enlargements, making it difficult for the European Commission to swim against the tide, *Karnitschnig* complained.

Despite its relative unpopularity with the general EU public following the "big bang" of 2004 and the largely unnoticed accession of Romania and Bulgaria in 2007, enlargement policy goes on. Croatia and Turkey have started membership negotiations on the same day in October 2005, while Macedonia so far only enjoys candidate status but not yet membership talks. Serbia has made some progress, *Heather Grabbe* told the group, but not yet on the condition to fully cooperate with the war crimes tribunal in The Hague. All countries of former Yugoslavia plus Albania will benefit from visa facilitation measures as of January 2008, making it easier for them to travel to the EU. The only ones unfortunately exempted from this regulation are Kosovars that do not possess a Serbian passport, because the UN administration there does not have the authority to negotiate such an agreement. One more reason to overcome the status quo, she said.

The Western Balkan countries, however, are not the main concern, *Karnitschnig* explained, but the "elephant in the room" of any discussion about enlargement is Turkey. Here, he deplored that only an indirect, symbolic debate takes place rather than an open exchange of pros and cons. He agreed that Turkey is a critical platform for the entire region; however, it would be an intellectual shortcut to believe that this would give the West street credibility either with the Arabs or with its own immigrants. He put the question whether full integration, including in foreign policy, was actually in Turkey's national interest? Yet, as for the negotiations as such, there is no "plan B", no safety net of a privileged partnership, he assured. Turkey is already so strongly integrated into Euro-Atlantic structures, by a customs Union and by NATO membership, that it would be difficult to offer a second best option.

Similarly, *Heather Grabbe* propounded that it is vital to stick to the commitments made. On the side of conditions, the EU would need to explain them in more detail so that the public, in Turkey as well as in the Western Balkans, better understands what it implies. All in all, the conditions were not invented for Turkey alone but evolved over time and are necessary for a functioning Single Market and new policies such as police cooperation or energy policy. This, she admitted, makes the EU a constantly moving target, and by 2015, the EU will be different animal. The capacity of Turkey or any other country to join the Union at that time is therefore a real issue, *Karnitschnig* warned.

The EU's official position, as a result, focuses on the "3 C's", he explained: Commitments will be kept, but no new ones made; conditions should be rigorous but fair, providing ownership of the acceding countries; and communication about enlargement, both within the EU and in candidate countries, should aim to win the hearts and minds of the people. Behind this official stance, there are countries that wish to see further enlargement, including Ukraine, as *Janusz Reiter* said of Poland; and there are others, which call for a rather long pause on future accessions.

Beyond enlargement, there is the EU's Neighbourhood Policy (ENP). This framework, invented in 2003, serves as an umbrella for relations with 16 countries stretching from Belarus over Georgia to Morocco that have only two things in common: They happen to have the EU as a neighbour (and vice versa), and they do not (yet) have the prospect of EU membership. While the first point is not really debated (and there are reasons why other neighbours, such as Norway, Russia or Switzerland are not covered by this policy), the point of non-membership remains ambiguous. Some of the countries covered by the ENP, i.e. those that are European, could of course one day apply for membership based on the EU Treaty. This devalues the ENP as a second best option and leaves the EU with less leverage on these countries, *Karnitschnig* explained.

Enlargement has been an unusually powerful foreign policy tools in international relations, but it cannot influence Ukrainian or Georgian politicians because they lack the membership perspective. Thus, the Neighbourhood Policy does not have similar transformative power. In the end, the EU's demands and offers may be too much for some countries, like human rights obligations for Tunisia, and not enough for others, like Moldova or Ukraine that eventually aspire for membership.

This dilemma notwithstanding, the EU needs to be more proactive in its approach towards those countries that it wants to have in the Union, *Klaus Gretschnann*, Director-General at the Secretariat-General of the Council of the EU, demanded. In the past, the EU has never invited any country to join the club; now it should do so. He saw the EU's utility function as a determining factor, and he called for a definition of the frontiers of Europe not in geographical terms but based on common values.

Regardless of their immediate or long-term effects, other motivations for both enlargement and neighbourhood policy exist. *Michael Karnitschnig* called these policies to be in the enlightened self-interest of the EU, while *Janusz Reiter* said they symbolised a European vision of openness to the world: They were like a promise that the EU would not just defend its territory or secure its wealth, but would also engage in global problems. One way of such engagements has been, for the past five years, the EU's Security and Defence Policy (ESDP).

2.2 Security Policy

Many people tend to complain about EU inaction when it comes to international crisis management, but *Nicole Gnesotto*, former Special Advisor to the EU High Representative for foreign policy, asked them to get calendar right. It is only since 2003 that the EU has started its first crisis management, including military operations, and these have so far involved some 10.000 soldiers and police. Moreover, EU member states provide 70% of troops to NATO missions and 60% of troops to UN

operations. The EU, however, has not turned itself into a mutual defence organisation, as it is still NATO that guarantees the vital security interest of the continent.

The purpose of the EU's military activity is to deal with crises outside of its territory. Already in the short period of not even five years, it has been engaged in activities across the board: from peacekeeping in Bosnia and disarmament in Aceh/Indonesia over humanitarian operations in Congo and Chad as well as security sector reform in Georgia, Palestine, or Iraq, to police operations in Afghanistan and, soon, Kosovo. In all this, the speciality of European intervention has been that the EU is not and does not want to be a military power. It uses its military only as an *ultima ratio*; this distinguishes the Union both from some of its member states' and from U.S. policy.

Behind this approach is a concept of integrated security, *Gnesotto* continued. ESDP is but one element of a broader foreign policy, and military policy is not separated from other policies. In addition, the EU does not establish a hierarchy of threats, e.g. putting terrorism on top of the agenda, but has developed more interdependent threat perception.

Among the lessons that the EU has drawn from recent crises is the fact that complex crises cannot be solved with military means only. Instead, you need a political concept for the situation such as in Iraq, Lebanon, Iran, or Afghanistan. Moreover, you need legitimacy, i.e. both support from your own and acceptance from the other populations. The U.S., *Gnesotto* recalled, spends half a trillion dollars on its military each year, but this has not made the world safer. Due to a loss of soft power, America has also lost respect in many parts of the world, and U.S. military might has become a liability, both money-wise and image-wise. The EU, in contrast, has turned itself into a modern security actor receiving higher acceptance in many parts of the world, like the Middle East or Africa, than NATO or the United States, she concluded.

One recent example of the EU's security policy is the nuclear standoff with Iran, where the Union negotiates with Iran on behalf of the UN Security Council. The proposed package is the right one and it is important not to isolate the nuclear issue, *Gnesotto* made it clear. The tougher the negotiations the better, she said, but it should be negotiations and not military intervention. *Michael Karnitschnig*, however, feared that the recent tough talk both by France and the United States was going in opposite directions. While the former used strong rhetoric in order to prevent a military strike, the latter used it to do just that.

The question, in the end, is whether diplomatic pressure and economic sanctions would actually work. *Michael Karnitschnig* estimates that, so far, the sanctions have not worked on the Iranian population, and that more sanctions would start to hurt member states. *Robert Kagan*, Transatlantic Fellow at the German Marshall Fund of the United States and Senior Associate at the Carnegie Endowment for International Peace, reckoned that Iran is susceptible to joint EU-US pressure, assuming that China and Russia would not be of assistance. *Fraser Cameron*, Director of the EU-Russia Centre in Brussels, is more optimistic about Russian cooperation: The country has its commercial interests, but is also worried about a nuclear Southern neighbour. The question is, which package would constitute a win-win situation,

including for Russia? All agreed, even so, that a military strike is not sensible right now.

At times, however, you do need military force, *Robert Cooper* reminded the group, such as in the Darfur crisis. In effect, this case shows that the EU is still under-resourced, with no big armies around. He agreed, nonetheless, that even in the case of an atrocity such as in Sudan, the real questions are political, i.e. what comes after an intervention. A purely humanitarian (or, for that matter, military) philosophy without a political strategy is useless, he said. Everything we do is political, or has a political effect – there are no pure good things.

Thus, the political question behind international interventions is the big debate to come: Which international system do we want to build, *Nicole Gnesotto* asked. Is it a new bipolar world with an alliance of democracies against the "bad guys"? Or do we want to create a complex system of global governance, in which also the "bad guys" participate? Russia, for one, may give a different answer than Europe or the United States.

2.3 Russia

While he certainly did not envisage a "new Cold War" between Russia and the West, *Fraser Cameron* nonetheless reported on quite substantial differences of interest that the two sides are likely to face in the future. The meeting of minds in the wake of the 9/11 terror attacks is long gone. At the time, Putin pledged his support to the U.S. war on terror, for which Washington gave him a blank check for his own internal fight against terrorism. However, as *Cameron* noted, Russia feels mistreated in response for its support, not least because it expected to be treated at an equal footing with the Americans rather than being brandished for a lack of democratic credentials.

Moreover, Vladimir Putin has been something of a lucky president, *Fraser Cameron* continued. When he came into office, the oil price stood at 22 US-dollars per barrel. Today, it is nearly 100 dollars. This external support allows Putin to portray himself as a tsar-like figure. This may have helped him to enter the top five of the participants' leaders list, even though he is the most divisive of the leaders named, *Petra Pinzler* said. Yet, while we may share interests with Russia, we do not share the same values, she posited.

The issues that will remain tricky for both Europeans and Americans have thus both a substantial and a symbolic component. With regard to issues like Kosovo, Russians complain about being disregarded; consequently, even though they may not have a real interest in the Balkans, they are happy to use their opposition as a spoke in the West's wheel. On missile defence, they feel stepped over, as there was no consultation on the American side before the plans were made public.

The Eastward expansion of NATO, still, is seen by many Russians as a betrayal after Cold War. Likewise, Russia is unhappy about the EU's neighbourhood policy, *Michael Karnitschnig* reported. So, the somewhat idealistic setup of ENP meets Moscow power play in a clash of political philosophies. Based on zero-sum thinking, they see this policy as part of a post-Cold War land grab. *Robert Kagan* even spotted a geopolitical fault line in the European neighbourhood, or what Russia calls its 'near abroad'.

The Western Perspective on Russia looks, of course, much different. They see a country sliding into authoritarianism, with an ongoing centralisation of power and an anti-Western, nationalist rhetoric. Moreover, the Western press seems to be generally hostile to Russia, i.e. more than it ought to be. But even today's Russia can be seen as a stabilising factor in international relations: It has an interest in non-nuclear Iran, it still cooperates on the Balkans Contact group, and it has been cooperative on the Kyoto negotiations.

Fraser Cameron expects to see a continuing influence of Putin on the country, with or without holding office. As for the long-term perspective, he does not envisage any fundamental political or systemic change until 2020. The EU in its reaction should nevertheless not give up on values (after all, Russia is also a member of the Council of Europe), but rethink, for example, its way of tackling energy issues. This may be a very tricky one, as the different EU energy companies make it already difficult internally to speak with one voice.

However, a priority should be to prevent Russia from dividing the EU. In the past, this had often been the case when the EU was left prey to sovereign Russia playing 'pick and choose', as *Robert Kagan* analysed. In a way, post-modern Europe is not ready for a clash with modern Russia, due to its structural weakness to confront a military state. Yet, the fact that German Chancellor Merkel stood up to Putin in Samara has already changed tone, *Cameron* noted. Together with the United States, the EU should therefore work on building a geopolitical partnership that is also in Russia's interest.

3 Geoeconomics

In addition to geopolitics, thinking in terms of geoeconomics is new to many decision-makers in Europe and, potentially, the United States too. While during the past decade or so, buzzwords like IT revolution, business networks, e-commerce, and the knowledge economy filled the pages of journals all around; today, geography is back on the economic stage. Many factors account for this, from the rise of commodity prices to the importance of the emerging economies in Asia and Latin America. This new thinking has serious repercussions for the debate, and the necessary political and business decisions on both sides of the Atlantic.

3.1 The Global Economy

Jørgen Mortensen, Associate Senior Research Fellow at the Centre for European Policy Studies, started out his presentation by highlighting the importance of people populating certain countries or regions. He predicted a population increase at the global level from 6.5 billion in the year 2005 to 8.9 billion in the year 2050. This increase, however, would be distributed very unevenly; namely, the EU-27 will decline by 4% over the same time span, shrinking from 490 to some 470 million inhabitants. This will lead to a European employment challenge, *Klaus Gretschmann* predicted, with an influx of labour from the emerging markets.

Population in "larger Europe", as *Mortensen* termed it, or the area of what used to be the Roman Empire, will increase by 20% but this rise will take place in the Middle East and Northern Africa. Interestingly, countries like Turkey and Russia will achieve

similar levels of population, Turkey by growing from 75 to 100 million, Russia by shrinking from 130 to around 100 million inhabitants. (Just don't assume Russians migrating to Turkey, at least not in these numbers...) In addition to this, Europe is faced with the problem of an ageing population, where even immigration cannot help solving the ensuing fiscal problems because immigrants rapidly adapt to the new way of life. Ironically, even China, the current powerhouse of global economic growth, will face this long-term problem of both a declining and ageing population, not least due to the one-child policy still being in force, *Klaus Gretschnann* added.

At present, however, China is a major focus of the world economy. Its trade volume, the continuously high growth rate, and the foreign currency reserves that it holds all make it a serious player – despite the fact that its gross domestic product is only slightly bigger than, for example, Italy's, as *Gretschnann* tellingly noted. Per capita income of the country is remarkably low, and one could even witness a backflow of business from China to Europe.

This sobering picture notwithstanding, *Simon Fraser*, Head of Cabinet to the EU Commissioner for Trade, reported on the difficulties that the EU has in formulating its policy towards the rising giant. Not only is it difficult to find an integrated approach because different policy issues like climate, trade, or consumer safety are all interlinked, but also because especially big member states continue to pursue national policies. He called China the biggest single test of EU unity – a test that the Union has not yet passed.

Fraser went on to propose that the EU should work to extend the global regulatory framework, as trade negotiations were less and less about tariffs and more about mutual recognition and the harmonisation of standards. This is particularly true for the transatlantic market, where a 1% increase of trade makes much more of a difference than achieving a 10% rise elsewhere. Calling the EU standards important globally, especially for the emerging markets, he acknowledged that the transatlantic partners also compete in exporting their respective standards. In this context, *Jean Pisani-Ferry* warned of "regulatory imperialism" and appealed to the joint responsibility of both Europe and the United States to set rules for sophisticated trade, something he called a "Bretton-Woods II".

At a broader level, the two Western trading powers are also called upon to address the imbalances resulting from globalisation. *Peter Mandelson*, the EU Commissioner for Trade, said that it was important to reflect on and take seriously citizens' claims of perceived powerlessness. Given the present economic malaise, people would not take for granted anymore the justification for economic liberalisation. While looking back, the EU simply appears as a huge economic success, being the strongest cornerstone of the multilateral system. Yet, the EU would have to be responsive and make an argument. It therefore comes as a moral imperative, his colleague *Simon Fraser* added, to address the downsides of globalisation and to create an economically and socially equitable globalisation. This should not be done for purely altruistic reasons, but in the interest of global stability and less extremism. Using trade for development as a basic imperative provides the EU with the political means to create a more stable world, he concluded.

3.2 Europe's Economy

Jean Pisani-Ferry from Bruegel gave a counterintuitive report on the degree of European and global economic integration. In 1957, when the European Economic Community was created and the process of integration started, the inclusion of India and China into the world economy was at a low-point. This did not, of course, spark economic integration in Europe, but it signals the difference to today's world where we see global integration proceed at a faster speed than the one within EU. Despite two decades of the Internal Market, the European economies are still very national and exports remain a very concentrated activity. Consequently, the defining moment of the EU should be its ability to interact with the world rather than its ability to isolate or differentiate itself from other markets, he said.

This chimed well with *Peter Mandelson's* plea for a more outward orientation of the Union. For the past 50 years, he recalled, we have been focusing on ourselves, creating great things such as the Single Market and a Common Currency on the way. Nonetheless, during the next 50 years, we would have to look at the changing landscape in the rest of world. Euro-Atlantic dominance had come to an end, and facing other powers of continental size, such as the U.S., China, or Russia, the EU needs to use its combined continental strength too.

In order to be strong internally, member states still need to enhance their competitiveness, *Jean Pisani-Ferry* announced. The so-called 'Lisbon process' of economic reform has already provided member states with inspiration, benchmarks, and best practices. This has helped them to learn from similar countries like Scandinavia rather than trying to imitate the U.S. model. And while structural reforms are essential in all member states, they may be different from country to country. The Lisbon agenda, he recapitulated, had never been meant to create 150 precise, individual measures, but was thought of as a framework to instil a certain reform spirit and to provide a toolkit for governments.

Naturally, *Mandelson* and *Fraser* saw the pooling of sovereignty, as is the case in the area of trade policy, as a recipe for success. With the sole right of initiative at the EU level, the combined strength of the 27-member-strong bloc could be applied more easily than in, say, foreign policy. However, the focus is on trade only, and trade is about opening up rather than attaching hard links with, for example, labour standards, *Fraser* continued. Yet, as it is impossible to ignore these issues politically, the EU has adopted an incentive-based rather than a penalising approach, i.e. giving better conditions to those countries that apply certain labour or environmental standards. Some such standards had at first been included in the Doha trade negotiation round, *Jean Pisani-Ferry* reported, but this ended in a complete failure, as they were perceived, by developing countries, as just another means of market protection.

The link between energy and environmental policy, however, also creates internal frictions. With regard to the security of supply, *Klaus Gretschmann* called for a diversification of European stocks, not only for political reasons – there is still no EU agreement on how to respond to its dependence on Russian gas and oil – but also for practical reasons – Russia oversells by handing out more contracts than it has in reserves. He conceded that, as part of this diversification, nuclear energy proved to

be a divisive issue, with a revival of nuclear in the world and in some parts of Europe and a phasing out of it in other countries.

With regard to energy efficiency and the use of renewables, he presented the EU's "3 times 20" objectives: In the spring, EU leaders committed themselves to reach, by the year 2020, a 20% decrease of CO₂ emissions, a 20% increase in the use of renewable energy, and a 20% increase of energy efficiency. This could not be achieved by the existing emissions trading scheme alone. Instead, a future EU Energy policy would need to "unbundle" the providers, i.e. break their monopolies, and change the rules of subsidisation – all rather hot potatoes, but necessary measures in a world that is redefined by geoeconomics.

4 Back to the future

"The debate will go on", so much is safe to say. But in which direction will it go: inward or outward, deepening or widening? And, much more importantly, which way will politics go? The Study Group was fortunate enough to discuss with two eminent thinkers from both sides of the Atlantic who, at the time of the great 2003 divide, sparked an intellectual debate about where Europe and America should stand on global issues. It is no coincidence that their thoughts stand at the end of this report, summarising much of what could be regarded as conclusions of the workshop.

4.1 The Return of History

Robert Kagan, who famously coined the phrase of the United States living on Mars while Europe being from Venus, predicted the end of the "end of history", as Francis Fukuyama notoriously called the perceived triumph of liberal-democratic capitalism back in the early 1990s. At that time, people thought that the time of ideological clashes was over, and that the end of the Soviet Union had also meant the end of great power conflict. Geopolitics was believed to have been replaced by geoeconomics, with the "international community" as the main doctrine, commerce as the softening, peace-making element in international relations, and the idea that liberal economics produce liberal politics.

To an extent, this is still the dominant thinking of today, though according to *Kagan* the 1990s were not the beginning of a new law in human history but a temporary pause before an old new trend has set back in: the battle of governance. This is not exactly an ideological competition; instead, the Cold War was rather the exception to the rule of a century-old struggle between liberalism and autocracy. This phenomenon is what he had in mind when he spoke about the "return of history", with no Marxist connotations intended, as one participant pointedly remarked.

Interestingly, this trend was visible already during the 1990s, at a time when China and India were not yet great powers but when attitudes in China and Russia already turned against U.S. dominance. Since then, great power nationalism and competition have been back on the rise. We are presently witnessing the battle of two concepts of how societies are organised.

At the bottom line, according to *Robert Kagan*, there are differences of fundamental values between the West and the rest. Issue after issue, he reported, the UN

Security Council saw two autocracies pitted against three democracies among its five permanent members. In the end, this has narrowed the transatlantic value gap even though views in the U.S. and the EU have not changed much. Threat perception is still not the same on the two sides of the Atlantic, but in the current environment these differences will diminish.

Kagan's recipe for response was, nonetheless, based on economics. Both capitalist countries and countries like China and Russia, will want to make money with one another. However, instead of giving up conditionality too easy, the West should link its economic and political relations. Above all, Western governments should demand free and fair elections, because this may be the only way to change an autocratic regime. Even if this may sometimes be reduced to symbolism, this would be important too just like the Helsinki summit was an important, though symbolic turning point during the Cold War.

4.2 The Year 2020

Robert Cooper started from a different angle, having been asked to talk about the EU'S ambitions for the year 2020. At the outset, he confessed that deliberations about the future are often very boring because, due to a lack of imagination, they always sound like the present. Thus, he recommended reading science fiction, as these authors make better predictions than political scientists. The past, it seems, is more interesting and full of surprises: What happened in the past two decades, from the 1989 revolutions to the re-emergence of China, was predicted by no one.

Fighting against this inner predicament, *Cooper* foresaw, as a general trend, the grip of the nation as the sole framework for our lives disappear, maybe not for the Chinese and Iranians but for most Europeans, at least. The world will no longer be run by white men from Europe or America, with the former victims of imperialism, like India and China, now being great powers themselves. U.S. domination would continue to decrease, though he thought the country's loss of popularity to be more striking than its loss of influence. Yet, from a European point of view, the American partner remains indispensable, and the EU has an interest in both maintaining and restraining US power. Consequently, the EU ought to make itself more effective, capable, and closer to the United States, in order to have such moderating influence.

Robert Cooper envisaged dramatic improvements in Africa where growth rates today are already at 6-7% per year and with some success story in smaller countries like Rwanda, while the big neighbours tend to be troublemakers. However, one should not underestimate the positive trends and, above all, the people's ability to make their lives. While growth would continue also in many parts of Asia, including most notably in China, India, and Indonesia, he also expected something extraordinary to happen in China over the next thirteen years. This might be violent or evolutionary, but so far the Chinese leadership had shown intelligence in handling change.

Finally, and in line with the conference's topic, he predicted that the EU would have more member states, rather from new entrants than from member states splitting up. Indeed, he proposed a poll tax for states to serve as a penalty when breaking up, plus a bonus for states getting back together. Ukraine will eventually join the EU before Turkey, while Switzerland will experience a negative referendum on EU

membership. As for deepening, the EU would have a common energy policy but not an internal market for insurance; no European army but at least an EU military headquarter.

If in 2020 someone were to look back on our times, the EU would be remembered for its enlargement, the largest geopolitical act ever. For this, credit belongs to European and American leaders alike.