

2008/#2

OCCASIONAL PAPER

“The Debate Goes On: Widening vs. Deepening – Europe between Enlargements”

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

November 13-18, 2007
Brussels

Rapporteur: Cornelius Adebahr, Political Consultant, Berlin

A GLOBAL NEIGHBORHOOD – INTRODUCTION

For its fourth and final conference, the **Young Leaders Study Group on the Future of Europe: The EU, the West, and the Rest**, organized and hosted by the American Council on Germany, the Dräger Foundation, and the Ebelin and Gerd Bucerius ZEIT Foundation, convened in Brussels – in the heart of Europe, politically speaking. Over a two-year period, the Study Group brought together a group of roughly 40 young professionals from the United States, eastern and western Europe, and Turkey who have diverse political views and professional backgrounds. The group included individuals from business, government, academia, and the military, as well as from the media and NGO communities.

Eighteen months after their initial conference in April 2005 in Berlin, and additional meetings in Washington, D.C., and Turkey (with sessions in both Ankara and Istanbul), the group's discussion in Brussels focused on Europe's perennial debate: "Widening vs. Deepening – Europe between Enlargements."

In this relatively short period of time since the first meeting, some key elements had changed: The great transatlantic divide looked 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 will take place, one way or another, in the United States in January 2009. Concurrently, the EU has enlarged again, though with less of a "big bang" than the jump from 15 to 25 member states in 2004. Romania and Bulgaria joined in early 2007, while negotiations with Croatia and Turkey are still ongoing. Finally, the European Union managed to boil down the Constitutional Treaty of 2003 to a Reform Treaty of 2007. Technically, this is not much in the way of progress, and ratification by the member states is still pending. Yet, for the moment, the paralyzing 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: The Iranian nuclear program remains a contentious issue; relations with Russia have soured rather than improved; and globalization, 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" in a quandary over what to do. The only thing that is clear is that these global issues are too disconcerting – today and in the future – to be ignored.

In 2003, in the face of its biggest enlargement ever, the EU suddenly discovered its "neighborhood" and started to devise a policy to deal with its so far little-known neighbors, now ranging from Belarus to the Black Sea states to the Middle East and Northern Africa. Europeans and Americans increasingly recognize the "global neighborhood" they live in – and are perhaps more apt to jointly tackle the challenges arising from it.

Summarizing the main topics and issues emerging from three and a half days of discussion and debate, 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. Study Group participants paid a visit to the headquarters of both in the course of the conference. It will then analyze current geopolitical and geo-economic issues, the latter referring to the regained importance of "land" in the world economy. (While one would think of land in terms of nations, it could refer just as well to property if one had the U.S. housing market in mind.) Finally, the context of history came into play as the Study Group considered outlooks for the coming years.

I NEIGHBORS

A famous Brussels quip about NATO and the EU is that "the two organizations inhabit the same city but live on different planets." The North Atlantic Treaty Organization, a military alliance with the United States by far the biggest and most powerful member, and the European Union, a longstanding economic power with diverse and growing membership, have always had different missions and cultures. Yet, they both call Brussels home.

Most recently, NATO and the EU have come closer in political and even operational terms. Nonetheless, both organizations 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 observed by

Robert Cooper, Director-General for External and Politico-Military Affairs at the Council of the European Union. And the EU, just like the United States, has been remarkably strong in withstanding obstacles.

1.1 THE EUROPEAN UNION

As for the EU proper, two important issues are at the center of the debate these days: The question of how deep integration should be 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 stages of integration.

1.1.1 CONTINUING INTEGRATION

Heather Grabbe from the Cabinet of Enlargement Commissioner Olli Rehn believes it is a fallacy to assume that one has to choose between either “deepening” (i.e., more integration) or “widening” (i.e., more members). In the past, the EU has always done both. Furthermore, she argued, 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-1990s; and now we have a Reform Treaty after the 2004 enlargement.

On this issue, Ms. Grabbe’s assessment was echoed by **Jean Pisani-Ferry**, Director of Bruegel, a European think tank devoted to international economics. He called it “yesterday’s debate,” which we have long since 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 to 27, the EU has changed enormously and it is time to recognize 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, as the euro or the Lisbon Strategy do, no longer makes sense.

Instead of aiming at technical convergence in highly specialized fields, Mr. Pisani-Ferry proposed to focus on what he called European public goods like energy, the environment, or migration. Each of these issues begs for its own definition as well as its own relationship to the world. The aim is not to be identical on the issues but to be stronger together. The EU’s relevance, for example, 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. 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 surfaced in the debate over the Reform Treaty, in which Poland and the Czech Republic were perceived as willfully slowing the process – or even obstructing it. In the end, both countries agreed to the Treaty. Poland has since seen a change in government. Nonetheless, the two countries received particular attention during the Study 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., and previously Polish Ambassador to Germany, warned participants not to expect too much from the new Polish 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 the EU, Poles realized 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 of 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 in government, Ambassador 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, he said, even though the old Kaczynski government sometimes worked the other way around. The new government will be more pragmatic, seeking solutions without necessarily being easy 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. The Czech government simply could not, as some might have suggested, “put the brakes on Europe.” Furthermore, to his knowledge, it had only once willingly slowed the EU integration process: when it supported the Polish proposal for a new voting system at the June 2007 Summit. Other than that, he did not see his country as anti-EU, and he felt that the new Treaty has good prospects for ratification. He said his countrymen had had realistic expectations about EU membership, neither dancing in the streets in May 2004 nor worrying about the EU.

At present, the Czech government is concentrating on the EU presidency that it will take over in January 2009 for the first time. In early 2007, they initiated early meetings of the trio presidency together with France and Sweden. As usual, most of the items on the agenda for the presidency are 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, Mr. Brodský said, the Czech government wants to set some priorities of its own, namely to work on the realization 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 program 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, Ambassador Reiter added. Answering this complexity with a multi-speed Europe is not a real option, he continued. Poland would have nothing to gain politically but rather would risk being excluded. It is a favorite issue for journalists but as a concept is not relevant for a country like Poland that is interested in political integration. Mr. Brodský disagreed, saying that a multi-speed EU is already today’s reality, given the Schengen area, the euro, and other opt-outs. It should not, however, be the EU’s goal to integrate selectively.

Michael Karnitschnig, Speech Writer for the EU Commissioner for Foreign Affairs and Neighborhood Policy, Benita Ferrero-Waldner, 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 up by those wishing to do so, he said.

1.1.2 SEEKING LEADERSHIP

Whether in smaller circles or for the current 27 member states, further integration boils down to a question of leadership, both at the national and supra-national levels. **Petra Pinzler**, Brussels correspondent of the German weekly *DIE ZEIT*, first asked participants to individually rank their top leaders in Europe today. The answers – putting German Chancellor Angela Merkel in first place, followed by French President Nicolas Sarkozy, former British Prime Minister Tony Blair, and, sharing fourth place, current UK Prime Minister Gordon Brown and Russia’s Vladimir Putin – mostly listed heads of national governments. EU representatives, like Commission President José Manuel Barroso, or intellectual or spiritual leaders like (former Czech President) Václav Havel and the Pope appeared only further down the list. Ms. Pinzler argued that this 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 longstanding Commission President Delors. However,

it was his visionary leadership that made national governments afraid of leaving leadership to the Commission – a body that she felt is now bogged down in day-to-day work and provides no vision at all.

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

Some structural deficits also remain: Brussels with its dull and somewhat authoritarian EU rhetoric is not 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, Ms. 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 toward more common – and visible – positions, Heather Grabbe said.

Others in the group were more wary of the continual 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, Ms. Pinzler concluded, power sharing rather than decisive leadership is part of the European identity. This does not always have to be a disadvantage. Learning its lesson from history, Europe has chosen to be less emotional, because rationality, rather than emotions, seldom leads to war.

1.2 THE NORTH ATLANTIC TREATY ORGANIZATION

The one organization that prevented a (hot) war by the very rational means of deterrence is NATO. While the European Union has to think “only” 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 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 of the other grand strategy being put onto paper. When NATO activated, for the first time ever, its Article V mechanism of mutual defense following the 9/11 terrorist attacks, the United States preferred to use a coalition of the willing. On substance, therefore, its basic mission is still undefined – a fact that, as in the case of the EU, affects 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 of 9/11 and having led a masochistic 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.

Mr. Rühle saw NATO's main value in security coordination, assigning the alliance a role as a catalyst in five areas: at the intellectual, military, institutional, geopolitical, and political levels.

- Intellectually, NATO is the place for new thinking about current challenges. NATO is no longer Eurocentric, 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 5,500 kilometers 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 the block.” Today, many security concerns are beyond NATO’s reach, since, 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, the World Bank, or even nongovernmental organizations. 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 the physical map, as long as objectives are in sync.
- Finally, there is the political level, the “mother of all points,” where partners need to see eye to eye, Mr. Rühle said. Due to the focus on operations, the notion of NATO as a consensus-building device had been neglected in past years. The military power of the organization 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 be inconceivable to have bad relations. Historically, NATO was a precondition for the creation of the Union. Today, the EU wants to be a great power but not in military terms, thereby not rivaling NATO on that front. At times, the appearances of the two would neatly complement the other, with the EU as the soft face of transatlantic relations and NATO as its hard face. Instead of an overall rivalry at the level of goals, he perceived some “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 these technical difficulties could be resolved with a new deal, maybe with the new U.S. 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, said **Stefanie Babst**, Deputy Assistant Secretary General for Public Diplomacy. This meeting 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 on 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” should not be operative terms, because they would send the wrong signal to Afghans and their neighbors. One of these neighbors 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, Ms. Babst said, and these contacts are in no way institutionalized.

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 speculation about regional instability and reassured the group that NATO had made contingency plans.

Enhancing its military capabilities remains an ongoing task for the alliance. The NATO Response Force unfortunately could not yet be declared operational, Ms. Babst said, and allies have reached their limits on force contributions for current missions. This notwithstanding, force generation remains a major challenge, as nations often commit troops politically but then cannot follow up on their commitments, as 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 on the ground.

Finally, NATO is pondering further enlargement. Three countries are already part of the Membership Action Plan (MAP): Albania, Croatia, and Macedonia. While the progress of these three is certainly mixed, new invitations could be issued and further Action Plans drafted. One such candidate for membership could have been Georgia, were it not for recent government crackdowns on opposition demonstrations.

2 GEOPOLITICS

Enlarging the former Cold War alliance to the borders of the former adversary – indeed taking in countries like the Baltic states, which used to be part of the Soviet Union – is an element of geopolitics. For NATO, this thinking in geopolitical terms comes naturally. For the EU, however, this is uncharted territory. Even so, by enlarging to 27 member states, by undertaking peacekeeping operations outside of Europe, and by having a former superpower as a direct neighbor, the EU is forced to think more globally and more strategically.

2.1 ENLARGEMENT AND THE EUROPEAN NEIGHBORHOOD POLICY

Enlargement, neighborhood policy, and the question about the EU's (eventual) borders are all linked to questions about the EU's nature, Michael Karnitschnig said. Enlargement in general has been a great success, not least because it has made the EU stronger on the world stage. Public opinion often mistakes the effects of globalization for problems of enlargement, and they see the EU as a Trojan horse of, and not as a defender against, reckless globalization. This also had to do with how each member state presented enlargement to its people.

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 continues. Croatia and Turkey started membership negotiations on the same day in October 2005, while Macedonia so far enjoys only 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 the 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 who 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 are not the main concern, Mr. Karnitschnig said. The “elephant in the room” in any discussion about enlargement is Turkey. Only an indirect, symbolic debate takes place rather than an open exchange of pros and cons, in his view. 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 asked whether full integration, including in foreign policy, was actually in Turkey's national interest. In terms of the negotiations as such, he said there is no “Plan B,” no safety net of a privileged partnership. 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 argued that it is vital to stick to the commitments made. As for 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 a different animal. The capacity of Turkey or any other country to join the Union at that time is therefore a real issue, Mr. Karnitschnig said.

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 a sense of ownership and commitment to 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 Poland, which Janusz Reiter said would like to see Ukraine on board. Others call for a rather long pause before future accessions.

Beyond enlargement, there is the EU's Neighborhood Policy (ENP). This framework serves as an umbrella for relations with 16 countries, stretching from Belarus to Georgia to Morocco, that have only two things in common: They happen to have the EU as a neighbor (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 neighbors, 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 in these countries, Mr. Karnitschnig said.

Enlargement has been an unusually powerful foreign policy tool in international relations, but it cannot influence Ukrainian or Georgian politicians, because they currently lack the perspective of prospective membership. Thus, the Neighborhood 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 to membership.

This dilemma notwithstanding, the EU needs to be more proactive in its approach toward those countries it wants to have in the Union, said **Klaus Gretschmann**, Director-General at the Secretariat-General of the Council of the EU. In the past, the EU has never invited any country to join the club; now it should do so. He saw the benefit to the EU 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 neighborhood policy exist. Michael Karnitschnig viewed these policies as in the enlightened self-interest of the EU, while Janusz Reiter said they symbolize 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 form these engagements have taken, for the past five years, is the EU's Security and Defense 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 consider some dates. It was only in 2003 that the EU launched crisis management activities outside of Europe, including military operations, and these have so far involved some 10,000 soldiers and police. Moreover, EU member states provide 70 percent of troops to NATO missions and 60 percent of troops to UN operations. The EU, however, has not turned itself into a mutual defense organization, 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 this 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, to humanitarian operations in Congo and Chad and from security-sector reform in Georgia, Palestine, and Iraq to police operations in Afghanistan and, soon, Kosovo. In all this, the specialty 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 the United States' policy.

Behind this approach is a concept of integrated security, Ms. 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 a 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 alone. Instead, a political concept is necessary for situations such as in Iraq, Lebanon, Iran,

or Afghanistan. Moreover, legitimacy – both support from one’s own and acceptance from the other populations – is a prerequisite. Ms. Gnesotto reminded the group that the United States spends half a trillion dollars on its military each year, but she said 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, Ms. Gnesotto said. 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 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 imply just that.

The question, in the end, is whether diplomatic pressure and economic sanctions would actually work. Mr. Karnitschnig believed 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-U.S. pressure, assuming that China and Russia would not be of assistance. **Fraser Cameron**, Director of the EU-Russia Center in Brussels, is more optimistic about Russian cooperation: The country has strong commercial interests, but is also worried about a nuclear southern neighbor. The question is, which package would constitute a win-win situation, including for Russia? All agreed that a military strike is not sensible right now.

At times military force is necessary, Robert Cooper reminded the group. He cited the Darfur crisis as an example. In effect, this case shows that the EU is still under-resourced, with no big armies. He agreed, nonetheless, that even in the case of atrocities 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. As Nicole Gnesotto asked, what kind of international system do we want to build? 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 the “bad guys” also 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 attacks is long gone. At the time, Vladimir 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 Mr. Cameron noted, Russia feels mistreated in response for its support, not least because it expected to be treated on an equal footing with the Americans rather than being brandished for a lack of democratic credentials.

Moreover, Putin has been something of a lucky President, Mr. Cameron continued. When he came into office, the oil price stood at \$22 per barrel. Today, it is nearly \$100. 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 said.

The issues that will remain tricky for both Europeans and Americans have substantial and symbolic components. With regard to issues like Kosovo, Russians complain about being disregarded. On missile

defense, 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 the Cold War. Likewise, Russia is unhappy about the EU's Neighborhood Policy, Michael Karnitschnig said. So, the somewhat idealistic setup of ENP meets Moscow's power play in a clash of political philosophies. Based on zero-sum thinking, the Russians see this policy as part of a post-Cold War land grab. Robert Kagan even spotted a geopolitical fault line in the European neighborhood, 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 centralization of power and an anti-Western, nationalist rhetoric. Moreover, the Western press seems to be generally hostile to Russia – perhaps more than it ought to be. But, even today's Russia can be seen as a stabilizing factor in international relations: It has an interest in a 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 Putin's continued influence on the country, regardless of which office he holds. 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 very tricky, as the different EU energy companies already make it difficult internally to speak with one voice.

However, it should be a priority to prevent Russia from dividing the EU. In the past, this had often been the case, with the EU falling prey to sovereign Russia playing "pick and choose," as Robert Kagan said. 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 the 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 GEO-ECONOMICS

In addition to geopolitics, thinking in terms of geo-economics 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, geography is now back on the economic stage. Many factors account for this, from the rise of commodity prices to the importance of 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, will be distributed very unevenly; namely, the EU-27 will decline by 4 percent over the same timespan, shrinking from 490 million to some 470 million inhabitants. This will lead to a European employment challenge, Klaus Gretschmann predicted, with an influx of labor from the emerging markets.

Population in "larger Europe," as Mr. Mortensen termed it – or the area that used to be the Roman Empire – will increase by 20 percent, 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 million to 100 million, Russia by shrinking from 130 million to around 100 million inhabitants. In addition to this, Europe is faced with the problem of an aging population. Ironically, even China, the current powerhouse of global economic growth, will face this long-term problem of both a declining and aging population, not least due to the one-child policy still being in force, Mr. Gretschmann added.

At present, however, China is a major focus of the world economy. Its trade volume, the continually 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 Mr. Gretschnann noted. Per capita income in 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.

Mr. Fraser went on to propose that the EU work to extend the global regulatory framework, as trade negotiations are less and less about tariffs and more about mutual recognition and the harmonization of standards. This is particularly true for the transatlantic market, where a 1 percent increase in trade makes much more of a difference than achieving a 10 percent rise elsewhere. Calling the EU standards important globally, especially for 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 globalization. Peter Mandelson, the EU Commissioner for Trade, said it is important to reflect on and take seriously citizens' claims of perceived powerlessness. Given the current economic malaise, people will no longer take for granted the justification for economic liberalization. It therefore comes as a moral imperative, his colleague Simon Fraser added, to address the downsides of globalization and to create an economically and socially equitable globalization. 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 said.

3.2 EUROPE'S ECONOMY

Jean Pisani-Ferry of 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 in the world economy was at a low point. This did not, of course, spark economic integration in Europe. But it demonstrates the contrast to today's world, where global integration proceeds at a faster speed than the one within the 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 dovetailed with Peter Mandelson's plea for a more outward orientation of the Union. For the past 50 years, he said, we have been focusing on ourselves, creating great things such as the Single Market and a common currency along the way. Nonetheless, during the next 50 years, we have to look at the changing landscape in the rest of world. Euro-Atlantic dominance has come to an end, and the EU needs to use its combined continental strength when facing other powers of continental size, such as the United States, China, or Russia.

In order to be strong internally, member states still need to enhance their competitiveness, Mr. Pisani-Ferry said. 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 said, had never been meant to create 150 precise, individual measures, but was thought of as a framework to instill a certain reform spirit and to provide a tool kit for governments.

Naturally, Messrs. 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 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, labor standards, Mr. Fraser continued. Yet, as it is impossible to ignore these issues politically, the EU has adopted an incentive-based rather than a penalizing approach – i.e., giving better conditions to those countries that apply certain labor or environmental standards. Some such standards had at first been included in the Doha trade negotiation round, Mr. Pisani-Ferry said, but this ended in 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 friction. 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 power in some parts of Europe and beyond vs. a phaseout 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 percent decrease of CO₂ emissions, a 20 percent increase in the use of renewable energy, and a 20 percent increase in 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, break their monopolies, and change the rules of subsidization – all rather hot potatoes but necessary measures in a world that is redefined by geo-economics.

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, more importantly, which way will politics go? The Study Group was fortunate enough to have separate sessions 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. Their thoughts summarize much of what could be regarded as conclusions of the conference.

4.1 THE RETURN OF HISTORY

Robert Kagan, who famously coined the phrase that the United States is from Mars while Europe is from Venus, predicted the end of the "end of history" (as Francis Fukuyama called the perceived triumph of liberal-democratic capitalism back in the early 1990s). At that time, people thought that the period 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 geo-economics, with the "international community" as the main doctrine; commerce as the softening, peacemaking element in international relations; and the idea that liberal economics produces liberal politics.

To an extent, this is still the dominant thinking of today – though Kagan felt that the 1990s were not the beginning of a new law in human history but rather a temporary pause before an old new trend set back in: the battle of governance. This is not exactly an ideological competition; instead, the Cold War was 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 generally perceived as aspiring great powers but when attitudes in China and Russia had already turned against U.S. dominance. Since then, great-power nationalism and competition have been back on the rise. We are currently witnessing the battle of two concepts of how societies are organized.

The bottom line, according to Mr. Kagan, is that there are differences in the fundamental values between the West and "the rest." Issue after issue, he said, 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 United States 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.

Mr. Kagan's recommended response is, nonetheless, based on economics. Both capitalist countries and countries like China and Russia want to make money with one another. Instead of giving up conditionality too easily, 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 as 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 said that deliberations about the future often sound like the present due to a lack of imagination. The past seems 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.

Despite this, Mr. Cooper predicted that the nation would no longer serve as the overarching framework for our lives – for most Europeans at least, if not for the Chinese and Iranians. The world will no longer be run by white men from Europe or America, now that the former victims of imperialism, like India and China, are great powers themselves. U.S. domination will continue to decrease, though he found 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 U.S. power. Consequently, the EU ought to make itself more effective, capable, and closer to the United States, in order to have this moderating influence.

Mr. Cooper envisaged dramatic improvements in Africa, where growth rates today are already at 6-7 percent per year. There have been success stories in smaller countries like Rwanda, while the big neighbors have been troublemakers. However, one should not underestimate the positive trends and, above all, people's ability to make their own lives and livelihoods. While growth will continue 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 13 years. This extraordinary event could come in the form of something violent or evolutionary. So far, the Chinese leadership has shown intelligence in handling change.

Finally, and in line with the conference's topic, he predicted that the EU would have more member states, resulting from new entrants rather 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 that get back together. In his view, Ukraine will eventually join the EU, before Turkey, while Switzerland will experience a negative referendum on EU membership. As for deepening, the EU will have a common energy policy but not an internal market for insurance, and no European army but at least EU military headquarters.

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.

