

Maintaining European Unity – Takeaways from Körber Foundation's Bergedorf Round Table

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Core Facts

Since 1961 eminent international politicians and experts have met at the Bergedorf Round Table to discuss fundamental questions pertaining to German and European foreign and security policy in small and intimate groups. Lead by its chairman, former German Federal President Dr. Richard von Weizsäcker, the Round Table provides foreign policy decision-makers with a forum for a frank exchange of views. Today, the Bergedorf Round Table focuses on the future of Europe and the perspectives of German and European foreign policy in Asia and the Middle East. The 152nd Bergedorf Round Table Maintaining European Unity took place in Krakow, 22 – 24 March 2013. Among the participants¹ were foreign policy decision-makers such as Staatsminister Michael Georg Link, MdB, Włodzimierz Cimoszewicz, Chairman, Foreign Affairs Committee, Senate of Poland and fmr. Prime Minister of Poland, Ruprecht Polenz, MdB, Chairman, Committee on Foreign Affairs, German Bundestag, Norbert Röttgen, MdB, and selected experts such as Robin Niblett, Director, Chatham House and Hélène Rey, Professor of Economics, London Business School.

The discussion focused on the prospects of European unity against the background of the recent financial crisis. The participants debated potential scenarios to overcome the current economic turmoil and manage the future of the euro zone.

1 We have to face the facts

At the 152nd Bergedorf Round Table in Krakow the participants agreed that it is of utmost importance to discuss the current state of the European project in a frank and honest manner. On an institutional level the integration process is accelerating. However, in political terms the nation-state is clearly staging a comeback. There was general agreement that the widening gap between these trends can be bridged only if the European Union (EU) is willing to introduce additional structural reforms. The economic difficulties have clearly made a social and political impact, especially in southern Europe, and have reshaped the environment in which political parties have to operate. There is widespread support for populist ideas. And the Italian elections have shown the EU that it needs to confront the growing social conflicts.

Some of the participants believed that Europe's basic problem is a lack of empathy. In the long run this could have a

more profound impact than any deficit in state budgets. As they focus on the technical aspects of (euro) crisis management, the EU heads of state and government have failed to explain what they are actually trying to do. On the one hand EU governments are moving at a rapid rate, and on the other the electorates can hardly catch up. It was pointed out that the quest for a political union had been supplanted by the creation of the monetary union. The effects of this compromise have now come back to haunt the members of the euro zone. The democratic deficit is obvious. Some of the high-ranking participants actually believed that there was a need for an honest debate about the possible disintegration of the EU and the collapse of post-nation-state Europe. Although they were not in favour of disintegration, many of the participants were of the opinion that we are up against a system that was constructed for a different age, and that it is necessary to move beyond the idea that "more Europe" would ultimately solve all of our problems.

2 Weathering the Crisis

Some of the participants were of the opinion that the EU has been associated with negative power ever since the economic turmoil hit Europe. The measures that have been adopted have not restored trust in the European banking sector. EU crisis management is certainly not on track. It was pointed out that some of the decision-making simply does not make sense in economic terms. The latest example of this is the idea of including small savers in the Cyprus bailout deal.

There was a hot debate about the "German approach" to crisis management which is currently grabbing the headlines and, on account of its insistence on austerity, inciting angry protests throughout Europe. It was pointed out that in economic terms the idea of focusing on austerity in the member states is not going to lead to increased prosperity in the EU as a whole, since the system is based on consumption and balancing the interests of importing and exporting nations. Being true that there was a need for stable budgets and a reduction in long-term debt, the goal could also be achieved by concentrating on spending in the short term. There is no such thing as a one-size-fits-all solution. In the states hit by the crisis there is a need for individually tailored policies. However, it became apparent that there was currently no viable alternative to the German approach, and this led some of the participants to say that, even if its efficacy was debatable, Germany at least had a strategy. Participants from some of the Eastern European

1 A detailed list of participants of the Round Table is available online at www.koerber-stiftung.de.

states that had to go through a phase of economic reconstruction before joining the EU were of the opinion that in the long term hard work reaps rewards in economic terms, and emphasized that there is a feeling of optimism in Eastern Europe and the Baltic republics. This has a lot to do with the fact that the EU is now fraught with expectations while the actual focus should be on the national level. They believed that dealing with people's expectations has to be done at home.

The lack of specific alternatives to the German approach to managing the crisis has had significant repercussions on how the Germans have discussed the issue. The German government has tried to limit the debate by excluding certain policy options and by asserting that there was "no alternative" to the course of action that it has decided to pursue. Although Germany is by and large the only country in the euro zone which has in the short run actually benefited from the crisis, the German electorate feels that it is being treated unfairly when it is asked to foot the bill for the excesses of the governments in southern Europe. It rejects the notion of shared responsibility. Several participants were of the opinion that this discourse had to be changed. From a southern European point of view Germany suffers from a lack of empathy, and has failed to display the kind of solidarity that is needed in order to weather this economic crisis.

The debate considered two possible scenarios. (1) The euro is stabilized with the help of the mechanisms currently in use and an approach that is both technocratic and problem-oriented. (2) The national governments refuse to adhere to the strict rules drawn up by the European authorities. The first scenario will lead to a situation where the process is no longer in the hands of domestic policymakers, and this will make the democratic deficit even more apparent. The latter will reduce the efficacy of the crisis management mechanisms and may well lead to even greater economic turmoil.

In southern Europe proposals for a new deal have now emerged. There was general agreement that some of the member states are going to have to introduce far-reaching structural and fiscal reforms in order to obtain new loans. Concurrently the entire EU will have to make a real effort to promote long-term growth. Countries such as Germany will have to adopt unpopular measures, e.g. the liberalization of the services sector. In the long run Germany has a vested interest in a flourishing European neighbourhood on account of its export-driven economy. However, such a deal could also make it imperative to issue Eurobonds and to impose European supervisory control over the banking system within the single currency area.

On several occasions the Nordic model with its predilection for Social Democracy and its emphasis on the welfare state, the redistribution of wealth, and the maximization of the work force, especially as a result of gender equality, was mentioned as a possible and potentially beneficial model for the entire EU.

3 Managing the euro zone

The future of the euro zone project was regarded with some scepticism. In economic terms the banking union is clearly a key element when it comes to stabilizing the European economy. However, in order to be effective the supervisory mechanisms need to have some bite.

On top of this some of the participants pointed out that the employment market needs to be included in the equation. Tax havens like Cyprus should no longer be tolerated. Several participants believed that European employment contracts could be used to tackle youth unemployment; others thought that solutions for the societal challenges within the euro zone existed only on a supranational level.

In spite of these proposals, the discussion clearly did not cling to the notion that we need "more Europe". It came out in favour of a different kind of Europe, and sometimes emphasized that "less Europe" could actually be more.

Thus no member state should be forced to engage in enhanced cooperation. One of the participants thought that it was a mistake to oblige new member states to join the euro zone. There was no agreement when it came to the effect of greater euro zone integration on EU cohesion. Some of the participants believed that a more integrated euro zone would ultimately create a new political entity, whereas others were convinced that the euro zone project did not pose a threat to the EU at large.

However, there was general agreement that political leadership and a comprehensible roadmap of what the European project is hoping to achieve are necessary in order to maintain European unity.

As a result of the various types of differentiated integration, there continues to be a risk of increasing complexity on the EU level. Some of the participants thought that EU citizens were quite right to say they do not know who does what in Europe. The level of confusion is already rather high. For this reason it would be wrong to set up sub-chambers within the European Parliament and introduce new voting mechanisms designed to cater to the euro zone.

It has become apparent that the euro zone has lost a lot of its appeal. The electorate in Poland was not convinced that it would be a good idea to join the euro zone. Such views are partly due to the economic facts. Thus countries such as Poland, Estonia and Latvia should actually be praised if they are willing to join the euro zone, since it means they will have to shoulder the greater responsibilities that come from being on the donor side.

4 Britain's European Future

David Cameron has pinned his hopes of re-election on a referendum about Britain's future in the European Union. This adds a new twist to the "British Way" within the EU, and it prompted a British participant to map out two potential scenarios.

He made the point that the public debate about the referendum might eventually encourage Britain to redefine its relationship with the EU. British citizens are tired of being forced to participate in things that they do not want, and this process could focus some of that energy on issues that are of actual importance to the United Kingdom and the EU as a whole.

There is plenty of potential in reforming the single market and repatriating certain competencies to the national level. Moreover, Britain will certainly be supported by other EU member states which are not particularly interested in an ever closer Union, but certainly want an effective European market which will help to increase the prosperity of all the Europeans. At the same time a more mature relationship with the EU would make it possible for Britain to play a much more constructive role in the development of the EU's foreign and security policy profile, and this would give the EU greater credibility when it comes to issues with international ramifications.

At the same time the referendum (or the process leading up to it) could also be the beginning of the end of Britain's membership of the EU. What has been described as the "Tea Party phenomenon" has been going on in the UK for some time, and this leaves little room for compromise. Although so far the Labour Party has resisted calls for a referendum, the political momentum could make it change its mind. The current British debate is more a matter of tactics than of strategy, and to a significant extent it is about domestic politics. Even if Britain were to receive some of the concessions on the EU level that it is asking for, it is doubtful whether the Conservative Party could back out of the referendum after the elections. As the 2005 referendum in France demonstrates, the electorate's involvement in European issues can unleash forces that are wholly unpredictable, and they may well encourage Britain to withdraw from the EU.

There was general agreement among the participants that this would be the least desirable outcome. The advantages of EU membership as far as Britain is concerned are especially apparent in the area of foreign policy. If it left the EU framework, the United Kingdom's international influence would decline, and it would soon be no more than a junior partner of the United States.

5 Winning the Hearts and Minds in Eastern Europe

The Cyprus debacle has demonstrated with great clarity that the euro crisis is far from being over. As it tackles the issues of enlargement and the prospects of its Eastern neighbourhood, the European Union is having to face up to the fact that the introspective stance adopted in the recent past has not helped it to win the hearts and minds of its partners in eastern Europe. More needs to be done in this area, especially since Europe seems much less attractive than it used to be. Some participants believed that states such as Moldova and Ukraine still needed to be given the feeling that EU membership is a distinct possibility.

Others pointed out that the EU's eastern neighbourhood continues to be very diverse. Authoritarian habits were still an

integral part of its societies. Furthermore, Russia was trying to exploit the EU's weakness in order to improve its image in the region.

There was no agreement on whether or not Ukraine would eventually become a member of the European Union. Some of the participants thought that the Europeans should no longer cling to the idea that democracy is gaining the upper hand in the post-Soviet world, especially since the opposite is the case, and we are faced with a situation where there is a noticeable resurgence of authoritarian structures. Other participants were convinced that a loss in momentum with regard to the integration of Eastern Europe could have a negative effect on the Ukrainian electorate, which is actually pro-European. The EU needs to focus on what it has to offer in the region.

The participants also discussed the role that is being played by Russia. Some of them were of the opinion that it is currently motivated by a return to geostrategic thinking, growing nationalism, and a great deal of anti-Western rhetoric. As far as Europe is concerned, Putin's re-election has reduced the chances that Russia will develop into a strategic partner. When it comes to Eastern Europe, the Russian approach to Moldova can be seen as a test case of whether or not it is willing to play a constructive role in the European neighbourhood.

6 South of the Border: Engaging Turkey and North Africa

Europe has vested interests in its southern neighbourhood. They range from natural resources to migration, terrorism, the security of Israel, modernization and the rule of law.

Some of the participants pointed out that there is not a great deal of resemblance between drastic changes that took place in post-Soviet eastern Europe, where the EU was a credible partner who was able to provide assistance and held out the prospect of EU membership, and the situation in the Arab Spring countries. Here Europe can play only a supportive role. However, the revolutionaries in North Africa are clearly striving for prosperity, freedom and dignity.

The EU can assist them by providing educational support and opening up its markets, by instituting a dialogue among the various new actors which have emerged on the political stage, and by supporting the promotion of human rights as set forth in the Arab Charter on Human Rights that has been adopted by the Arab League.

However, some of the participants pointed out that the tools available to the EU are dysfunctional. The Barcelona Process cannot deal with the new realities. It is much too bureaucratic and has done little to tackle issues such as terrorism which are of great importance to European security. At the same time it was a moot point whether the EU's southern member states were ready to accept market liberalization in crucial economic areas such as textiles or agriculture. There are limits to Europe's transformative power, and limits to its willingness to unfold its potential in this area.

The participants finally discussed Turkey's relations with the EU. There was no agreement about whether or not it was

desirable to maintain an accession perspective. Some were of the opinion that Turkey has not made a great deal of headway with regard to improving the state of human and social rights within its borders. And some did not agree that Turkey has become more liberal. Others were of the opinion that it is clearly in the EU's strategic interests to encourage Turkey to take an interest in the European Union. The prospect of Turkish membership will recede as the on-going integration of the euro zone continues. And Turkey's eagerness to join the EU seems to be on the wane. Some of the participants wanted to know whether the EU is prepared to face the moment of truth when Turkey actually turns its back on Europe.



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The Governance Report 2013: Focusing on Challenges in Financial and Fiscal Governance

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Key message

How do we make sense of “governance” in a fast-changing and complex world? What are the main components of good governance? What governance innovations are taking place? And how can we measure governance capacity, performance and outcomes? In *The Governance Report 2013*, experts assembled by the Hertie School of Governance (Berlin, Germany) offer an analysis of what governance means today and what implications might be drawn by and for policy makers. Focusing in part on challenges in financial and fiscal governance, particularly at the global and European levels, the Report highlights the trade-offs governance actors face in responding to crises and in putting in place policies and institutions that avoid such crises in the first place.

1 Introduction

How do we make sense of “governance” in a fast-changing and complex world? What are the main issues and components of, and for, good governance? What governance innovations are taking place and what is their impact on policy? And how can we measure governance capacity, performance and outcomes?

The Hertie School of Governance in Berlin, Germany has brought together an interdisciplinary team of experts to explore these and other governance questions. The results of this exploration are presented in various formats, e.g., a compact book addressed mainly to policy makers and advisors summarizing the key findings, an edited volume with more in-depth treatment of specific issues geared toward the more

scholarly audience, and a website (www.governancereport.org) including additional materials and data beyond what is formally published, which analysts and advisors will find useful.

The first product of this endeavour, “The Governance Report 2013”, published by Oxford University Press, offers an analysis of what governance means in the current context of changing conditions and what implications might be drawn by and for policy makers. In doing so, the Report recognizes that we live in a world of diverse policy priorities based on different normative foundations that lend themselves to different interpretations of concepts such as democracy, human rights, justice and equity. Recognizing such differences, the Governance Report explores which policy thinking and rationales as well as organizational arrangements have emerged in response to today's changing realities; which seem to hold promise; and what lessons can be drawn that could help particular actor groups realize their policy goals. In this sense, it can be a valuable resource for policy makers, policy influencers, and those who advise them.

2 Governance and Interdependence

The early 21st century has entered a period of profound uncertainty; many demands are being put on existing governance systems, and new approaches are being tested. The deepening interdependencies among countries and other actors involved in governance have opened up many opportunities but they also involve risk; they invite competition as well as cooperation—and not only among states but also among business corporations, public agencies, and civil society institutions. As recent crises have amply demonstrated, risks and opportuni-