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

### **Summary of Discussions**

#### **An E3G Thinking Event**

**6 April 2006 at Palais am Festungsgraben, Berlin**

#### **About the event**

The 'Europe in The World' roundtable was convened by E3G in association with the European School of Governance (eusg) 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**

- Europe needs to take global interdependence seriously – its geographical position means that a retreat into 'Fortress Europe' is simply not possible. Europe needs to realise that it has a limited window of opportunity of 20 years in which to shape global interdependence in ways that promote security and prosperity for all and which safeguards Europe's values.
- Europe's lack of confidence in its economic situation is sapping its ability to act, and political debate undervalues the structural economic and political strengths Europe has relative to other major countries. The Lisbon Agenda discourse around competitiveness is actually increasing fears of job insecurity, and reducing the political space for reform. Europe should go beyond the emphasis of deepening the single market, to focus on how European countries' unique ability to generate political support for investment in public goods such as education, health, social mobility,

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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.

environment, and infrastructure can provide the underpinning for continued economic success and improved well-being. Nowhere is this more critical than in generating the investment in innovation, intelligent infrastructure, international cooperation and dynamic markets needed to drive the shift to a low carbon economy.

- The task of making this change is a fundamentally political one, requiring a more commonly shared and externally focused European vision. This is being undermined by current moves towards narrow “nationalistic” concerns and politics in many Member States. Though many choices are rightly made at the national level, Member States need to agree to coalesce around the critical areas where cooperative, investment-driven approaches are needed to secure European prosperity and security. Building a political platform which allows these choices to be legitimately made by European publics is at the core of this challenge.

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

**The provocation: “The European idea is the world’s most powerful weapon of mass construction – we just have to learn how to use it”.**

In the face of globalisation and rapid global change, Europeans still have the same core aspirations and values of security, prosperity, social justice and the prospect of fulfilment. However, over the past 20-30 years conditions have changed, and these aspirations can no longer be delivered by purely internal means – we must also look out at, and work with, the world around us.

At the same time, 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.

### **Two contrasting examples:**

The recent publications of cartoons in a Danish newspaper had severe global repercussions. If we in Europe think we can continue to act without considering our external footprint we will increasingly fail to deliver. Like it or not, we in Europe are seen from outside as belonging to a single actor.

At the same time opportunities are opening up. In China there is anticipation about Europe and the role we can play in shaping the global system. Chinese leaders are



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showing increasing willingness to have forward thinking conversations with Europe – for example on the subjects of energy and climate change. They 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.

We can contrast this however with the current European fear of the rise of China's economy and the dysfunctional approach of member state governments – there is a competitive, reactive and often opportunistic engagement with China, but not a strategic or proactive one that seeks to invest in the stability of China. This European dysfunction can be seen however as a sign of the condition of Europe itself rather than a failure of Europe's 'China Policy' alone.

In trying to develop a coherent sense of purpose for Europe in the world the following questions must be considered:

1. Do we need Europe to be a global leader for sustainable development?
2. Do we as Europeans want this?
3. Do we have the capacity to achieve this task?
4. Is it legitimate?/ Do we have permission?

Looking at these in turn, it is clear that improved European leadership is required on many of the key issues thrown up by the radically increased interconnectedness of our globalised and resource-constrained world. For our own sake alone, without European action to protect and extend the rules of the multilateral world, 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.

Additionally, there are clear signs that there are strong alignments of citizen values and aspirations that support the view that Europe could and should play a stronger role in the world. This offers an opportunity to reconnect the European project with the concerns of citizens.

When we come to the question of whether we are able to play an improved leadership role, we can be positive about the great historical, institutional and knowledge capital that Europe has obtained throughout its history – often from bitter experience. The European Union itself is the world's most successful experiment in sharing sovereignty while maintaining diversity. We can be sure of the value of what we have, yet we need to learn how to share this experience globally – we do have something to say to the world, not as if it is a magic formula that can be copied, but we can have more self-confidence in our achievements and the interest of others in taking a similar path.



**Summary of Discussions**

The legitimacy issue often strikes at the heart of European self-doubt and reticence in the light of our colonial pasts. In fact, polling evidence shows Europe is widely seen as a force for good in the world but is also criticised for not fulfilling its potential. These views have of course been thrown into relief over recent years due to the comparison made between the actions of (most of) Europe as opposed to those of the USA, yet these positive perceptions do provide an international basis of legitimacy.

Europe needs to learn how to use this wisely – an example of how it has learnt to do this is with China – starting to engage on Chinese concerns of energy security rather than simply wagging a finger about the Chinese impact on climate change.

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. An appropriate example of this for Berlin is the widespread European dislike of dividing walls – instead Europeans seek the enlightenment values of universalism, multilateralism and the rule of law.

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. What platform is there to deliver the required energy?

**Key points raised:**

- Self-perception and being seen by others are two sides of the same coin. Both of these feed off each other.
- Europe has a limited timescale available in which it can influence the international system in ways which support our long term interests. Are we really investing enough resource in making this happen? (Think back to the amount of effort the USA put into securing agreements at the San Francisco founding conference on the United Nations).
- It is interesting to see that Europe is now suddenly more aware of resource limits when we now see the footprint of others impacting on our interests. We of course still have one of the biggest resource footprints – we will need to lead by example if we want other countries or regions to follow our lead. We cannot be isolationist within our own borders – we must promote a global approach.
- Although there are undoubtedly shared European values, is there really a clear majority of citizens who are prepared to back calls for personal responsibility in an age where advertising increasingly appeals to avarice and 'effortless' technologies?

Summary of Discussions

- The initial push to European integration came as a response to the threats of a bipolar world. It is no surprise that Europe therefore feels lost now.
- It is interesting to see how more positive views of Europe from abroad – for example Jeremy Rifkin's book.
- European institutions are viewed as linked to the spread of globalisation, and are therefore blamed for the negative externalities of increased trade and competition by many Europeans suffering from unemployment or insecurity.
- The central thesis is inspiring, but is it going to happen? There seems to be a feeling that the expansion from 15 member states to 25 has still not been fully digested. It might have been possible for the EU to act more coherently with the previous 15 member states alone, but it is vastly more difficult now. The EU is also becoming more southern and eastern and that is having an impact in terms of culture and political approach.
- There surely has to be doubts about the competency of the EU institutions. Is it any surprise that the constitutional referenda failed in France and the Netherlands? The referenda were scheduled amidst a series of events with negative connotations for many citizens – expansion of the EU, the possible inclusion of Turkey, the dispute over trade in services. No Prime Minister would have set out on the ratification process in an election year – the way the EU approached it was unprofessional.
- Is there a willingness amongst member states to shift power on some matters to the EU level? (not necessarily EU institutions). The details of policy are still very national in focus and a shift to Europe would not be seen as good for the careers of many civil servants.
- There is the start of a trend in Europe to talk about the eventual export of democracy to China, but is there not the risk that in fact the reverse could happen?
- On energy and climate issues, China is getting on with making things happen. It takes the best policies and implements them – including the EU vehicle emissions standards.
- The power and influence of Europe could be immense, but there needs to be clarity as to what the EU's goals are and how each member state contributes. The current approach is not working – for example the EU is a laughing stock in respect to its attempts to reform the power sector. It sometimes seems that the EU just wants to be a listener rather than a leader.
- It is good to be having this kind of meeting outside of the Brussels bubble, particularly as many of these issues can be broken down to the national level in terms of their discussion in the media and at a cultural level.



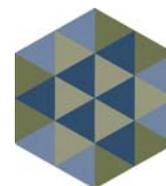
Summary of Discussions

- If we consider the experience in Germany, the two main types of actors on European issues are the sectoral government ministries and interest groups / lobbyists. There is almost no debate in the media or parliament – not even on the Lisbon agenda. If we don't have an audience for these discussions within member states, then how can we show why Europe is important to citizens?
- It is interesting to compare the two areas of widest public debate in Germany – the environment and Foreign Policy / Security. On the first of these there is a strong European dimension, yet on the second hardly anything.
- The Pope may not have had battalions in the fight against communism, but did ultimately 'win' – we should be positive that conditions are not so dire in Europe, but concentrate on shaping them politically. The movement from an EU of 15 member states to one of 25 is now a historical fact and we should get on with it. Expansion has had a positive impact in many areas – it has helped move energy issues higher up the agenda given the proximity to Russia. The Polish president is strongly anti-integration, but strongly for an EU energy policy. There is an opportunity to build one with a strong climate change component.
- The crisis in Europe is about outcomes. It is not a question of steering wheel ownership, but one of whether the steering wheel is connected to the motor and the wheels. This means that we need to build a political vision that has a means of delivery – a long-wave problem!
- Two examples come to mind from this – one relates to the budget review in 2008: how do we raise and spend our money in the EU? The second one is the question of Turkey – surely the question is not "Shall we allow Turkey in?" but "What is it that Turkey may or may not desire to join?"

## **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 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.

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 increases incomes and eases the pension burden.

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.

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.

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.

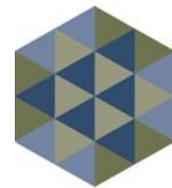
The full introductory paper 'Europe in the World: Elements of a New Economic Narrative' provides a more detailed starting point for ongoing discussions.

**Key points raised:**

- Isn't there a contradiction between high levels of youth unemployment existing while at the same time we are told we need to work longer and absorb more immigrants?
- In the new EU member states unsustainable infrastructure development is being promoted by the EU (and particularly by EU15 companies).
- The EU began as a project of economic regionalism. What is the dividing line between 'economic nationalism' and a striving for local sustainability?
- Perhaps the lack of confidence in the European economy can be seen to be part of an effective political strategy for a certain part of the elite – recent increases in GDP have done to an ever smaller segment of society. The elite need to realise that this strategy is counter-productive.
- An aggressive liberalisation of services to improve European performance is an interesting idea, but it needs to be done carefully – example of the railways in the UK!

Summary of Discussions

- There are significant barriers to entry and innovation as a result of the cartelisation of many sectors. The burden of proof needs to be turned away from the cartels in favour of increased efficiency. This should be presented as a progressive and environmentalist argument rather than allowing a kneejerk anti-Lisbon agenda approach to dominate NGO debates.
- A positive, forward-looking message is required – what are our assets and how can we use them? The European Parliament is very keen to promote resource efficiency.
- It is interesting to see that China is moving ahead with plans to create a measure of 'Green GDP' – visible impacts seems to make this higher up the agenda.
- There seems to be several different debates around the economic nationalism topic. One is the debate between government involvement in setting industrial policy versus liberating the free market. The other is between economic independence versus interdependence. For example, Thomas Friedman is now promoting 'energy patriotism' in the USA. The final one wrongly conflates a desire to support local and smaller businesses and limit transportation emissions, with protection of national enterprises.
- The main issue is a need to guard against the protection of inefficient companies purely because they are 'national'. Economic nationalism in the long run doesn't provide security and prosperity.
- On the second point, it is important to remember that trade interdependence is necessary for our security – we cannot survive living in a 'fortress Europe' and we need to engage with others. The crucial thing is the maintenance of the rules under which we trade and economic nationalism can be a threat against this. This does not prevent consumers from supporting local production and ensuring businesses pay the full costs of pollution and resource use they impose on society.
- We need to move beyond the false choice between 'Anglo-Saxon' and 'Social Europe'. This is also seen in the opposition between the supporters of the Lisbon Agenda and those of the Sustainable Development Strategy. There is an overall need to invest in the conditions required in order to maintain prosperity – this means securing public goods such as climate security. These also bring private benefits, so a key question is how best to use public money in order to stimulate private take up.
- Given the impact of globalisation, the next 25 years may see more profound change than the whole of 1900-2000. Given that context, is it possible to plan at all?
- It is illuminating to see what former members of government are now doing in the corporate sector – the influence of major companies is far greater than perhaps we think. Yet they too surely have an interest in transnational global governance.



**Summary of Discussions**

- We need to bring political propositions to life on these issues – this is not a case of being right or winning arguments, but is instead an exercise in political transformation.

**Overall Conclusion**

Some key clusters of consensus were identified over the course of the meeting. As a starting point, the focus of the EU on Peace, Prosperity and Social Justice was seen to still hold true.

The nature of the international system, and the EU's position within it, were seen to be changing. Participants acknowledged the appearance of a new balance of global political power, being linked in particular to the economic rise of new players, especially China. As economic competition over natural resources increases globally, awareness is increasing of the impact of national and regional economic footprints. In this context, and despite some internal lack of coherence, the EU has a valuable asset: its experience of sharing sovereignty is key to tackling problems of interdependence such as the ones provoked by this new world order. Moreover, the poor opinion Europeans have of themselves has to be reconsidered in the light of the generally more trustworthy way in which Europe is seen from the outside.

Europe was also seen to face a series of economic challenges on issues relating to jobs and unemployment, demographic shifts, economic competitiveness and growing resource constraints. Necessary steps to take if we are to relaunch the European economy include: reformulating the way in which we measure economic success (using the HDI rather than the GDP can be better in some respects); being able to undertake smart investment at both home and abroad (particularly in our neighbours); and breaking the barriers to innovation through targeted liberalisation and the better integration of immigrants in our workforce. To succeed, Europe needs to be a vibrant and attractive place.

Some initial possibilities were identified as to how the EU could respond to this situation, considering the problems faced and resources it could draw on. At the political level, there is an obvious lack of European public debate with conversation mainly elites-led and nationally-focussed. There is similarly a lack of self-confidence in the abilities of Europe, and citizens are worried for their future. Thanks to the many assets Europe has at its disposal, however, it could well overcome these obstacles if it was to take on the right vision to be a force for good in the world, relying on the fundamental values shared by all European citizens.



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To conclude, two perspectives could help influence Europe's future strategies and priorities:

- The EU has a few decades available to shape the future of the international system. Europe still has economic clout during this period, but so has Nature – there will likely be increasing impacts of resource competition and climate change.
- Interdependency means that we must all do well. China must come with us – it is not 'us or them'

### 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. What those choices are is still unclear, as are the possible platforms available for presenting those choices.
- E3G will be undertaking further thinking events in Paris, Budapest, London and Brussels over the coming months. These will contribute to the refinement of the narratives discussed at the Berlin roundtable, and will serve as inputs into the planned political pamphlet currently under development.

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