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Brussels Forum

Global Europe: Game Over?

Mr. Craig Kennedy: Thank you. That was really terrific. So keep your seats. We're going to do a quick set change before the very first group comes up here. A lot of times people ask how we come up with the various topics for these sessions. Sometimes all we do is we watch the evening news and read the front page of the newspapers. So if there's a session on Afghanistan or Syria or whatever, that's a pretty easy pick.

What we also do is we look at interesting articles that have been written that are provocative and push us to think. A few months ago Ivan Krastev wrote a very tough article, I thought, in American interest, really questioning in a lot of ways the future of the European project. Many of the issues that the minister addressed today, the capacity of Europe to really be a global actor and a global force, and we decided to build--at least, that was the beginning thoughts of a first

session today to open up this year's Brussels Forum. And we asked one of our favorite moderators, Philip Stephens who I think has been at every Brussels Forum now and has always done just a terrific job to lead the discussion. So, Philip, the stage is yours.

Mr. Philip Stephens: Craig, thank you very much and I'm delighted to be back and I hope you're not getting bored with me quite yet. The title, as Craig said, for our session is, "Global Europe: Game Over?" Now, there have been plenty of occasions, I think, since we last met here when one would have said this is very much a rhetorical question. Some of us maybe have even written it once or twice. If Europe can't hold itself together, how on earth can it expect to have a role on the global stage?

And the crisis, as far as the euro's concerned or economies are concerned isn't over. It's out of the acute phase, but THE one thing that we can be sure of is that we're going to have austerity for some time. Europe's going to go to the NATO Summit in the summer

and the U.S. promising more cuts in military expenditure. And if you look at the domestic politics of Europe, there are lots of pressures on both left and right to close Europe's doors to globalization. Just have a look at what's being said in the French election.

But journalists are by trade gloomsters. And actually if you look at the reality, Europe is doing quite a lot in the world. We have lots of our young men and women in harm's way in Afghanistan. We're making progress, not fast enough, in the Balkans. We've introduced comprehensive sanctions against Iran. We're doing something in Syria. We could do something and we contribute to keeping the climate change talks somewhere on the road and places like Myanmar with the United States, Europe's going to have something of an impact.

But I think the question, and we've got such a distinguished panel, I'm going to shut up after this. The question for this session is how ambitious can,

should Europe be. Should we forget about the big, great power relationships where we have strategic partnerships with China and Russia that don't actually mean very much, and focus on our neighborhood, on the things that we can, on our soft power, on the things we can do well, concentrate on doing good where we can, or actually should we be thinking much more globally? Should we be thinking how we can partner the United States, for example, in the pivot to Asia? How can we work with them? And this distinguished panel is going to answer all those questions and all the questions I hope that you have.

The format's going to be, they're going to each speak for three or four minutes at most, at the beginning. I might ask one or two questions myself, but basically speaking, I want to get it out to you. This is about--this is supposed to be a discussion, a conversation, a debate in which you're the principle participants. So I'm going to start with Radic Sikorski who everyone knows who he is. He's distinguished enough

not to need introduction, all our panelists are actually, but who gave a very interesting speech, as many of you know, in Berlin earlier this year about the shape of Europe and in particular about Germany's role in Europe, but speaks eloquently about Europe's role in the world and pushed, during the Polish presidency, the idea of a more coherent military (technical difficulty) for the EU. How ambitious should we be?

The Hon. Radoslaw Sikorski: Thanks (technical difficulty) so much pleasure. As Henry Kissinger once said, well, look, if you break down United States and its components of power, what makes the United States a super power? It's of course military, economic, financial, monetary, the fact that the dollar is still a reserve currency, and regulatory.

If you look at all those ingredients, you'll see that actually Europe has many of the same components. And my point would be that we have not marshaled them successfully. Perhaps best regulatory. We are an even bigger economy than the United States, people want to

trade here and we can regulate Microsoft, we can even-- we're even beginning to regulate Gazprom. So this is beginning to work.

Financial power, we are the largest donor of international assistance in the world. The way it's not marshaled is that we don't use those resources strategically. Some are tied to member states, colonial legacy projects, and we seem to be unable to make quick decisions when a crisis arises. On the reserve currency, it's wobbly, but perhaps in the long run.

On military power, if we were a functioning political union, not only do we have around two million soldiers under arms, we actually have nuclear weapons as well and our combined defense budget is, if I'm right, bigger than China, India and Russia combined. But, again, it is not used the way a super power would use it.

Where we have an advantage over the United States is that we are territorially an unfinished project, so people, countries are still not knocking at our door.

And enlargement, the promise of enlargement is one of our most effective tools. And that's why I believe that we should exercise our power such as it is primarily in our neighborhood.

Today we passed sanctions on Iran, Syria and Belarus. If we can't fix our neighborhood, then clearly we'll not be able to act globally. This is where our gravitational pull is stronger and that's where I think we can show it.

Of course, our diplomacy's only being created, so my conclusions is, no, it's not over because we've barely begun.

Mr. Philip Stephens: Thank you very much. Two big points there. Fixing our neighborhood, but also marshaling the elements of European power and I think how we do that is going to be a big part of the conversation. Alexander Lambsdorff is president of--I think it's president or chairman of the European Liberal Forum and heads the German liberals in the European parliament.

Now, I'm going to--'cause I'm a journalist, I can ask slightly sort of off questions. I mean, I've spent a lot of time going to Germany, it's a great place, and I come away with the impression that policymakers want to turn it into greater Switzerland. Be global on trade, investment, but, hey, why can't other people (technical difficulty 07:14:50 - 07:14:55) unfair?

The Hon. Alexander Graf Lambsdorff: No, you're not being unfair. And I think Switzerland is a wonderful country, so big Switzerland is even more wonderful. However, I--

Mr. Philip Stephens: Neutral, big neutral Switzerland?

The Hon. Alexander Graf Lambsdorff: No, but not neutral. I mean, the neutrality thing is something different. I would say that this image of a bigger Switzerland is something that is, of course, popular in Germany. People don't think about it, they don't express it that way, but the notion of living in a world where we are left in peace to build cars and

produce things that we can export around the world and nobody is going to come and harm us is an idyllic vision that, of course, is popular, because it speaks of peaceful times, of trade and interaction without, you know, real problems.

The reality, of course, is entirely different. German soldiers are in Afghanistan, German boats patrol the Horn of Africa, we have soldiers in the Balkans. So the situation that we encounter in reality is very different from this idyllic idea that may have attraction in the broader public.

But where I take your point is that it's very difficult to marshal the ambition of, say, policy leaders and the foreign policy needs for a stronger European role into something that would actually resonate with the broader public. And when Radek Sikorski says we don't use our resources efficiently and effectively, I think that's one of the points. There is no debate the way it should be about a stronger European role in foreign policy in Germany

that is looking seriously at the issues that this would create inside Germany.

One issue, however, has been resolved. Not in the light, really, of European developments, but more in the light of domestic requests, and that's the abolition of the draft, and the transition to a professional army.

Twenty years after the end of the Cold War, we have finally, finally made that step, which I believe is reasonable, because if we want our armed forces to be able to cooperate with others, I think it's good to go down the path of professionalization.

However, at the same time, we still have something in Germany that is very strange to many other people. We have our Parliament controlling the mandate down to the rules of engagement of every military mission that we have. If we were to be serious about a European security policy, including a military element, we would have to discuss this. But it's a very, very difficult issue, especially inside my own political party where

the parliament's army is something that is sacred. It is absolutely sacred. But if we want to move on to some joint European operation with quick crisis reaction capabilities, that is going to make things difficult.

Now, what does this mean inside Europe? I don't quite know, because we see two trends in Europe. And I, looking at the question of this panel, "Global Europe: Game Over?" either it's over or it's just beginning. The reason I'm saying this is that, on the one hand, inside the European Union now, you have the Weimar Initiative of Poland, Germany and France trying to build up more European capabilities for crisis management, a civilian headquarter here in Brussels, to be able really to, you know, marshal our security resources, as well as the other ones that Radek Sikorski spoke of.

At the same time, however, we are two years away from an agreement entering into force between Britain and France that is entirely outside European structures, the Lancaster House Agreement, on nuclear

cooperation, on strategic power projection, on naval cooperation, where the vision that the two contracting parties have couldn't be more different. Alain Juppé in the European Parliament said, "Well, it's fully compatible with ESDP, European Security Defense Policy."

And then in the European Parliament, a member of the Tories spoke up and said, "Hi, my name is so-and-so. I am from Perfidious Albion, and thank God we have (inaudible) again, and we want to work it outside the European Union." Now, which way are we going? Are we going inside the European Union, trying to be serious about cooperation? Or are the two very nations that started it all in 1998 in (inaudible) moving outside of the European Union? I believe that's the big question for the future. Will the EU, as such, be a strategic actor, yes or no? Because I think the biggest deficit, and Radek spoke to that, is that with all the power resources we have, we lack this crucial element. We are not a security actor outside of our immediate

neighborhood. And even in the immediate neighborhood, when push comes to shove, we rely on member states, like in the Libyan case, where France and Britain were the two leading powers.

Phillip Stevens: Thank you. Another two big thoughts there. Can Germany close the gap, if you like, between this idealized view of the world and the reality that does participate? But also, is it going to be possible for Europe to be a security actor with this variable geometry of arrangements?

For those of you who don't know Ivan Krostav, who's Chair of the Center for Liberal Strategies, Ivan, or Mr. Krostav, I should call him, I suppose, at this audience, is one of those people who puts the thinking into think tanks.

So, Ivan, from your side of Europe, as it were, your end of Europe, from New Europe, as one famous American politician once described it, how does this look?

Ivan Krostav: Listen, I'm in a much easier

position, because when you're coming from the think tank, you can say what you want. It doesn't matter. But for me the most interesting story is, we are sliding about debate all the time. For example, the debate, are we pessimists or optimists about Europe? By the way, the Bulgarian definition is that the difference between the pessimist and the optimist is that the pessimist is the one who decided it cannot be worse, and the optimist decides it can.

So from this point of view, all this talk about Global Europe, you have mind you two good news and three questions. The good news is, first, the easiest way to lose money on the market is if you fall in love with trends and if you're not interested in volumes. And Europe was not doing well on trends for the last four or three years, but also what the Minister said on volumes we are doing well. In a certain way, there is a lot of global capacity, and nevertheless, what has been basically happening in the last three months or six months, all the capacity that had been there three

years ago is still here.

The second thing which is also important in my view is that even in this two or three years, Europe does not lose a kind of a taste for global involvement. If you are going to ask three years ago can Europe be as active on places like Syrian, Iran and others, most of the people are going to say no. So from this point of view, that's good news.

In my view, three kinds of a big issue has changed. The first is the very definition. When Europe learned that we are not as strong as we believed we were. You have two (inaudible) places these days. You have the United States and you have some of the European Union member states. But the United States is refinancing their debt on a very nice interest rate. Europeans, not. Why? Because to be strong these days, it means to throw your problems on others.

And I believe that this is very important. You should be part of the world. If others are not seeing your problem as their problems, there is a problem with

your influence. And I do believe this is one of the problems and one of the things that Europe learned.

The second thing is that others started to perceive Europe as weaker than it is. Now, talking about how weak Europe is, in my view, it's becoming fashionable and this should basically threaten Europeans. The way you're perceived matters.

And my last point is going to do on this, when we have been talking about Global Europe, five years ago, ten years ago, what we meant was that the world is going to resemble more and more European Union. Post-sovereign-ist, secular place, and so on, and so on. If this is the idea, probably the Global Europe is over. Probably, the world in ten years is not going to be simply a version of European Union. But the good news is that because this is the case, now we can start to be interested in the world. Because before we were going to places just to see when they were going to become European Union.

European Union basically telling the Turks let's do

it, what worked in Bulgaria, or Macedonia. Turkey is slightly bigger. And this is true for China and it's true for India. So I do believe that the good news about this crisis and about this new Global Europe debate is we should be curious once again. Europe has lost certain curiosity for the last decade. And now I do believe we are paying for this. But these curiosities can come back.

And, honestly, I was very proud listening to, reading the truth is, Minister Sikorski in Berlin. Because it means that we can change the debate. We can change the way we talk about Europe. And if we're going to do this, probably next conference is going to be "Why Global Europe is Back?"

Phillip Stevens: Okay. Thank you very much. It was really a good thought. The world's not going to be like Europe after all. But, I mean, some of us fear that Europe may turn out to be rather like the Westphalia world, as well.

But, Senator Shaheen, you've got the hardest and

most important task on this panel. Because having listened to your European colleagues, you've got to really say, from a transatlantic perspective, and as someone steeped in transatlantic relations, I mean, are these people shaping up? I mean, we've had from the administration the pivot to Asia. We've had, although President Obama gave my own prime minister a pretty good show in Washington the other day, but some of us thought maybe form rather than substance, but, I mean, are Europeans shaping up? And what does the United States expect them to do to shape up?

The Hon. Jeanne Shaheen: So you don't like baseball, which was one of the high points, or basketball. You know, it's interesting to listen to all of you, because I guess, from our perspective, at least as I represent the Senate, we look at Europe as one of our best, longest partners. And we have the biggest economic relationship in the world. You know, our trade dwarfs anything else in the world. We have a security relationship that goes back decades.

As you were talking, Minister Sikorski, about the five things that you see that the U.S. has and compared them to Europe, one of the things that I thought you left off your list that Ivan addressed somewhat is, in addition to all of those assets, there is also an inclination to get engaged with the rest of the world and to be a participant. And I guess, from our perspective, we see Europe as doing that.

As you talked in your opening about the efforts where Europe is engaged with the U.S., certainly, Afghanistan, on Iran sanctions, the effort in Libya, where NATO really performed there, but the U.S. was engaged, but it was NATO and the Europeans who carried off that effort in Libya in a way that was successful.

So (technical difficulty) within the Senate last week (technical difficulty) this issue came up and former Secretary Albright said, "Well, you know, when we think about a crisis somewhere in the world, the first people we call are the Europeans." And so I think we see the challenges that you're facing in terms of

economic, and obviously that's had an impact on us, as well. We are breathing a sigh of relief that things are looking better here. But a strong Europe economically and from a security perspective is very important to us in the United States. And we support that effort and see our relationship as being the most important relationship that we have.

Mr. Phillip Stevens: Can I try to pin you down on something? If there was (technical difficulty) that Europe, that, you know, from your perspective, that Europe should be doing more of, putting more effort into focusing more on, what would it be?

The Hon. Jeanne Shaheen: Well, obviously, we would like to have seen action faster on the financial crisis here. And appreciated Minister Sikorski's remarks in Germany, because I think they reflected what many of us in the U.S. have felt. Certainly appreciate the participation in NATO. And I think many of us in the U.S. see the security aspect of Europe as being NATO, and question the extent to which you want to develop a

parallel structure around defense in Europe, when we have this alliance that's been working for, you know, decades now that has been so successful.

Mr. Phillip Stevens: Okay. Thank you. I'm going to open it up. But I'm just going to have one more question myself to Minister Sikorski. Which is you talked about marshaling the elements of our power. Okay. This is the same sort of question. The one thing that Europe could do now or next month or in a couple of months' time or this year that would move it significantly in that direction?

The Hon. Radoslaw Sikorski: I believe it can be realistically done this year. But what we need is a sort of Nietzschean will to power. We need to create positions of leadership and then elect leaders to exercise it.

And at the moment we're constructed like a multilateral institution, which is why we advocate the joining of the two posts of the Chairman of the European Commission and the President of the European

Council and having that person elected more democratically than today.

Herman Van Rompuy's term of office was extended two weeks ago. I bet you most people in this room didn't notice. Whereas we need a leader of Europe that would be elected either by the European Parliament or even more broadly than that to really be able to move things in Europe and to speak on behalf of Europe.

Mr. Philip Stephens: Okay. Thank you. Okay. Well, our speakers have put some really interesting thoughts and arguments on the table. Now, I'd like yours. Some of your names I know, others I don't, so I'm gonna pretend I don't know anybody and just point. Who'd like to open up? Gentleman at the back there who I can't see.

Mr. Bruce Jackson: Thank you. I want to come back and--

Mr. Philip Stephens: Could you introduce yourself? Sorry.

Mr. Bruce Jackson: Bruce Jackson, a project on

Transitional Democracies. I'm delighted to know the crisis of Europe is over, but I still don't understand the crisis itself. I want to come back to even Krastev and push him a little harder. You wrote that there was a crisis of political culture in Europe and you described the European Union as a world that was already in the past. What did you mean by that? What is this crisis and how does curiosity end up solving a political crisis of culture?

Mr. Philip Stephens: Actually I'll take this gentleman here and then I'm gonna move over to the other side.

Mr. Marcus Freitas: My name is Marcus Freitas. I am from Brazil. I wanted to ask you a very, quick question. Do you see the economic crisis creating a divide in Europe between north and south? And last year in the World Banks' meetings there was a discussion regarding leadership and the problems that you're facing in the continent. How's it going? How's it being addressed in the renewal of leadership in Europe?

Mr. Philip Stephens: Okay. Thank you. The lady in the second row there and then the lady in the third row.

Ms. Niki Tzavela: Niki Tzavela from European Parliament. How do you exactly define the role of global leadership of Europe? Do you define it by the means we exhibited in Libya and now there are 500 militia groups in the country that they are going around and the country's almost divided into three parts? Do you define it the way we behaved with Egypt and Egypt is in a cast now? Do you define global European leadership by fiscal discipline and we see the south collapsing due to the monetary union we have? Where is the vision of Europe actually?

Is this what, you know, we set as examples? Look how we acted in Libya. We acted in Libya. Now, Libya is abandoned, it's a wild place, nobody can reach it and the people cannot even have access to food. You have to break embargos through pirates to get food to the people. So where is the vision and where is the

definition of the role? Thank you.

Mr. Philip Stephens: Thank you. The lady just behind.

Ms. Salome Samadashvili: Thank you. Salome Samadashvili, Ambassador of Georgia to the European Union. I have a question. Mr. Sikorski, you have mentioned that the measurement of Europe's global role is first of all in your ability to influence the neighborhood and solve the problems in the neighborhood. At the same time you're not alone in the neighborhood. There is certainly competition around.

And I would like to know what is your assessment in view of that, of the projection of Eurasian Union, which seems to be championed by the new/old Russian president and which seems to be actually the policy which for a change might have chances to succeed? Do you think that this is the challenge to the global role of the European Union? Thank you.

Mr. Philip Stephens: Okay. This gentleman right at the back there (technical difficulty). Come back to our

panel and then we'll take another round after that.

Mr. Reinhard Butikofer: Thank you. My name is Reinhard Butikofer, member of the European Parliament. My question goes to Senator Shaheen. Senator, you emphasized that the transatlantic security relationship should be developed within NATO and seemed to be disparaging to some degree sort of the EU CSDP efforts as building parallel structures. Now, I would question that sort of description, but don't you see anything positive in the EU's effort of developing its own capacities if you think of Atalanta, for instance, which many experts consider to be a relatively successful effort so far and cooperating not only with the U.S. but also with actors like Russia, China, India successfully?

Mr. Philip Stephens: Okay. What I'm gonna do is--I mean, six I think very interesting questions but on a lot of different perspectives. So what I thought I'd do is I'd ask the panelists to choose one or two from those, although there are one or two specific ones,

that last one in particular. So Mr. Krastev, pick your-

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The Hon. Ivan Krastev: I'll start the question of (inaudible) and basically the problem is what really has changed, what is my reading, because the good story about crisis is that different people are reading differently. One of the thing that is going to change dramatically is how the foreign policy is done.

And in my view there are two things which are going to very much change. When you have austerity state, which basically means that what we did in the last three months is that economic decision-making is taken out of the electoral politics. It was constitutionalized, budget deficits and others. If this is the case what remains in politics is foreign policy and identity politics. And people are going to be much more involved in the foreign policy because this is where parties are going to compete.

What we see as the result of the crisis because we have been talking a lot about democracy, authoritarian

capitalism and stuff like this, what I see is the emerging of two different version of there is no alternative politics. In European Union there is no alternative policy. On economic issues you can change governments, you cannot change policies. And I do believe that this is very well-seen now in the south in Europe. In places like China and Russia you can change policies, you cannot change governments. There is no political alternative.

I (inaudible) that this is a totally new way of structuring because we have two type of rigidities which we don't know how they're going to work. And this is my problem with the European Union, people are now fixing what's wrong with Lisbon Treaty, if you're going to change Article this or that, if we're going to elect a counter and not appoint him, how it is going to work. The biggest problem is what is happening on the level of the member states.

And for me, one of the really alarming thing which I did, which I see is the falling, see how the European

public reacted to the Arab's praying, the public. We are not talking about politicians. We are not talking about journalists. In 1989 the change in Eastern Europe opened the democratic imagination of Europe. Western Europeans get the hope that they can transform the world around them. What I fear is that 2011 Arab revolutions opened the demographic imagination of Europeans. We started to fear how the others can change us. And this is why I do believe that we should try to start to be curious in others because we are not in the world in order to remake it simply to be another European Union.

Unfortunately, I don't believe that we have a capacity for this and also probably we don't have a clear vision for this. Probably we have the values, values and visions is not the same. So from this point (inaudible) started being interested in others, but also interested in ourselves. What politically is happening? How publics are going to react in this new situation in which they can change governments more and

more? And, by the way, they cannot change policies.

My last point is from this point of view--Eastern Europe, by the way, is going to be an interesting thing to reflect on because what is going to happen and be the major characteristics of European democracies in the time to come is very much going to resemble East European countries in the time of transition and succession. Constrained democracies, certain type of a policy decisions are not going to be there. Certain type of austerity state is going to stay for awhile.

In Eastern Europe the truth is that it worked, basically it managed to do it. Is it going to work on the level of the European Union as a whole? In my view this type of questions should be asked and this is not question about the optimal currency zone.

Mr. Philip Stephens: Okay. That's great thoughts. I mean, is it better that you can change your politicians and not your policy or you can change your policy but not your politicians? I'm not sure who wins in that contest or perhaps they're both losers.

Mr. Lambsdorff, do choose from that sort of menu of questions, but I did--can I ask you to address as Germany took a rather different view on the Libyan question. There may be Germans saying, "Well, we told you so." I don't know. But what about vision for Europe? Where is it gonna--I mean, there must be--Germany has set, if you like, the economic terms of trade for the European Union. You know, everyone has to follow the model set by Germany. Where's the broader vision?

The Hon. Alexander Graf Lambsdorff: Well, you asked us to pick questions. Now I have Libya and the German economic model. I'll try to bring this into one answer, which is going to be a bit of a challenge. But let me say, first of all, that on Libya I'm a bad spokesperson for my government because I fundamentally disagreed with our voting behavior and our behavior in this crisis full stop. I think this was with Kadafi marching on Vangazi we were in the process of seeing a second (inaudible). I think we should have voted with our

allies in that particular situation and have said so publicly before. I think that was not very helpful.

However, I do not think that Europe has abandoned Libya and I do not think that Libya is a lost cause where you can't go. I fully agree that Libya is a handful. It's a challenge. And the structures in that country make it extremely difficult with the constitutional assembly to be elected in June and the process going on afterwards, but Europe is fully engaged in helping that as are, by the way, the Americans with NDI, IRI, I mean, all the democracy support institutions that are there, U.S.A.A.D. is there, our development assistance people are there. So I do not think for a minute that we have abandoned Libya. Does that mean we will be successful? Does that mean that Libya is going to turn into Switzerland? I don't think so. But it's going to be a process, a joint project with the Libyans to get this country back on track.

The other issue, however, is one that has to do

with a couple of questions concerning the crisis in north/south divide, et cetera. And let me say one thing here, for all the talk of the north/south divide I believe we should pause for a moment and think of those countries in the north that are in the euro with a lower GDP per capita than, say, Greece who are asked to help. I mean, we, as Germans, we are asked to help, as well, but our GDP per capital is a lot higher than Greece.

I see Toomas Ilves over there from Estonia, hi, the President of Estonia. That is a country that joined the Euro rather recently and we should, you know, pay credit to Estonia for doing this in these difficult times. They have a lower GDP per capita than Greece, but they are still asking their citizens to pay for the stabilization of the Greek economy. And I think that shows you that talk of a north/south divide because it's hard to think of something more northern than Estonia, perhaps except Finland, is probably not all that pertinent. However, what Ivan just said I think is

really important. Our democracies are changing.

The old model of democracy, that goes for the United States, it goes for Japan, it goes for Europe, was we finance electoral victories with promises that are very difficult to finance, if not impossible. And we then pay for these promises by running debt levels that are unsustainable in the long run (technical difficulty) now and that is something where in the United States you have the problem (technical difficulty) out, you know, they are out loaning us all. And if that means now that austerity is the name of the game for a couple of years, well, yes, that is a change in democracies.

I thought your thoughts were extremely original, but I believe that the Greek election already in April is going to tell us whether you're right, that you can only change the politicians but not the policies, or whether the Greeks will, you know, make a policy choice that may be unexpected. But looking at the polls right now we can expect a government there

that is going to make some fundamentally different decisions from their predecessors. So I think the real issue is, are Western democracies capable of changing their ways with public finances in a way to come to sustainable fiscal and public policy?

Mr. Philip Stephens: Fascinating argument. I think most people, though, would buy into austerity for a couple of years. I think what most people fear is, is it austerity for five years or ten years? And that's the question. But, Minister, there were one or two direct questions to you.

The Hon. Radoslaw Sikorski: Well, first of all, about this business of north and south. I don't believe in determinism. You know, it used to be argued 100 years ago that it was really a distinction being Catholics and Protestants, Catholics supposedly incapable of creating market relationships and competition and so on. And yet, in Europe for many decades, the two richest regions were northern Italy and Bavaria. Now, is northern Italy south? Is Bavaria

north? I'm not sure.

I think it's all to do with policies that you pursue. If there hadn't been market reforms in Germany under Schroeder, with some weaknesses in the German banking system, we could be having this discussion about Germany today.

And then when you look at how you fix it, well, one way is to complain about foreigners, is to complain about the euro, or you just bite the bullet, bullet like the Estonians did, who had a minus 20 percent GDP recession in 2009. They did what it took without rioting, and not only have they fixed their country, the government was reelected. And the depth of your recession will probably be in proportion to the amount of time you lived above your means. Sometimes you pay for the sins of your predecessors.

But as regards, the Eurasian union, I would say that I agree with Ivan who's (technical difficulty) be weaker than it really is. We have talked ourselves down. By mishandling the euro crisis, we've created the

impression. We've lost more of our (inaudible) than perhaps we deserved.

But it has implications. It means that it's easier to say Europe doesn't matter. We don't want to go that way. And so, for example, today we took a decision on sanctions against (technical difficulty) to tend towards Europe rather than to tend towards central Asia. But it's partly to do with the loss of our civilization attractiveness.

And with Russia having the financial muscle through the price of oil to be able to subsidize a project of integration around herself, which I think has got in the long run not going to be that good for Russia, because Russia could do what Turkey has done, which is to say use the process of approaching Europe as a not substitute, but as a means of modernizing itself legally and in other ways.

But yes, it's a challenge. When you make mistakes, sometimes your neighbors pay for them.

Mr. Philip Stevens: Senator, one specific question

to you. Shouldn't you be grateful that we did something on defense, and, you know, we may not be spending any money, but at least we're trying to get together, or is it all duplication as you seem to suggest?

The Hon. Jeanne Shaheen: Well, first of all, I speak for myself and not for the State Department, so just to be clear on that. And I didn't intend--I think it's on. Okay. I speak for myself and not the State Department, but I didn't intend to disparage EU efforts around security and defense, but was really thinking about it from the prospective of the financial constraints that Europe and the U.S. is facing right now when it comes to defense spending. And thinking about how we can better cooperate to meet our security challenges rather than each country needing to buy X number of missiles or planes or helicopters or whatever it is. So that's really the context in which I was commenting.

And it really brings me back to the comments about how do we deal with the debt and deficits that we're

facing in the United States, that you're facing in Europe, that we're having a debate about, what's the best way to deal with that? And in the U.S., the question is, are we going to deal with it by cutting and solving all of our problems on cuts, or are we also going to look at how we raise taxes to support that and how we reconfigure some of the programs that we're providing to people?

And I think one of the things that I have looked at with some questioning has been the one size fits all approach to dealing with the debt crisis in Europe. Because as I look at what we need to do in the United States, we absolutely need to deal with the debt and deficits. We can't continue as we're seeing here with borrowing.

But we also have to grow and we can't just cut and continue to cut. We have to figure out how we can grow our economies at the same time. So having a plan for dealing with the debt, as well as figuring out how we continue to invest in our people, in infrastructure, in

the other things we have to invest in, I think are critical and it's a lesson that I think we all need to learn.

Mr. Philip Stevens: Thank you. I'm going to open it up again. This is Global Europe this session is about, and I'm just going to leave a thought with people who may want to speak. We haven't really mentioned - no one's really mentioned China, India, Turkey even, so I'll just leave that out there. But the gentleman right here.

Sen. Bob Bennett: (Technical Difficulty 07:52:10 - 07:56:19) of young people that I'm currently teaching (technical difficulty) the entire Europe population will be less than the American population.

The size of your GDP will be less than the American GDP, and it is driven by the European birthrate, or lack thereof, and the American ability to absorb immigration, even though our birthrate is at replacement level so that the American population will grow significantly. Demographics is destiny.

Demographic trends are the hardest to change, and no one in this panel or in any of the questions has raised the question of what is happening to Europe's position demographically and where will we be 15, 20, 25 years from now when these lines that I have described cross.

The American economy and the American population will both be bigger than the European economy and the European population, and what impact will that have, and what challenges does that recommend for Europe with respect to its attitude towards immigration and its ability to absorb immigrants as an effort to deal with the shrinking percentage of its population that is of working force age.

Mr. Philip Stevens: Thank you very much. Very good point. Why is it the United States sees immigration as an opportunity and we see it as a threat? Gentlemen here, here and here. Now I'm making life really tough for the panel. But it just strikes me that it's good to get as many people as possible in, so if that's okay.

Mr. Andrew Cahn: Quickly, I just wanted to pick

up...

Mr. Philip Stevens: Your name?

Mr. Andrew Cahn: Andrew Cahn, Nomura, I just wanted to pick up you challenge on China. The chairman of the Chinese Sovereign Well Fund was quoted a few months ago as saying when asked whether he would invest in Europe, European bonds, European infrastructure, European companies, said why would I want to invest in a country with excessive, old-fashioned welfare states where people don't work, which was a (technical difficulty 07:58:24 - 07:58:28) I was in Beijing last week talking to a number of quite senior people, all of who were very interested in what was happening in Europe. They were very focused on the challenges of Europe. But what struck me was they had no interest in Europe as a regional entity, as a political grouping. They saw everything in terms of the member states.

And the question I put to the panel is how can we engage Chinese interests in Europe as a political entity, something which they strongly resisted doing up

until now. Is there any way we can do it or are we condemned to relate to China as member states?

Mr. Philip Stevens: And in the front of the panel.

Mr. Jim McDermott: I'm Jim McDermott. I'm a member of Congress from Seattle, Washington. I want to pick up on the military questions that you raised because somebody said with excitement that you were getting rid of the draft in Germany. We got rid of the draft in the United States in 1975. We now have a professional military. We have a professional military that is drawn from one strata of the society, really, and it is exhausted. We don't have enough people, so we're reaching out to Europe to go with us on all our adventures.

And my question is does that mean--we know that the military likes to have a professional. They don't want to deal with draftees because they're always a problem. I was a problem in Vietnam back in the distant past. They don't want guys like me. They want people that have volunteered and have committed themselves to be

soldiers. Now, is that going on all over Europe? Are we going to have all the Europeans going to be professional armies that will be able to be sent by the governments without much clamor from the population because they're gone? In the United States, nobody knows anybody who's in Afghanistan or Iraq, for the most part.

And so you can run those kind of wars using a professional army. And I'm really trying to understand what's going on in the European situation as you get drawn in, I mean, we've got Mali now and what you do about Mali and there's going to be a continual call to NATO allies to come and support the things that we're doing in the world. And I'd like to hear, just to understand what's going on in Europe.

Ms. Xenia Dormandy: Thanks very much. Xenia Dormandy, Chatham House. I'd like to pick up on the earlier vision question but look at it from a slightly different perspective and ask the panelists, how do you get over this huge stumbling block that is sovereignty?

And why is it that we've been unable to get beyond the euro crisis? A lot of the arguments, a lot of people are saying, well, you have to have a closer political union in order to have the closer monetary union. Why is it that we haven't been able to work more effectively in a military sense? Well, because, in the end, every government wants its own military that it can order to do X, Y, Z, and is wary of giving up capabilities. Because the Brits aren't sure that the French will let them use the carrier group if they need the carrier group and vice-versa.

And so my question for you is what is the impetus, if you will, that will allow the European governments to get beyond this big issue of sovereignty and come together to create a mutual Europe that will then be able to deal with China as one entity rather than independent entities, who, at some level, compete with one another.

Mr. Philip Stephens: Thank you. I suspect, given the time, that's probably our final round, so I'm going

to go back to the panelists. I mean, a whole host of questions and right at the end there, a very core question about sovereignty. You know, it's something we can't really bypass. But lots of interesting things about our attitudes to immigration, why are we so frightened of immigration when we're getting so old? About whether we're turning inwards more generally, in terms of enlargement, in terms of defense. Whether we do have anything to offer China with our perhaps, some people would say, over-generous or over-expensive welfare states.

What I propose to do, if it's okay, is to go in the reverse order from the beginning, so start with the Senator and go from there.

The Hon. Jeanne Shaheen: Well, I want to go to Bob Bennett's question. I hope he wasn't raising the issue of family planning since we've been talking about that a lot in the U.S. But, you know, he makes the demographic point, which is an issue, not just for Europe, it's an issue also for the United States and

for the western world as we look at what's happening in the Middle Dast and Africa and Asia. And clearly, we need to think about that and I don't have any magic answers.

But we are not going to have (technical difficulty 08:03:59 - 08:04:05) you know, generally, why (technical difficulty 08:04:07 - 08:04:11) that has been the primary focus of our workforce for most of the last century is not the future workforce. The future workforce is older, it's immigrant, it's non-white and we've got to figure out how to adjust to that and to do it in a way that ensures that those workers are educated and trained for the jobs of the future, that we figure out how to deal with our immigrant population. And I don't think the answer in the United States is to send them all back. I don't think that's the answer in Europe either. And so we've got to do a much better job of figuring out how we integrate immigrants into our societies and think about how they become our future workforce.

Because if we don’t do this, it’s very clear that we will not be able to compete with China, with the emerging countries in South America and Asia. And so we really need to think about how we’re going to handle our future.

Mr. Philip Stephens: Thank you. Ivan.

Mr. Ivan Krastev: I want to go to the demography question and I find it really critical, not simply in terms of numbers. There is this beautiful novel by the Portuguese Nobel Prize winner, Saramago, who tells the story of a country in which suddenly people stop dying. In the first two or three months there was euphoria. Everybody was really euphoric. But then, first, the church was troubled because if nobody’s dying, nobody can resurrect. And then basically the insurance company went to the government and said, “But probably nobody’s dying, but we’re dead.” And then the pension funds. And then all these people that had been taking care of sick, old people who are not dying and not dying, they organize a kind of a mafia in order to smuggle the sick

people to the neighboring country where you can die. At the end of the day, the Prime Minister went to the king and said, "If we do not die we do not have future."

I think that's because one of the interesting story about Europe is that the major question that Europe is facing now is the question that China is going to face in 20 or 30 years with their one-child policies. And if there is some big way Europe can lead, it's basically we're the first to meet some of the problems that others are going to meet later.

Demography's becoming critical for European politics. I have been doing some study on the populace movements in Europe. This is not people who remember the past, this is people who fear the future. Because they know all the demographic projections, they know what's going to happen with their ethnic group. And you have this new player, the (inaudible) majorities. Majority groups that have the feeling and the fears of minorities.

I do believe this is a totally new situation and I

very much agree with Charles Grant on this. What we are seeing as a result of this crisis is dismantling of the welfare democratic state in the way we know it from the Cold War period. In the level of the radical change, it's very similar to what happened to our countries after 1989.

Why, for example, Germans believe that it can work in the way it worked? I do believe part of the answer is also concerning Eastern Europe, because what most of the Europeans learned out of East European transition is that you can have unpopular economic policies without the populace political backlash. And secondly, that you can have intervention, political intervention, in the sovereign countries, but this is not going to delegitimize democratic institutions. Why? Because of the antiestablishment sentiments.

The reason European Union is so much liked in Bulgaria is not because Bulgarians know what is division of the European Union, but because Bulgarians slightly mistrust their own political elites.

So you have these much more difficult questions coming up. And I do believe Italy and (inaudible) and what's happening in Greece, so this is a new situation. And I do believe in this new situation, the worst that can happen is to pretend that nothing has changed. And people are not going to change the way we are discussing what's happening. I do believe we're going to not simply look weaker in the eyes of the others, we're going to become weaker because we're going to become slightly more stupid.

Mr. Philip Stephens: Thank you. Mr. Lambsdorff.

The Hon. Alexander Graf Lambsdorff: Well, I'll just briefly say something on demographics and then come to the issues of hard security. There's a little town in the southwest of Germany called Schwäbisch Hall. Southwest of Germany, you should know, is the most industrial region. Mercedes is from there and Porsche is from there and Bosch is from there. They're all from there. So they don't have enough skilled workers, so they puts ads in a Portuguese newspaper telling people

about how beautiful Schwäbisch Hall was and teaching them German. And 1,000 Portuguese came to Schwäbisch Hall.

And I think this is what we're going to see increasingly. Competition for skilled labor inside the European Union, but then we will have to move beyond the EU. And on our doorstep, we have huge reservoirs of, you know, young people looking for a chance to take their lives in their own hands. I mean, in Northern Africa, if you look the demographic structure there, you have a completely different thing. And the big challenge, really, and Senator Bennett, of course, is absolutely right, is our ineptness, really, at handling immigration in a way that is productive for our societies. I mean, that is something we still haven't figured out to do right, but we will have to do it.

As far as hard security is concerned, Charles and to your questions, the first one and the last one, they tie in together. The real question is what's the impetus? When are member states finally going to wake

up and realize that we cannot continue in this way that we do with members of a member state?

What few people know is that Europe has more soldiers under arms than the United States. We have about 2 million men and women in uniform, to the American's 1.4, I believe. It is 1.2, 1.4 million. We spend only 60 percent of what the Americans spend on their soldiers. That means that we get much less bang for the buck. I mean, we are much less effective. The German armed forces, for example, was about 250,000, but when 8,000 were deployed, the entire system was creaking already.

So the issue is we really need to get our act together. What can change that? One, and there, Charles, yes, you may be right that the austerity (inaudible) measures are going to make it more difficult to increase defense spending, but then it may also lead to a recognition that more cooperation is needed.

And I think that's partly what's behind the

Lancaster House Agreement, frankly. The Brits and the French simply don't have the resources anymore to have a full-spectrum military. Each of them, given the need for austerity. That's one driving force. The other driving force, and I really do not wish for it, but I'm just putting it out here, is an external shock. The Iranian missile hitting Iran or what have you. I mean, I don't want to speculate here, but the outside shock is going to focus people's minds quicker than perhaps anything else. But for the time being, lack of trust between nations and the rather comfortable financial situation that we were used to over a couple of decades have prevented Europe from getting its act together, and maybe things are changing for the better.

As far as the draft is concerned and that situation, I believe that the (technical difficulty 08:11:53 - 08:12:02) to have professional armies in Germany. We've started in--we have just started a couple of months ago, actually. I don't know how it is in Poland, but I think for many European countries now,

the draft is very difficult to justify in terms of the lack of security and the lack of outside security threat. In Germany for 20 years we've maintained it, although we were surrounded only by NATO allies and European partners, with the exception, of course, of Switzerland. Neither NATO nor in the EU, but not an existential threat to Germany's territorial integrity.

Mr. Philip Stephens: Thank you. Minister Sikorski.

The Hon. Radoslaw Sikorski: Oh, we abolished the draft three years ago, as well. It's not just easier to send volunteers to war, it also makes sense with (inaudible) and equipment. When we were drafting people for 12 months, even 18 months, takes 6, 9 months to train them in the use of modern equipment. You get very little use from them, so it's much more sensible to keep people in the army for a few years.

On demography, it's a little unfair to castigate Europe as not being a Mecca for migration because that's a U.S. specialty. You were founded by migrants and integrating migrants is what the United States is

best at. And we're not because we are a densely-populated continent with some historic nations and strong national identities.

And I also think that we've now come to the end of a certain argument about migration, namely if we were--because we can't afford our social protection systems, we have to have mass migration. And I think, thanks to the crisis, we've discovered that if you want to fix your social protection system, you fix your social protection system.

We are extending our retirement age and no longer relying on somebody else doing the work for us. And that, I think, is also partly a solution to the issue of shortages of labor. But I agree with you that there is now much more labor mobility inside the EU than people anticipated. It's, you know, what are the arguments about the Euro not being a natural currency or is that there's little labor mobility? Well, tell that to the 1 million Poles who've traveled to Britain, to Ireland and are now coming back.

And one more point to what Charles Grant said. You're absolutely right that in a democracy you have to listen to your electorate. But it also works the other way. As politicians, we can actually take leadership and start explaining things to our people. And public opinion is not something fixed. You can change it by making persuasive arguments. And I wish politicians in Britain would make persuasive arguments about the utility and the destiny of Europe as a great path.

Mr. Philip Stephens: Here, here. Thank you, Minister. Yeah, taking leadership. It's all about that. Now, I've got about ten pages of notes from which I've summarized this brilliant discussion, so I was going to sort of offer you this summary. But I decided that you may like a cup of coffee, so I'm going to say three things from this brilliant, rich discussion. One, it's clear that the game isn't over. Two, it's still clear that we, as Europeans, need to find a better way to organize our team. And three, maybe as Minister Sikorski said, we need a new, more powerful manager.

But I think the most important thing is we should thank the panel and everyone who contributed.

Mr. Craig Kennedy: And thank you, Philip. I especially want to thank Senator Shaheen for bringing an excellent congressional delegation. We'll recognize them one by one over the next few days. I'd also just like to remind everybody that the first big delegation that we had here was brought by Senator Bennett. So it's great to have him with us today. And I'm glad that he got to ask his question about demography 'cause I've heard him speak more than a few times on that.

We're going to take about a 15 minute break for coffee and then we'll be back and a big thanks to all of you. It's terrific.