



E3G Briefing: Europe in the World

Europe's stasis

Europe has stalled. The momentum that successfully carried Europe forward through the last fifty years of the 20th Century has dissipated. The political will that drove its members from the Common Market to the European Community and on to the European Union is no longer evident. It delivered five decades of increasing security and prosperity. But it is increasingly clear that Europe is failing to make the political choices needed to ensure the security and prosperity of Europeans in the present century.

Europe's achievement in building, preserving and expanding a realm of peace and prosperity for its citizens is remarkable and often overlooked. So, too, is its unique record of enabling the difficult transition to stable democracy in so many countries. This process necessitated an inward focus on the internal workings of European Institutions that has at times seemed obsessive. These internal challenges are not now its most pressing problem, and they no longer provide a compelling political focus for European citizens.

Globalisation has dramatically expanded the realm of interdependence. The choices Europeans make have consequences beyond our geographical borders; just as increasingly the choices of those outside these borders have direct consequences for Europeans. If we want to stay secure and prosperous in the 21st century, we must learn to manage those consequences. Otherwise we shall find ourselves with few options but to react to their increasingly unpleasant effects. This would set us at odds with those very same deeply held values that have been the foundation of our prosperity and security.

About this briefing

E3G (Third Generation Environmentalism) is an independent organisation that works in the public interest to accelerate the global transition to sustainable development. For the last 18 months, E3G has been exploring the potential for a new political prospectus for Europe that would enable it to respond effectively to the challenges of global interdependence.

This political briefing paper summarises the main themes which have emerged from E3G's extensive conversations with senior political and policy professionals across Europe. This work has been financially supported by the Italian Ministry for Environment and Territory.



These impacts appear daily: the increasing numbers of deaths of African migrants in the Atlantic; the tensions between EU members over gas imports; growing droughts and floods driven by climate change, growing fears that competitive pressures will undermine the social contract. Only by acting together to address the root causes of economic instability, poverty, environmental damage, conflict, and the illegal trade in drugs and people, can Europeans maintain their security and prosperity. In a world of porous borders the building of ever higher walls only gives the illusion of security.

Solving the profound challenges that will be faced as world population approaches 8 billion will require a pooling of sovereignty. Europe is the world's most prolonged and successful experiment in learning how to share sovereignty. A successful Europe is a necessary model to inspire and reassure the world. But, at the very time when it should be building on its achievements, Europe has stalled. It has stalled because there is no vision of what it is for. It used to be about avoiding the past. Now it must be about building the future.

The future is in a globalised world. To lead, Europe must show that it can address the core challenge of maintaining the social and environmental foundations of prosperity under the stress of an unprecedented acceleration of change.

Europe needs a modern prospectus for its citizens built around a clear vision of its place in the world. Europe must become a pathfinder for the global transition to sustainable development. This must be reflected in our policies, legislation, in the way we raise and spend money and, over time, in our notion of who we are as Europeans. We need to show how a modified European project of this kind can open new political ground in the debate about competitiveness, reform, and the European social model, and thereby address the immediate concerns of Europe's voters and taxpayers.

Europe in the World

The defining feature of the future is global interdependence. We know to our cost the price of a retreat into nationalism. In this world the core insight learnt from the experience of building the European Union becomes globally relevant: that sovereignty can be shared without loss of identity.

Europe is the world's largest economy, trading power and supplier of capital. It is the world's biggest market. It invests more in the public goods that underpin prosperity than any other major economic power. It leads the world in ensuring that economic growth leads to increased well-being, equity and social mobility. It has built a solid foundation of political support for these strengths.



Its financial stability, enduring social compact and strong environmental governance equip it to cope well with a world of structural economic and social change, demographic transition, resource constraints, climate instability and multiple interlinked vulnerabilities. These assets are firmly embedded in deeply held and widely shared values.

However, Europe's reform debates have failed to build on these strengths, and have offered Europeans a prospect of the future based on a fear of change, rather than confidence in its management. European's misplaced fears about their ability to maintain prosperity is resulting in a politically debilitating lack of confidence.

This lack of confidence has its roots in the reality of unemployment and the tensions resulting from accelerating economic change. But these roots are watered by the self-defeating rhetoric of European political debates: by politicians who present economic reform as if Europe needs to become a pale imitation of the USA, and by their populist opponents who promise to return to some mythical and unobtainable protectionist golden age.

Europe's Challenges

Europe does face economic challenges: high levels of long term unemployment in some sectors and places, greater global economic competition and faster change, an aging population and tightening environmental and resource constraints. Of these unemployment receives the most publicity, but is potentially the easiest to address. The majority of European countries have low unemployment rates, and few economists in Europe think there is any fundamental reason why Europe cannot create more jobs into the medium and long term.

Europe is not alone in facing such challenges. All other major countries face similar or greater structural stresses. Even the USA and China will have rapidly aging populations in the next 15 years. The stabilisation of global population at 8-10 billion is a positive development in the face of high levels of global poverty and environmental limits that have already been breached. Europe benefits by being one of the first to stabilise its population, as its ability to trade and invest with fast growing economies increases incomes and eases the pension burden.

European leaders need to stop dwelling on perceived weaknesses and assess the reality of our relative strength. The USA has runaway deficits and inefficient health care policies, which have helped destroy the competitiveness of some of its major industries. At the same time as we are fretting about the increasing external power of emerging economies



such as India and China, they are debating the growing threats to their internal stability from rising social inequality, critical water shortages, health pandemics, and endemic corruption. Even the largest economies are vulnerable unless they learn to collectively manage a world characterised by an unstable climate and resource constraints.

Europe's Assets

Europe's record of providing prosperity and stability, and its strong assets for delivering them into the future is a basis for confidence. The single market, although incomplete, is the world's largest. EU regulations are setting the global standard. Europe's growing network of major cities creates 70% of new jobs and wealth, and leads the world in global economic integration.

Above all, 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 that economic growth actually leads to increased well-being, equity and social mobility. In contrast, the USA and most emerging economies are struggling to generate the necessary investment in social security, healthcare, pensions, environmental protection and modern, efficient infrastructure.

But the process of European economic reform over recent years has failed to construct an offer to its citizens based on these European assets and values, and so lacks public support. The negative discourse of reform for the sake of 'competitiveness' fails to connect positively with citizens' aspirations, fuelling instead the politics of anxiety.

Europe's prosperity and security in an interdependent world depends on the prosperity and security of others. Restoring momentum to Europe requires a compelling vision of its role in the world. That vision must project Europe's strengths outwards to make possible prosperity and security for all.

Economic interdependence means that the EU must help create the conditions for others to manage these common challenges. Cooperating with others to resolve fiscal imbalances in the USA, energy security threats in China and the impacts of climate instability globally are all necessary to underpin the economic growth needed to maintain the social contract in Europe. An outward looking Europe, using its assets to its advantage in this way, would be better placed to reconnect with its citizens and restore political momentum to the idea of Europe.



Europe's Choices

E3G's conversations across Europe show there is broad support across the political spectrum for strengthening Europe's global role. However, this is often seen as a philanthropic exercise to be addressed once internal problems have been solved rather than as an increasingly essential means of securing the political and economic conditions needed to restore and maintain the fundamental values of Europeans. To move beyond philanthropy Europeans must be able to make political choices that are at present simply not on offer from its existing political organisations.

E3G has identified five sets of choices which would help set an agenda for this new European vocation:

1. Redefining Success: Europe must choose confidence instead of anxiety; quality instead of quantity. Europe must redefine the meaning of economic success in order to deliver prosperity and confidence into the future.

Europe has no choice but to go through a demographic transition from rising to falling population. The question is how well we manage the process. The criteria for success cannot be raw GDP growth rates; these will obviously fall as growth in the European workforce slows and then falls. This will make European growth numerically only two thirds of the USA even if productivity growth and labour utilisation is identical. Building confidence in Europe's economic future requires a political reframing of growth in terms of its quality rather than simply its quantity. This will be necessary to create the basis for a new social bargain. It should be underpinned by meaningful measures of sustainable prosperity such as well-being, income stability, environmental quality and social mobility. It should focus on managing the real assets underpinning the future success of the European economy: intellectual and human capital, social cohesion, and the effective provision of global public goods..

2. Building Intergenerational Cooperation: Europe must choose to build a new intergenerational contract between young and old instead of entrenching defensiveness and disillusionment. Europe must agree a fair sharing of future risks between the generations or it will fail to invest in a sustainable future.

The critical political fault line in the future will not be between insiders and outsiders in the labour market, or between labour and capital, but between generations. Younger people shoulder the fiscal burden of an aging society, but have less economic security; while the economically established face lower prices and higher returns on their investments. Increasingly tight environmental constraints will need to be managed by a younger



generation which has not benefited from the era of cheap fuel, and who will bear the direct legacy costs of climate change, environmental disasters, water shortages and biodiversity loss. Unless a new politics of Europe generates intergenerational cooperation then more young people will leave for low tax economies, and those that remain may reject higher investment in the public goods needed to secure Europe's long term future; either to tackle climate change and energy security, or to invest in the political stability of Europe's neighbourhood. The intergenerational cooperation essential for social cohesion needs to be built now, and be manifested immediately in new patterns of investment in efficient and intelligent infrastructure that does not leave built-in environmental liabilities for the next generation.

3. Achieving Energy Security and Climate Security: Europe must choose to develop a truly common response to energy and climate security threats instead of retreating down the self-defeating path of energy nationalism. Europe must take a global lead in order to secure its future energy and climate security.

Europe cannot prosper in an unstable climate. Nor can it succeed without reliable and affordable access to energy services. This makes the transition to a global low carbon economy among the most important of Europe's strategic interests. Failure to achieve either goal will result in rising political tensions, economic disruption and conflict as competition for increasingly scarce resources dominates global relationships. Europe will not fare well in such a world of competing powers, and neither will the values which bind us together.

Europe has led the world in developing a coherent response to these twin challenges, but it has failed to match the scale and urgency of the problem, and still does not see them as essential issues of European security and prosperity. Short term national interests are still dominating energy policy and preventing effective coordinated action, despite the fact that no one European country can achieve energy and climate security unilaterally. Energy and climate change policies are still dealt with separately, though both aim to influence investment in the same energy systems. For the European response to meet the scale of the challenge, energy and climate security must become part of the core of the new European project in the way that food security and the single market have defined the past.

4. Investing in a successful China: Europe must choose the path of common proactive engagement with China based on mutual interests and strong European values, instead of a fractious competition for contracts. Europe must defend its core economic and security interests by investing in China's development as a stable, soft power.



Too often China is presented as a threat to European prosperity, while conversely competition for short term national commercial advantage drives European countries' relationships with China. This masks the truth that Europe and China are increasingly economically interdependent, and China's success is critical to managing Europe's aging population. The economic dynamism of China could drive up European incomes and give far higher returns on European pensions than investments in developed countries. But this is not inevitable, because China's current pattern of growth is creating social and environmental stresses which threatens its stability.

Europe's energy and climate security also depend on the choices China is making. China is often accused of driving up prices and financing undemocratic regimes through its increasing presence in the global scramble for oil and other primary resources, but this analysis fails to acknowledge the fact that China's economy is heavily export driven and we are the final consumers of its goods. China fears exclusion from resources by the powerful "West", reinforcing advocates of hardline attitudes on sovereignty and non-interference within the Chinese leadership. The reality is that Europe needs China to keep growing, which inevitably means that China will increase its global energy footprint. The challenge for both Europe and China is how China will secure its energy supply, and what pattern of energy use it builds into its expanding infrastructure.

China's success in managing these domestic and external stresses will determine whether it chooses a hard power route or a soft power route for the next stage of its emergence. At the moment it is keeping both options open. Europe needs a soft power China which helps expand and maintain an international rules-based system and which accepts international norms. That means a China that is successful and stable; above all a China that is achieving a transition to much more efficient use of resources, thereby accelerating that transition for everyone else.

5. A European budget for the future: Europe must choose the future instead of the past. Europe must spend its financial resources on addressing future threats, with a focus on innovation and efficient, intelligent infrastructure.

The manner in which an organisation raises and spends its financial resources is a key test of its priorities. At present, the EU fails miserably. Europe will be unable to secure its security and prosperity unless it aligns its resources with the challenges it faces.

The budget review in 2008 should reallocate existing EU resources away from the old goal of food security and towards investment in climate and energy security. European structural programmes should focus on promoting intelligent infrastructure and climate proofing in the poorer member states, and to managing the risks to stability on European



borders through the Neighbourhood Policy. Additional pan-European funds should be raised based on carbon emissions, and earmarked for investment in new European energy networks and collaboration on clean technology with China, India and other emerging economies.

An intelligently-focussed EU budget should set the standard for member state public spending to pursue. It should be designed to open up new business opportunities and leverage private investment from around the world in the fields of clean energy, resource efficiency and intelligent infrastructure. The contribution such a budget would make to the attainment of Europe's goals would provide a concrete example of the benefits of cooperative EU action, creating positive public pressure for sustained investment.

Next steps

This is not an exhaustive list of choices, and there are many others that need to be made in respect to building Europe's external capacity for action. These include areas such as migration, building stability in the European neighbourhood, supporting regional peacebuilding in Africa, tackling organised crime and building effective mechanisms for projecting European "soft power". E3G is working with others to develop propositions in many of these areas, and will set out further options later in the year.

From early Autumn 2006, E3G will be taking forward work to catalyse action from a large range of organisations and networks around the areas identified in this briefing. E3G aims to develop a critical mass for change over the next 18 months, and will be working with individuals and organisations to identify new cross-sectoral coalitions to take forward specific areas of work.

Over the summer break, E3G will be relaunching its website in a new expanded form as a hub for discussion and collaboration on these issues. In the meantime, downloads of E3G's analysis and reports of the 'thinking events' held across Europe are available on our existing website: www.e3g.org



A new platform for choices

Defining a new compelling vision for Europe, and defining the critical political choices it implies is only the first stage of delivering significant change. Europe will not take this new direction unless it can place these kinds of political choices in front of European citizens and gain a clear mandate for action. This agenda cannot be introduced by stealth, or be accomplished as a technocratic exercise; setting the future direction for Europe is an exercise in defining identity not in evolutionary pragmatism.

But Europe lacks a platform from which to present choices, and this threatens its ability to deploy its assets and secure its long term interests. It is clear that the traditional structures of engagement no longer work – political parties have experienced dramatic membership declines, and seem unable to garner mass support in a modern Europe. This undermines the oft-proposed alternatives of constructing pan-European political parties or ‘educating’ voters as to the responsibilities of European citizenship – such approaches will simply not emerge in time to deal with pressing problems such as energy and climate security.

In E3G’s conversations across Europe, the focus has consistently returned to the theme of how the European public can be fully engaged in major political choices. E3G does not claim to have a magic answer, but we are connecting with many who are exploring innovative solutions. Our most important contribution to the debate is to emphasise that this is not an issue of strengthening an abstract idea of democracy at the European level, or achieving greater legitimacy for unpopular institutions. Instead, the need for effective democratic engagement is a vital necessity if we are to maintain security and prosperity in Europe.

If you would like to engage further with these ideas, or would like further details about E3G’s work on Europe, please go to www.e3g.org or contact:

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