



REGIONAL ENVIRONMENTAL CENTER



E3G

## **'Europe in the World' Roundtable**

### **Summary of Discussions**

**An E3G Thinking Event**

**23 May 2006 at the Regional Environmental Center, Budapest**

#### **About the event**

The 'Europe in The World' roundtable was convened by E3G in association with the Regional Environmental Center and the support of the Italian Ministry for Environment and Territory. The aim of the event was to undertake some critical shared thinking on whether Europe can become a pathfinder for the global transition to sustainable development. A particular focus of discussion was the nature of the economic challenge facing Europe over the coming decades.

The roundtable formed part of a series of events being undertaken by E3G to contribute to the development of a political pamphlet that will offer a new, outward-looking prospect for the European project, through which the EU can live up to its potential and shape the future of our globalised world.

This discussion took place under the Chatham House Rule<sup>1</sup>. This summary is not a minute of the meeting but instead offers a flavour of the discussions.

#### **Overview**

The discussions at the roundtable revealed a shared sense that:

- There is a clear need for a rejuvenated European project that can gather member states and citizens around a sense of common identity that confers legitimacy to Europe as an actor. Only then will Europe be able to lead by example on the global stage in ways that promote security and prosperity for all and which safeguard Europe's values.
- Europe's lack of confidence in its economic situation is sapping its ability to act. The Lisbon Agenda discourse of competitiveness is misleading as to Europe's economic strengths. Europe has a window of opportunity to shape global interdependence, for example in its relations with China.

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<sup>1</sup> Chatham House London - When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.



- The task of making such a shift is fundamentally a political one, yet one that will not be able to happen through the conventional political party system. A new platform where the political choices Europeans want can be offered is still to be identified

## **Session 1: "Europe's new vocation – Europe as a pathfinder for the global transition to sustainable development"**

**The provocation: "The European idea is a powerful weapon of mass construction – we just have to learn how to use it".**

The European project has lived up to its founding aims by providing peace and prosperity to a region ravaged by wars, rivalry, instability and economic disorder. It has had a prolonged impact in shaping the form of Eastern Europe since 1989. However, over the past 20-30 years globalisation has gradually but dramatically changed the rules of the game and the context within which Europe operates. Indeed, external forces are increasingly shaping Europe's landscape. We are now united in a single global community with interdependent destinies and reciprocal impacts.

In the face of such circumstances, the conditions for Europe's present and future peace and prosperity are no longer rooted within its geographical boundaries. Europe's ability to deliver these outcomes is now dependent on its confidence and competence in looking and acting externally.

Climate Change shows us clearly the interconnectedness of the globalised world. No single nation or region can address it on its own. Nor can the issue be seriously tackled without acknowledging its linkage with global energy systems. Climate security and energy security are two sides of the same coin. A shared European view of the global energy system is therefore needed.

Yet, at the same time as an external focus is required, the internal European debate has become ever more inward-looking and focussed on uncertainty. There is no clear sense of the choices that need to be offered to European citizens about how we shape our common future. The so called 'crisis' in Europe is not so much a consequence of the failure of the constitution referenda in France and the Netherlands, or the dispute around the budget, but instead can be seen as an underlying crisis of the European project.

It is now time to shift the focus of the European project outwards rather than inwards and to a proactive mode rather than the current reactive approach. Europe must regain confidence, and display leadership, to reformulate a vision of the world it wants to live in.



The tired democracies of Western Europe think they are not in a good position to deliver on this at the moment. What might be the role of the 'new' member states?

### **The need for a consistent European policy:**

The European 'malaise' is expressed in relation to the external world. China illustrates the contradiction occupying European minds. While there is a growing fear towards China in terms of our jobs being 'stolen' and a subsequent political reflex of protection, opportunities for European influence are also opening up:

- Unsustainable trends of development are threatening China's stability and Chinese leaders are showing increasing willingness to have forward thinking conversations with Europe – for example on the subjects of energy and climate change.
- In China there is anticipation about Europe and the role we can play in shaping the global system. Chinese officials recognise that they need European support at a time in which the Chinese footprint on the world economy is growing faster than has ever occurred previously.
- Europe has the benefit of experience in respect to the great decisions it took for itself in the twentieth century: soft power and universalism rather than hard power and exceptionalism. China is experimenting with both approaches at the moment, being a soft power in international relations and acting as a hard power when it comes to the scramble for global resources. China has not yet decided which side to choose – Europe should work to strengthen the hand of those in China pursuing a soft power approach.

The current dysfunctional European political engagement with China of competitive and opportunistic member states turns out to be self-defeating. It is in Europe's interests to have a strategic and proactive approach that seeks to invest in the stability of China and take it on the path to sustainable development. This European dysfunction is a signal of the condition of Europe itself rather than a failure of Europe's 'China Policy' alone.

### **Europe's assets**

In trying to develop a coherent sense of purpose for Europe in the world, Europe's capacity to be a leader for sustainable development must be considered. Europe has many assets that are undervalued: institutional capital, functioning social welfare systems, and its economic position as the world's largest market. It is in a better situation to manage the demographic shift to a stabilising population than other regions will be when they have to face it.



Europe needs to learn how to use these assets wisely. For our own sake alone, without European action to protect and extend the rules of multilateralism, we will be much worse off in a likely future world characterised by competition between new great powers. Europe cannot compete in a world like that, nor would it want to do so.

At the heart of this panorama, we are surely talking about a political exercise rather than a piece of policy analysis. These issues encompass key touch points of emotion, vision and identity. They speak to the shared value compass of the majority of Europeans: universalism, multilateralism and the rule of law. Europe knows more than it thinks about interdependence and needs to take these lessons onto the global stage.

This core consensus provides a starting point for the presentation of choices about Europe's future. A key barrier to this is however the fact that political parties are no longer in a position to deliver credible propositions. This is at the heart of the political crisis for Europe.

**Key points raised:**

- Sustainable development can only be achieved if questions of democracy in the broader sense are addressed in the first place. We need more direct democratic mechanisms, parallel to party democracy and modern methods can be used for this. It is most notably young and educated people who show interest in participating in political life by other means than voting once every four or five years. Europe must lead the way on this.
- The collapse of modern party-politics is obvious, firstly when looking at the dramatically falling rates of party membership as well as the recurring very low electoral turnouts. This crisis is so acute that in the UK there is even a debate nowadays as to whether public money should go into funding the parties, which poses a problem of legitimacy if you consider that the public isn't necessarily offered the political choices it wants in return.
- Our conditions are shaped by the external factors of globalisation. For example, Italy's energy and climate security, as a net energy importer, is very linked to its international environment. As a consequence, the Russo-Ukrainian crisis over gas had a direct impact in Italy.
- China can be seen through different angles. On one hand it offers possibilities to cooperate over environment and technology but on the other hand, concerns linked to unfair competition remain. A clear opportunity, however, is to engage on developing a low-carbon economy.



- Regarding energy issues, other regions have their say. Latin American policies for example, with recent developments in Bolivia and Venezuela where national fossil fuels reserves are being confiscated from foreign multinational groups and renationalised, can have a consequence on the global energy market and hence on the European one.
- The number of initiatives dealing with renewing the European project (e.g. Renaissance Europe) illustrates the need for such a quest.
- The focus on competitiveness that animates the Lisbon agenda, which is at the forefront of any internal debate of the Union, is not the most important in the context of sustainable development.
- The dialogue between countries at global level happens in competitive terms. How can we get away from competing blocks and aggressive attitudes for the EU to be seen by others as a pathfinder that they would decide to follow?
- Can Europe claim success in today's globalised world? Is peace and prosperity enough? It is right that we need not just to renew but to rejuvenate Europe. The mentality is not right for change today as it implies undermining the social model and privileges enjoyed by Europeans.
- Politicians are not grown up to lead in Europe. There is a clear lack of leadership and self-criticism. The latter point relates to the double standards in play in the field of energy and economic nationalism. Europe needs a vision to get people on board, which include businesses as well.
- Europe has been a success in providing prosperity and security. It now needs to rejuvenate to meet the coming challenges. It was too slow in tackling the strategic challenge posed by the Balkans but has shown with enlargement how it can be a force for stability.

## **Session 2: "Redefining Competitiveness – a vision for Europe's economy in a sustainable world"**

### **The provocation: "Why are we so gloomy? – Europe is the region best placed to adapt to changed conditions"**

Prosperity has always been the foundation of political stability. Europe has many misplaced fears about its ability to maintain its prosperity, and this is resulting in a politically debilitating lack of confidence. However, without this confidence Europe will be unable to play the leadership role necessary to secure the global conditions for its future prosperity and security.



Europe does face four key economic challenges: high levels of long term unemployment in some countries; greater global economic competition and faster change; an aging and stabilising population; and tightening environmental and resource constraints.

Of these unemployment receives the most publicity, but is probably the easiest to address and does affect a limited number of European countries. There are no structural impediments to job creation in Europe. The political failure to make labour markets work properly can be explained by a variety of fears. Firstly there is a worry that, in the context of globalisation, change would mean becoming USA-like. Then, the fear to take risks and to make unpopular political offer appears strong in Europe. Finally, member states believe they can overcome economic challenges through retreating back into the myth of the protectionist golden age.

But in this world the core founding insight of the EU becomes globally relevant: while companies may compete, countries are interdependent. Europe's history shows how crude economic nationalism leads to conflict, and Europe is ill fitted to prosper in a world of competing "great powers". Europe will have to act as a pathfinder for achieving cooperative global sustainable development. Europe has the economic weight to shape global conditions over the next two decades; if it chooses to take a lead.

All other major countries face similar structural stresses, even the US and China will have rapidly aging populations in the next 15 years. But the stabilisation of global population at 8-10 billion is a positive development, as environmental limits have already been breached with only 6 billion people and high levels of global poverty. Europe benefits by being one of the first to stabilise its population, as its ability to trade and invest with fast growing economies like China and India increases incomes and eases the pension burden.

Europe should be more confident in its record of providing prosperity and stability, and its strong assets for delivering them into the future. The single market is deepening and driving up efficiency, supported by EU regulations which have become the global standard in emerging economies. Europe's growing network of major cities is the main source of new jobs and wealth creation, and leads the world in global economic integration. Europe is a pioneer in innovative approaches to the "public purpose" economy; such as the European Emissions Trading system. Europe leads all major economic powers in generating political support for investment in the public goods which underpin the economy: in healthcare; in pensions; in social security; in education; in tackling climate change and preventing poverty and instability outside the EU.

Europe also outperforms other countries in ensuring economic growth actually leads to increased well-being, equity and social mobility. In contrast, the US and most emerging



economies are struggling to generate necessary investment in social security, healthcare, pensions and modern, efficient infrastructure.

But the process of European economic reform has failed to construct an offer based on these European assets and values, and so lacks public support. Too often reform is presented as if Europe needs to become a pale imitation of the US or China. A credible offer which could build public confidence would: as total GDP growth slows redefine economic success in terms of well-being; reconstruct the social bargain around strong positive incentives for women, older workers, young people and immigrants to work; and use the Lisbon agenda to drive radical increases in resource efficiency across Europe.

A new approach must also resolve the growing intergenerational tensions inside Europe. Younger people shoulder the fiscal burden of an aging society, but have less economic security and face high environmental and energy costs. The new politics of Europe needs to generate intergenerational cooperation to share fairly the cost of higher public investment in pensions, healthcare, resource efficient infrastructure and in tackling climate change. This could be achieved by providing fiscal incentives for young entrepreneurs and redefining retirement age.

Europe cannot secure its prosperity just by focusing internally, but must help create the global conditions for prosperity and stability. At the heart of this must lie a more strategic EU approach to building global economic rules, and one which is not subordinated to short term trade negotiations. Economic interdependence also means that the EU must help create the conditions for others to manage common challenges. Global economic and political disruption has increasingly large impacts on the EU; as recent energy shocks have shown. Europe cannot isolate itself from these effects, but must work with others to tackle problems at source. Helping resolve US fiscal imbalances, Chinese energy security and global climate change are necessary steps to underpin the economic growth needed to manage Europe's aging population.

The full introductory paper 'Europe in the World: Elements of a New Economic Narrative' provides a more detailed starting point for ongoing discussions.

**Key points raised:**

- Why would we like to see China as a partner rather than an enemy? There is a power game there. Why would Europe not rather team up with Russia and/or the US to isolate it?



- China already has an influence in Africa and Latin America. It is filling in a vacuum, is it one left by Europe? How can we be so sure that it is in anyone's hands anymore to influence China's future situation?
- There isn't one China but rather Tibet, Hong Kong, Macau, and Taiwan too. These create internal difficulties and asymmetries. How does this affect the economic and democratic impetus?
- Europe can lead by example and exert an influence if it constructs itself a political European identity on the external stage.
- Europe has a choice – does it make a soft power world work or does it give up and admit that the task is too difficult? Europe can help globalise responsibility as well as opportunity.
- The European political project needs to protect its democratic base as oppression and illusion cannot work – history shows us this.
- Next year will be the 20<sup>th</sup> anniversary of the Brundtland report on 'Our Common Future'. It will be an occasion to assess what has worked or not since then. At that time, there were leaders. We now need to construct teams to take things forward.
- Internal EU politics is already such a battle in itself that it is hard to see how we can get things done if we want them to happen. Legitimacy and democracy need to be addressed if we are to make any change come about.
- We need to guard against the mercantilist approach to enlargement that sees citizens only as additional consumers. There is no clear vision on this now, compared with 10 years ago.
- It is sometimes felt that external action is only an added extra to the 'European package' but, not only do European values require it, it is also a matter of urgency.
- The right political argument is needed to convince people to give up some of their privileges for something else. The correct package of issues can create a political bargain.

### **Session 3: Emerging Conclusions – Europe's Future: Strategies and Priorities**

#### **Key points raised:**

- Considering the new EU10, and the rest of what is called Europe, countries and people are very different yet very similar to the EU15. They share the same values and care for similar issues. They have much more in common than with the US or China. In this context, how can these countries and especially the ones that have already joined the Union be more visible and have a voice? They are not powerfully





putting forward any propositions. They should be real players, not just watching. Membership is just the start rather than the end.

- The CEE region has to be part of the change. It can also facilitate change, as it is a knowledge-rich region. Knowledge management is the key to advancement.
- How come there is still a lack of acknowledgement of global interdependence at the political level?
- The enlargement, seen from the East was like a marriage: long counting before it, then the actual wedding and finally the honeymoon. But what comes after? There has been some disenchantment with the end of the bilateral support system.
- Why do we talk about the EU and then the rest? Before joining the Union, the EU10 had not left Europe, they never did and nor did ex-Yugoslavia. There is a need to look outside the box; we shouldn't always be bothered by borders when talking about the region.
- There is an issue of values. The split between levels of wealth and happiness may not be the same in CEE because limited resources have influenced the balance between material and immaterial values.
- There is a need to finalise the European project and this can be done by including the whole of the Balkans who will produce less problems if they are integrated in the EU rather than left outside.
- There is some pessimism as well in Eastern Europe as to the EU capacity to lead the world towards peace and prosperity. Some EU10 countries still feel they need to progress in terms of increasing prosperity first before other things are considered.
- There are also internal questions as to what the offer to the more dynamic countries in the EU is?
- There is a sense that the EU is unable to take action: 'Fat cats don't hunt mice'.
- The Constitutional treaty was a disappointment. It isn't strong enough on values.
- People who don't do 'Brussels speak' should not be excluded from debates on the future of Europe. The European Commission is unable to change politics required at present, and is simply focussing on policy responses. This cannot create the more radical shift that is needed: "you don't cross a ravine by taking small steps."
- 'Europeans' are only readily identified as such when seen from the outside, e.g. by people from the USA or the ASEAN region. How do we understand our own identity as 'Europeans'?
- The message about sustainable development and the vision for Europe needs to be spread more widely through education and capacity-building, in CEE countries and elsewhere.



## General Conclusion

The European project as desired by citizens is something different from the current attempts being made at reshaping it. Europe has to be used as a means to an end, namely achieving the transition to sustainable development to ensure ongoing prosperity. Europe's soft power and transformational leadership is its key asset. The values of universalism that underpin the original European project connect with the values important to support sustainable development today. As a way to reassert these values, Europe must practice at home what it preaches. Interdependence is still largely uncared for at the European and global political level. We need to make this interdependence work rather than focus on narrow national interests.

Bringing these ideas to life is an arduous task. It requires a compelling story that relates to people's identity, expressed in terms of simple political choices. In order to live, these choices need a space, a platform where they can be debated and offered to citizens.

## Next steps

- These discussions are proving that there are strong resonances across Europe for many of these ideas, but that there is a need to be able to make a vision available in a set of iconic choices that can be presented to the citizens of Europe. Those choices are taking shape, but it is still unclear as to what the possible platforms for presenting those choices might be.
- E3G will be undertaking further thinking events in London, Rome and Brussels over the coming months. These will contribute to the refinement of the narratives discussed at the Budapest roundtable, and will serve as inputs into the planned political pamphlet currently under development.

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