

## “How will the EU look in twenty years time?”

London, 14<sup>th</sup> December 2017

### CONFERENCE REPORT

#### Introduction

In this last of the current series of discussions on the post-Brexit landscape, the speakers addressed the challenging and very wide-ranging issue of how the EU might look in twenty years time.

Introducing the panel, **Brendan Donnelly**, the Director of the Federal Trust noted that it was Henry James who on being asked what he thought the future might look like answered that it would “resemble the past, except where it differed”.

#### Panel Discussion

**Dr Kirsty Hughes**, the Director of the Scottish Centre on European Relations, referred to the phrase, “paradigm shift” recently by the Secretary of State for Exiting the EU, David Davis. Dr Hughes observed that there “had been both continuity and a lot of change” since the 1970s. Keynesianism had been replaced by neo-liberal economics. The world was “more uncertain, more unpredictable”.

The EU would still exist in 20 years but its share of goods and services in world trade would not be as great as currently. India and China would be at the top of the league with the US. France and Germany would move to the bottom of the top ten global economies (measured at ‘purchasing power parity’). Within that general shift several issues would remain key challenges for the EU. The growth of Africa’s population and the static or declining scale of the EU population meant the EU should open up more legal pathways for migration but instead EU politicians were likely to continue to treat migration as a cause of concern and continue to attempt to build a “fortress Europe”. Moves to harden EU borders in this way and to direct EU development policies to Africa to stop flows of people also challenged the EU’s values and global image.

Climate change would be another global challenge. While the EU would continue to be relatively progressive on this issue, the rise in global temperatures would continue and create a range of problems, including displacement of people, and conflict.

Another theme was democracy which was under challenge on a number of fronts. The move towards more authoritarian government in Poland and Hungary is of concern and such concerns may continue. The rise of populist politics and an “unstable neighbourhood” all pointed to problems which would still be with the EU in 20 years.

EU solidarity has been under pressure – as seen in the euro crisis, the migration crisis and indeed with Brexit. Dr Hughes suggested that the EU might lose as well as gain members over the next 20 years if anti-democratic challenges and refusal of solidarity continue. For example, Hungary might, if current trends continue, leave the EU.



Regions would become politically more important. The UK would leave the EU but the chances were high that Scotland would become independent in that period and join the EU as an independent member state. The eurozone might lose several of its members over the 20 years as the differences and strains within the eurozone deepened. The UK would sit in its own separate niche outside the EU – the chances of creating a ‘concentric-circles’ EU where the UK was, for instance, in an outer circle with Turkey and Ukraine looked unlikely.

**Andrew Duff**, a former member of the European Parliament, and President of the Spinelli Group opened his remarks with a quote from the Lib Dem leader, Nick Clegg who, asked after the UK referendum result how the EU would look in twenty years, simply replied “Just the same as it is now”.

This was in Mr Duff’s view a tepid response from the pro-Euro side of the argument. “If nothing would change, what was the point?” There had to be more developed thinking. From Mr Duff’s standpoint, there were at least three “certainties” and two “desirables” to be encountered when forecasting the future of the EU.

The first certainty was that the EU would become more federal. This was logical and in mature democracies logic “in the end plays out”. A corollary of that was that the EU would establish a Treasury as an instrument of microeconomic stabilisation. This was long overdue --- the US had established its Treasury before introducing a single currency and after it had produced its Constitution.

The second certainty was a common asylum and immigration policy on a controlled and managed basis enhancing the social dimension of the single market.

Thirdly, more defence cooperation was inevitable, spearheaded by a core group with three common criteria: commitment to more integration, commitment to more funding of defence and a strong existing defence capability. The pace of this cooperation would depend on external events: war for example would accelerate this process.

Of the two “desirables”, the first was a rationalisation of the Direct Payments System with particular regard to the CAP where the process of reassigning subsidies to farmers back to the national states would improve competition and benefit consumers.

The second desirable would be the UK, having left the EU and experienced the cold winds of splendid isolation, finding the more federal EU a factor of stability which it would be interested in rejoining. Even if this rosy scenario was to be played out the “British problem” in its relations with Europe would most likely persist.

Asked if Germany under Frau Merkel would allow such a turn of events, **Hans-Hartwig Blomeier**, the Director of the Konrad Adenauer Stiftung in London diplomatically answered that he had been “humbled” by Mr Duff’s certainties but “no-one knows what will happen in the next 20 years”. Above all the different perspectives of more than 27 nations made it difficult to pin down the common analysis. The “glass was half-full” but there were many differing opinions. Had enlargement been an undiluted success? How far was political union desirable? The common currency had been established as one of the most powerful currencies in the world but there was still a long “to do” list.

In the meantime there were several pressing short-term challenges. First of these was the integrity of the Single Market which “awaits completion”. Tax avoidance, harmonisation of corporation tax and other factors prevented consistency. Second was the future of the Eurozone and the distortions created by the weakness in Italian and other European



banks (including Deutsche Bank). The long overdue appointment of an EU Finance Minister continues to defy any search for consensus.

Thirdly, there was an imminent challenge for Europe on defence and security. There were “massive external threats” and the current procurement processes were wildly inefficient and irrational.

Fourthly a common Immigration and asylum policy for the EU was long overdue. Recent polls showed that 69% of Europeans were in favour of such a policy. Donald Tusk had recently pointed out that in times of international stress “national policy prevailed”. There were inbuilt inconsistencies in the EU. For example Schengen undermined any quota system the EU might choose to implement.

There was also a pressing need for a European neighbourhood policy. As the Brexiteers were fond of pointing out the EU did not equal Europe. There were at least three tiers of European neighbourhood including those within Europe such as the UK and those beyond Europe’s boundaries such as Russia.

Added to these challenges was the current leadership deficit. Macron, the “new kid on the block” was “still under observation”. For all his dynamism he had yet to deliver in France, let alone in Europe.

Yet another challenge was the presence of the populist parties. Was the Austrian example where an old established right wing party had neutralised the populist challenge, a development capable of export? But both Sebastian Kurz, the Austrian chancellor and Macron were consummate media performers capable of appealing to a wide audience.

Finally there was the challenge of delivery. Could the EU deliver economic success, social justice and harmony and security? This was a massive challenge as economic success increasingly was benchmarked against Asia. At the same time if public support did not reengage with the EU, “there would soon be no EU”.

Talk in this context of a United States of Europe was still unrealistic even “ludicrous”. Martin Schulz’s remarks along these lines had to be seen in the setting of his domestic party audience. Schulz was a “Traumtänzer”, a dream dancer. Herr Blomeier was rather more inclined to the advice of the commentator Timothy Garton Ash who called in the Financial Times for a “European Year of Silence” while “the plumbing was repaired”. This was a metaphor which for all its banality contained a kernel of truth.

The debate was then opened up to the floor and a lively Q&A ensued.

### Questions and Discussion

Many of the questions challenged the speakers on their assertions and posed suggestions as to how the EU might weather the political storms of the next twenty years. Several focussed on whether Europe could make itself “more attractive” while pursuing the twin goals of reform and of greater integration.

**Andrew Duff** praised Macron for his determination to eliminate corruption, tackle the CAP and other “sacred cows” of French domestic politics. The true fault lines in European politics revolved around the nationalist and the federalist agendas. A new political leadership was necessary in many European states

**Kirsty Hughes** did not think the EU should adopt a lower profile. Macron’s speech showed strategy and vision. There was a need for more political debate in the EU – perhaps less consensus and more disagreement, the politics of left and right still



mattered. There was a need for a robust challenge to neo-liberal economics and the fact that there was a renewed focus on industrial strategy was welcome.

**Hans-Hartwig Blomeier** struck a note of caution. A “new enthusiasm for Europe” was not enough “to get the people along”. A greater awareness of what Europe had delivered was necessary. The EU’s achievements in many fields remained unacknowledged. “The good stories were not told”. The era of grand coalitions in Brussels and Germany had blunted “real political cooperation”.

With regard to the discussion around neo-liberal economics: Germany, he insisted, had a social market economy and a high standard of social welfare as well as strong growth “precisely because it was not a neo-liberal economy” embracing unfettered capitalism. In a later round of questions the issue of an “East-West Divide” within the EU was ventilated. It was pointed out that with the exception of Denmark, all the countries of the EU (post-Brexit) were committed to joining eventually the euro. Related to that was a question concerning Germany. Had Kohl been right in saying the choice was between a Europeanised Germany or a Germanised Europe? How could Germany justify its 7% surplus? For how long would the larger states within the EU tolerate the veto rights of the smaller states? Will the EU in twenty years time be capable of influencing the world or will it simply be just reacting to it?

In attempting to answer these questions, **Hans-Hartwig Blomeier** stressed that the East/West Divide was certainly bigger than the North/South Divide. Common values were being questioned but support in recent opinion polls for membership of the EU in Poland was high. The way forward to “make the Eurozone work” would without doubt involve “Treaty Change” but “this would open Pandora’s Box”. The issue of Germany’s surplus had a political as well as an economic dimension. “One cannot persuade easily German voters to redistribute this surplus. We underestimated the difficulty of this”.

**Kirsty Hughes** argued that the German surplus was holding back growth across the EU. It was not a question at all of giving it away but rather of boosting Germany’s demand and growth which would mean the surplus would disappear as Germany spent more (at home) and that would benefit the whole EU.

With regard to the East/West Divide, Dr Hughes considered that the EU should have moved more strongly and earlier to challenge anti-democratic developments in Hungary. Politicians in countries such as Slovakia were concerned that such a divide did not develop further – and in general these countries still wanted to be in the mainstream of the EU.

**Andrew Duff** said that the question as to whether the EU would be a protagonist on the international stage was linked to the quality of its political leadership. On the issue of the East/West Divide, it was clear that “the transition from the Soviet system” had taken “longer than was expected” and was indeed “still taking place”. Russia’s role as unhelpful neighbour would continue for as long as Putin remained in power.

The absence of the UK following Brexit would assist reflection and improve the instrumentality of the EU’s developing Defence and Security policy. Treaty change was inevitable following Brexit but this would lead to a strengthening of the EU’s institutions. EMU would assist this process. Macron had spoken of reforming CAP, a staggeringly bold remark for a French politician to make.

To the question whether the EU Budget would be shrunk following Brexit, Mr Duff replied “not necessarily”. There was a strong case to argue that the budget might well be increased. A sense of European nationhood was being developed and transactions



across the bloc were knitting different economies together. The budget ceiling could rise from 1 to 1.2% but there would have to be a way of cutting out the National Finance Ministries and accessing revenue directly from tax-payers.

Developments in Hungary were not encouraging. The public vilification of George Soros made frequent use of anti-semitic sentiments and one was reminded of the story of Helmut Kohl giving Hungary's Prime Minister Orbán when he was a young man a memoir containing Mitterrand's famous statement that "Nationalisme; c'est la Guerre".

**Kirsty Hughes** noted that however Europe developed over the next 20 years, European countries would always have to cooperate. Brexit had, ironically, created more solidarity and unity in the EU27 but it would take other positive political developments for this to continue.

### **Conclusion**

Summing up, **Hans-Hartwig Blomeier** insisted that "there was no chance of the EU falling apart" whatever its challenges and problems. Helmut Kohl may have given a book to Hungary's Viktor Orbán quoting Mitterrand's warning about nationalism but it was clear that Orbán had never bothered to read it. Nevertheless many in Europe had taken Mitterrand and Kohl's message to heart. The EU would weather these storms and in some cases even benefit from them (e.g. EU Defence policy following Brexit).

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