

jubilee dialogues

Conference report



Foreign &
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Office

Europe and the world in 2023

In association with:



Wilton Park



Conference report

Jubilee Dialogues: Europe and the World in 2023

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This discussion was the second in the Jubilee Dialogue series in which external experts provide their views to Government on a key foreign policy subject. It brought together a group of international experts to explore political, economic, social and environmental trends over the next ten years and consider what they mean for Britain and Europe.

The discussion was structured around three questions:

- How is the world changing, and what will it look like in 2023?
- What are the principal opportunities and challenges that Europe will face?
- What policy decisions should Britain and Europe take in 2013 to enhance our future prospects?

“Europe should work for the whole of its civilisation to be adopted, not just parts of it.”

Introduction

1. Europe’s achievements since the Second World War remain considerable. Despite the impact of the recent financial crisis; it is currently the biggest single market in the world; its population enjoys some of the highest living standards; it has carried out a successful process of enlargement, most recently towards the East; it remains relatively secure and its states work together to solve political problems, thus avoiding the violent conflicts of the past. Even if the institutions of Europe are currently undergoing a period of particular stress caused by the Eurocrisis, the creation of the single market stands out as one of biggest economic successes of the last century.
2. At the same time, Europe appears uncertain of its place in the world. There is growing disaffection amongst its national electorates, which, at its worst, is leading to the resurgence of extremist political ideologies which the European project was designed to overcome. The stress of the recent financial crisis and the diplomatic pressures of a new multi-polar world require Europe to address long term economic and structural weaknesses and to develop new ways of thinking about the world. How Europe faces up to these challenges will determine how it looks in 2023.

“If there is no framework, then there are no limits on how to behave.”

Lack of a unified and stable international order

3. Since the fall of the Berlin Wall in 1989, the spread of open markets and democracy in various forms has continued to advance in the majority of countries - not just in Europe. Even where authoritarian regimes are in power they are less draconian than their past incarnations and they recognise that they need to reform.
4. However, at the global level and in a historical context, there is also a feeling that an opportunity to establish a comprehensive and lasting international order was missed in 1989. Many countries enjoying economic success in a new multipolar world are not liberal democracies. Newer democracies are less supportive of the concept of using

foreign policy to directly advance democratic and human rights norms, preferring to prioritise the right of sovereign nations to decide their own affairs.

5. The current international system is not fit for purpose. The world needs a system with binding rules which powerful states will accept and whereby countries perceive that there is a common interest in abiding by an agreed set of rules. The institutions that have been in place since the end of the Second World War need to become more relevant to the current context and this change is not happening quickly enough.
6. There is a lack of a unifying positive vision of how the world should be. Many countries, including the most powerful, do not appear to have a meaningful conception of how the international order should be structured and what rules should govern behaviour. Europe does have a world vision which it hopes others could adopt - one based on the rule of law and which operates in a cooperative way - but it lacks the capability to secure it. A sense of balance or normative agreement which has existed historically in the international order is now missing.
7. Many newly empowered states now capable of exercising influence. Emerging powers increasingly want to have a say in world affairs. As well as continuing to strive for growth they have a clear view of the status they deserve and are willing to influence norms if they are recognised as actors in the global system.
8. Europe needs to change its approach and be more willing to listen when engaging in dialogue with emerging powers. There is a sense among emerging powers that Europe is reluctant to change its perspective on the realities of global politics and is not finding common ground or striking an appropriate balance of influence.

Economic prosperity

9. In recent years, economic power and influence has shifted to Asia and Latin America. Although this presents a challenge in the form of more aggressive economic competition, there are also opportunities for Europe in the growth of emerging markets. Emerging powers need to maintain growth rates and avoid the “middle income trap”, as well as introduce reforms such as promoting the rule of law, property rights, and education. These reforms are difficult to achieve and require tackling vested interests, corruption and cumbersome bureaucracy.
10. Europe also faces the danger of future instability emanating from these markets, as increasing investments from emerging powers will potentially expose the economy to serious shocks similar to those recently originating in the US. Helping to build an international system that corresponds to the current economic realities and reflects its needs will serve to avoid this. Europe should seek to take advantage of these opportunities, manage the risks and avoid the false promises of protectionism.
11. Fundamental political, economic and institutional rethinking is needed to ensure the future prosperity of the European economy. The Eurozone crisis is sleeping but not dead and although the tools exist to remedy it, in the form of further banking union, the political leadership necessary to take these steps is still lacking. Global investors are keen for secure opportunities but markets are beginning to be suspicious of the viability of the European economy. There is also an aversion in Europe to the risk element which is crucial to capitalist competition, for example capital markets are being reduced in favour of traditional banking.
12. Europe needs to decide which sectors are crucial to enable it to compete most efficiently at the international level, such as energy, telecoms, technology, transport, and finance. Despite the historic success of the Single Market, coordination in these areas is either incomplete or going backwards and innovation is sorely lacking. Europe has to confront its problems of competitiveness and sense of entitlement, and cannot afford to ignore potential benefits which require some cost, such as new energy opportunities.

“There are three sources of legitimacy: output in terms of results achieved, input in terms of process, and solidarity or social cohesion.”

“Europe faces the challenge of staying true to its democratic traditions but leading people to see that they cannot have it all.”

European institutions and governance

13. The financial crisis has revealed structural weaknesses in the European project. The problems of creating the Eurozone as a single currency union continue to unfold and expose flaws in the wider institutional design, which has had severe political repercussions. Electorates are sceptical of institutions, national parliaments continue to battle for influence and the process of reform is clumsy and requires agreeing on new treaties. The willingness to fundamentally question institutions needs to be matched with pragmatism. It is crucial to the future of Europe to decide which of the possible socio-economic models is followed.
14. Despite the recent problems in the Eurozone, the currency remains viable in terms of market perception and is an instrument which the European institutions can use to leverage change. Yet the level to which attention has focused on the crisis has meant that political leadership has been unable to address other long term or future problems.
15. Pressing issues are not receiving enough attention, for example the demographic pressures of an aging society or increasingly expensive welfare and healthcare provision. Key problems inherited from previous political systems were not properly addressed during the reforms of accession. The uneven effects of the financial crisis have exacerbated some of its underlying causes, including an increase in the relative share of profit between capital and labour, the disproportionate income between skilled and unskilled labour, and the disparity of opportunity between generations. The gaps in the Single Market are widening and further integration is needed if it is to survive.
16. The institutions of Europe need to adapt if they are to avoid a potentially disastrous challenge to its democratic traditions. The Eurocrisis is not the sole reason for the rise of populism, but parties in many countries across Europe have successfully latched onto disaffection as a result of it. The standards of living which electorates are accustomed to now appear unsustainable and Europe faces priorities in terms of what it can afford. Young people are not engaged with traditional political elites and there are a range of new drivers to social movements available through the internet and social media. The splintering of interest groups and rate of change has led to a crisis of legitimacy where it is difficult to see how majority support can be established to deliver a programme that electorates are willing to tolerate and which engages them responsibly in the democratic process.

Security

17. A traditional “great power” conflict is increasingly unlikely but the emergence of new security threats will need to be addressed, for example cyber-crime, terrorism, non-state actors, and piracy. Europe needs to develop a comprehensive strategy to address these threats which is not based on the conventional understanding of warfare and utilizes all the tools at its disposal. The expertise of the Commission can also work with others on issues such as climate change, immigration, and banking regulation.
18. The lack of resources available due to budget cuts will inevitably lead European countries to consider how best to balance the pressure to share or pool resources with the ability to defend themselves effectively - something which governments and the electorate continue to see as a defining point of the self-determination of a state.
19. Europe will have to decide to invest in hard power capabilities if it wants to be able to defend itself alone. This will become more of a priority as the US adopts a less active role in establishing global security and if the role of NATO is reduced. Germany is well placed to lead this process due to its budgetary flexibility but remains sceptical due to historical reasons of the need to develop a capacity to project force. Currently there is no appetite amongst the population or officials to shape a different debate about what role Germany should play in bringing about a safe world. This is perhaps one of the main reasons why no clear European defence strategy has been developed.

Europe as an international actor

20. Europe wants to promote democracy and protect its security and geo-political advantage at the same time. In the future Europe will have to prioritise more and make tough choices. The biggest economies in the world - US, China, Germany - do not run a fully developed comprehensive welfare system and a military machine operating in tandem, but rather prioritise one or the other. Europe may have to decide if it wants to maintain a social democratic model or a tougher, leaner conception of the state with the ability to project more influence internationally.
21. Europe faces challenges in its own neighbourhood. The enlargement process to date has been successful, but there remains a small list of obvious candidates for membership and the positions of Turkey and the Eastern European partnership countries are yet to be resolved. Promising opportunities for political and economic engagement also exist within North Africa, particularly in Morocco due its richness in agricultural and Algeria for its supply of natural resources and sovereign wealth. However, the recent economic and political crisis may have diminished the appeal of the EU model.
22. There is a tendency to deal in generalisations in international relations, for example as if the "BRICS" or the "East" represent singular entities with common interests, or a "multi-polar world" has one meaningful definition. Europe can be more subtle in its appreciation of the differences of political systems and national interests within regions.
23. It is important to understand the perspectives of other nations. For example, the US is not interested in Europe for its own sake but for what Europe can do to help shape the international system, for example through collaborative efforts to set rules and impose costs such as Transatlantic Trade and Investment Partnership (TTIP). Russia continues to have leverage over Europe in terms of energy provision and has no vested interest in seeing the values of the EU spread. Although it is unclear what its priorities will be in the future, China does have a compelling foreign policy strategy in the form of the relentless pursuit of the energy it needs to maintain growth. Its policies in Africa to date have demonstrated this.
24. Europe needs to act collectively to meet future challenges yet member countries often follow their own agendas, for example Germany bases its foreign policy on economic objectives and can be seen to have acted closely with China against wider EU interests, whilst the UK continues to have a strong relationship with the US.
25. It remains to be seen how the EU's model of diplomacy can take its place in the new international system. The EU is clearly seen to be a powerful economic bloc but there is work to be done to ensure it is a political unit capable of projecting influence. In forging this place for itself the hardest things to do may be the most influential, for example reform of the Commission. How Europe can successfully engage internationally over economic and security issues is yet to be determined.

"Europe should worry less about itself and more about the rest of the world. International order is what we lack."

"Who is capable and efficient enough to command authority and make a change?"

Conclusion

Europe has achieved much in the last century towards maintaining peace and prosperity but recent challenges make the future appear uncertain. The political and economic structures that led to the longest period of peaceful prosperity in European modern history are currently undergoing a level of stress that requires bold solutions if Europe is to remain at the forefront of international affairs. How Europe looks in relation to the rest of the world in 2013 depends largely on how successful it is in reforming its political structures, reviving the economy and remaining relevant to its citizens, particularly those of future generations.

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