



Wilton Park
Harnessing the power of dialogue



Images courtesy of John Lamb/Getty Images, tjuel, LaertesCTB & narin-flickr

Conference report

**British-German Forum: Delivering a secure and
prosperous future in a fast-changing world**
Monday 11 – Friday 15 July 2011 | WP1095



Conference report

British-German Forum: Delivering a secure and prosperous future in a fast-changing world

Monday 11 – Friday 15 July 2011 | WP1095

The 2011 British-German Forum convened around 50 of Britain and Germany's young 'high fliers' (aged 25 – 35) to explore and discuss the threats and opportunities facing their respective countries and the wider world. The Forum was funded with support from the Robert Bosch Stiftung, PricewaterhouseCoopers and the Foreign and Commonwealth Office.

"There are huge challenges in Europe but also massive opportunities. Great scope for a new grand bargain between Germany and the UK"

Key points

The 26th British-German Forum addressed the delivery of a secure and prosperous future for Britain and Germany in a fast-changing world. The theme allowed scope for a wide-ranging discussion on the threats and opportunities facing Britain, Germany and Europe and how these threats could be tackled in the future.

The current crisis in the eurozone within the ongoing austere global economic climate, the implications of increasing resource scarcity, and the impact of rising extremism underlay and interlinked many of the Forum discussions. Debate focused on the role Britain and Germany can and should play in this changing global climate both at home and overseas, and the differences and similarities in their current and future foreign and domestic policy.

The Forum discussed the changing global order; aspirations for the future; national and overseas security threats; resource scarcity; domestic challenges; and the economy.

Key threats identified included the euro crisis, resource scarcity (especially energy scarcity in Europe), the rise of extremism, changing demographics, and a lack of social cohesion. Broad consensus was that the eurozone should probably continue but that it was unlikely to do so in its current form. The consequences of resource scarcity should be higher on the decision-makers' agendas. More investment was needed in research and development for alternative energy sources. Governments also needed to prepare better for the challenges of an ageing population, with stricter policies on retirement packages and a change in pension age. Better education was crucial to improving social cohesion, promoting integration and closing the socio-economic inequality gap, which would help address some of the grievances that allow extremism to flourish.

Britain and Germany would not always respond in similar ways to these problems. For example, they would be likely to take different paths in their energy transitions, with Britain increasing its use of nuclear power and Germany phasing it out. Britain and Germany's approach to military intervention overseas was also likely to continue to be different in the future.

Britain and Germany, despite some obvious differences in their approaches to countering threats, needed to work together more in the future and collaborate on a bilateral, multilateral and EU level, sharing skills, knowledge and technology in order to help deliver a secure and prosperous future.

Summary of conclusions

At the end of the Forum participants took a forward look and presented practical suggestions for how Britain and Germany could deliver a prosperous and stable future. Recommendations (many generally agreed but some more radical and disputed) included the following:

- Demographic challenges:
 - Mandatory pension contributions (suggested figure of 20%) in order to tackle demographic issues of an ageing population;
 - An increase in pension age to 70;
 - EU level support programme for women who wish to return to work;
 - An increased education budget for research and development to tackle an increasingly disenfranchised youth;
- Education challenges:
 - Education and professional exchanges above and beyond current Erasmus programmes. For example lessons could be learnt from the German engineering college soon to open in London;
 - Exchange of best practice and research within education systems;
 - Community-led initiatives to help combat social exclusion, for example, through sport;
- Social cohesion and integration:
 - Britain and Germany to cooperate more closely (on an EU level) on crime, terrorism and integration;
 - A Bill of Responsibility (in addition to the Universal Declaration of Human Rights);
 - A common language for the EU (to give the EU a competitive edge and sense of unity);
- The economy and the eurozone:
 - A comprehensive and unified approach to Greece (Italy, Ireland and Portugal)
 - An insolvency agreement for Greece;
 - Prioritisation of governments' budgets and debt elimination, finding savings in cancelling big ticket items;
 - Bail-outs and restructuring within the eurozone;
 - More transparency on fiscal policy at government level;
 - Universal free pre-school child care so more women could go back to work;
- Resource scarcity:
 - A medium-term national energy strategy;
 - Stricter EU carbon sanctions;
 - Investment in a sustainable future, for example by banning plastic bags and bottled water in developed countries;
 - Incentives for the development of low carbon technologies, for example by giving tax breaks to technology companies, or low interest loans to citizens who change their lifestyles;
 - Capacity-building in developing countries to help tackle food insecurity;
 - Investment in a desalination policy to tackle water insecurity;
 - Long term infrastructure investment through an executive agency (to help provide continuity).

A changing global order - where does this leave Britain and Germany?

1. Three key forces have shaped Europe today: democratisation, the pursuit of prosperity, and international institutions. Since World War Two Europe has played a leading part in shaping world decisions, but as other global forces emerge, the role to be taken by the coming generations is less clear cut. Britain and Germany will need to work together in order to respond effectively to the challenges ahead. However, there are some key differences of opinion regarding the current policy challenges in Europe:

- I. Libya - foreign policy disagreement between Britain and Germany on the acceptability of foreign intervention (with Germany being the only EU country to abstain on the UN resolution on intervention)
- II. Nuclear power - Germany has a new policy to abandon nuclear power by 2022,

"No-one died as a direct result of radiation from Fukushima, but around 40 died in Germany from organic bean-sprouts"

whilst Britain has announced eight new nuclear sites

III. The euro (+ Greece) – differences of opinion on the seriousness of the problem, the solutions, and the timetable to tackle Greece's budgetary difficulties (although the UK is outside the eurozone, the health of the UK economy is directly linked to the fate of the euro)

2. The shift in influence from the G8 to the G20 represents a move from an era of Western dominated decision making to a new multi-polar age. The G20 is the only international forum in which both developed and developing players meet in formal equality. Countries such as Brazil, Russia, India, and China will be key players in the coming decades, and Europe's response, as a continent (and as individual nations) to these growing economies will be crucial in deciding its place in the changing global order.

Future aspirations – the middle class question

3. Europe is facing a volatile and fragile time in its history, and some predict the 'unravelling of the middle-class dream.' The compression of income and explosion of outgoings has contributed to social and economic volatility in parts of Europe, with implications for the whole. Europe must confront not only economic insecurity but also the unsustainable environmental consequences of the 'middle-class' lifestyle, now aspired to by millions around the world. The resource intensive 'middle-class dream' is still achievable but at a cost to others and future generations.

4. Where do we see our future? The acceptance of the European "project" is not fully embedded. Perhaps greater education is needed. But European cohesion is at risk from the powerful tendency to default to nation state loyalty in times of crisis. There is a need for a new narrative for Europe and tough choices to be made requiring new and bold leadership, especially from younger generations. This type of leadership has not yet necessarily emerged; few of the younger generation are pushing forward or developing the 'European project' (the constitution, the united environment for policy, and the single currency), or pushing leaders to be more ambitious. There needs to be a clearer vision of what nations want Europe to look like in 20-30 years hence. The 'shadows of the past' are often too abstract for those that have been brought up in relative security; for previous generations peace was the overriding aim, whilst for current generations it is a given.

5. Can the Arab world provide a positive example of change catalysed by the populace and younger generations? Can life be breathed back into the narratives of peace, free markets, and freedom of movement? Can the nation state be reinvigorated? How do we choose which problems to solve if we cannot tackle them all?

Security threats - overseas

6. Numerous, less tangible and new security threats now exist in a post-Cold War world. Some threats from the last decade remain unresolved, partly because the super-power of the time was slow to accept the reality of climate change, and partly because the terrorist attacks of 2001 led to a military response which tried to impose 'control' on Iraq and Afghanistan. There is now a clear need for a transition to a more 'sustainable security'. In terms of climate change, governments need not just to seek to mitigate the likely environmental impact but, in parallel, to find ways to adapt to such change over the long term. In terms of influencing outcomes overseas, military 'control' mechanisms need to give way to a more sustainable policy of preventative measures. Whilst it is crucial that all the 'poisonous snakes' in the jungle are taken into account, cuts to defence in both Britain and Germany, will mean that there will have to be serious consideration over which 'snakes' are countered in the future.

Major drivers of security threats over the next 30 years will include:

- The widening global socio-economic divide - 85% of the world's wealth resides with 20% of the population
- Greater appreciation of self-marginalisation - 'the revolution of expectations' has progressed to 'the revolution of frustrated expectations'

"The euro - comparable to Bunbury in the Importance of Being Earnest, a concept that inevitably will at some point implode"

"We have slain a large dragon, but we live now in a jungle filled with a bewildering variety of poisonous snakes. And in many ways, the dragon was easier to keep track of." James Woolsey, former Director, CIA

- The consequences of climate change - loss of resources; migration
- The control paradigm - superficial control rather than deeper preventative measures which look into the core of the problem

7. A key threat fuelled by these drivers is international crime and terrorism. The reality of terrorism not only deducts from individual, national, regional and international 'freedom of security' but has long-term economic effects on global prosperity. Other key security threats, which can both fuel international crime and terrorism, and threaten prosperity, include 'failed' and 'failing states'; regime change in the Middle East; a lack of social cohesion; cyber insecurity; demographic problems; migration; binary labour markets; and youth unemployment.

8. Regime changes in the Middle East, whilst demonstrating positive social change catalysed from below, also pose new threats to Britain and Germany. Crucial to Britain and Germany's involvement in the Arab Spring will be how they perceive and deal with new circumstances and whether they have learnt lessons from previous engagements in or policies on Afghanistan and Iraq. The focus needs to be on, for example, planning for a post-Gaddafi Libya with regional and other interested actors. However, both the economic and political risks present challenges in terms of the possible response.

9. Britain and Germany share a similar perception of the threats facing them. A consistent and cohesive approach will be important. A future role for Britain and Germany could be to lead on a multilateral approach to terrorism, for example.

10. In the past, however, both countries have often taken different paths when responding to such challenges, particularly in regard to the level of intervention used when combating threats in other countries. Germany, for historical, geographical, social and legal reasons, since World War Two has had much less military power and has been far more constrained in using military force in comparison to Britain. Germany's role in Afghanistan (and now Libya) demonstrates its hesitance and the continued balancing act and tension between intervention and public opinion. Germany does have the underlying principles needed for the use of force, however each case has to be passed through Parliament and assessed taking into account Germany's own interests, its international responsibility, and the consequences of non-action. It is likely that the Bundeswehr will have to change in the future to become more flexible and professional. However, a comprehensive 'prevention' strategy will always remain key to Germany's military approach, and so, despite a need for a more 'collective' approach, Britain and Germany are likely to remain at odds in their policy on intervention overseas.

Resource scarcity – the realities

11. Industrialisation, urbanisation and an increasing global population has given rise to an unprecedented demand on the world's resources. Resource scarcity (including raw materials (oil, gas, and minerals); food; and water) is a significant future threat to not only Britain and Germany, but the world as a whole. Clear future challenges resulting from increasing demand and continued depletion of supply include:

- Volatility of prices;
- Export restrictions and trade disputes;
- Higher levels of carbon dioxide, risking an accelerated level of climate change with adverse affects on food, water, biodiversity, the ozone, sea levels, glaciers and other as of yet unidentified consequences;
- Increased conflict, migration, social insecurity, and geopolitical competition;
- Financial costs of extreme weather events and famines.

12. The gap between supply and demand is already unsustainable, and extraordinary change will be needed to close this gap. At present the enormity of the consequences of resource scarcity is reasonably low on the public radar, and not yet an integral part of decision-making policy.

13. **Energy insecurity:** Possible solutions for the energy industry include gas as a transition fuel and a bridge to a lower carbon future, and a large increase in the use of nuclear power and renewables to try to cut the world's use of fossil fuels by 2/3rds. Renewable sources such as solar will be important areas of investment in the future, especially for countries like Germany, for which the use of nuclear power is no longer a solution as they have pledged to abandon nuclear energy by 2022.

14. There is a need for an EU level strategy to try to mitigate against the vulnerability of energy shortages, and to make adaptation a top priority. Innovation and maximisation of efficiency; promotion schemes; development of renewables and substitutes; technology and knowledge transfer; and an acceptance of responsibility are vital components of such a strategy. Germany already has a 'raw materials strategy', while the UK's strategy is less clear or developed.

15. In order for meaningful international action to mitigate climate change, such as the development of a low emissions agreement, the EU (or the UN) would need to fight to achieve a consensus including the US and China, with agreement also from Japan, Brazil, the Middle East and other key developing countries. China is likely to be a major challenge in achieving such an agreement. Other geopolitical disputes, such as the conflict over oil and gas between Russia and Ukraine, and the current crisis in Libya, have a bearing on a future consensus and may have shorter term impacts on the energy supply in Europe.

16. **Food insecurity:** Possible global solutions include: diversification of food crops (GM foods and global supply chains); more efficient use of current food sources (cutting down on food waste, tackling the underlying problems of obesity, moving away from growing food not for food purposes e.g. corn for plastic); utilising other food types (e.g. insects); changing consumer food patterns (e.g. including the food's carbon footprint on the label; promoting vegetarianism to help cut methane production); local production or taxation of transport costs (to cut emissions); and mass farming (for example to prevent famine). For Britain and Germany it will be important to promote bilateral trade agreements, and technology and knowledge transfer.

17. **Water insecurity:** Possible solutions include; more regulations on the use of water (making water a human right, and inclusion in a carbon agreement); changing the usage of water (using different qualities of water for different activities); investment in technology and skill-sharing (developing less water-intensive farming mechanisms, advancing desalination technologies, and investment in water infrastructure to prevent leakages); democratisation of knowledge; and a serious engagement with the problem.

The euro crisis and the economy

18. It is important not to conflate the euro currency project with the wider European vision. Nevertheless, the crisis of the euro at present overshadows many of the other problems faced by Europe, and is at the forefront of policy-makers' minds. Although the euro has brought many benefits, and has witnessed Germany forge ahead to become the biggest economy in Europe, it has not brought an overall convergence of economies that was initially predicted. In the crisis we have not yet seen a single united European approach but more a single country approach focussing on the consequences for individual economies and populations. The fundamental cracks in the 'European project' are becoming increasingly clear, and in one sense the existence of the euro now threatens the security of a united and prosperous Europe. The bailouts currently taking place are risky, with debt (for example in Greece) increasingly being owned by the eurozone tax-payers. This increases the potential for political as well as economic fallout and/or the rise of extremist political parties. One option would be for Greece to leave the eurozone, however this would hit Greece very hard and would not just be equivalent to 'a haircut but being chopped off at the waist'. If Greece were to default it would most likely lead to a whole host of countries leaving the euro, with China providing the temporary recourse but at a price.

"If Greece were to leave the eurozone it would be equivalent to not just a haircut but being chopped off at the waist"

“The crisis in Europe - an opportunity to move across the Rubicon”

19. In a more positive light in Europe, Germany provides a real role model for fiscal discipline and its economy is as good as it has ever been - in 2010 it grew by 3.6%. Europe, and especially Britain, can draw lessons from this and from Germany's use of eurobonds and strong export focus. However, in the long term Germany will need to guard against the slowing of countries such as China by diversifying its economy. A reliance only on exports to China is risky.

20. The financial crisis and the weakness of the euro continues to pose serious challenges for Europe. That said, it also perhaps offers the opportunity to address and realign European finances to lay the ground for a more prosperous and united future. Overcoming the challenges and taking advantage of these opportunities depends on Britain, Germany and European partners coming to terms with the debt crisis, creating mechanisms for insolvent banks; a pro-growth and low carbon green growth EU budget; and better regulation and service provision across the board.

Domestic challenges in Europe

21. In the last few years there has grown an air of uncertainty and lack of confidence in Europe. As new issues have arisen, old issues have not been solved and increasingly Europe has lacked a sense of purpose or strategic path. New issues such as the euro crisis and energy insecurity sit alongside other problems of democratic legitimacy, education, migration, terrorism, cyber insecurity, social cohesion, and an ageing population.

“Democracy is in some ways now an old lady”

22. It is crucial that while Britain and Germany, and the rest of Europe, prepare for new fiscal policies the other challenges they are facing are not over-looked. The democratic legitimacy of some of the decisions being made in Europe is increasingly coming under scrutiny (for example decisions being made over night about the euro, and decisions over Italy being pushed through in under a week). A challenge for the future will be devising new decision-making structures that retain the essence of democracy but that can respond with necessary speed to the ever-evolving challenges being thrown at them. Another challenge will be the re-engagement of those disillusioned with the traditional hierarchies of politics, and the creation of a feeling of a responsibility to vote.

23. Creating and sustaining a socially cohesive society will be crucial for Britain and Germany on a national level, as well as an EU level. At present Britain and Germany are economically, culturally and socially polarised. For those at the margins of society, the mantra of equality, participation and representation may seem more of an enigma than a reality. Education could be a crucial component to combat this lack of cohesion, but at present both the British and German education systems are in need of rapid reform at various levels. As resource-poor countries, Britain and Germany rely on the education, skills and innovation of their populace for economic ends, but also for positive social ends.

“Security isn't in a security box anymore, security is political, it is social, it is economic and it is cultural”

24. Lack of cohesion, inequality, frustration and unemployment, along with 'networked ideologies', can lead to the rise of extremist activities, which are increasingly being seen in Europe. At present the EU deals with local acts of terrorism within the criminal justice system, however this does not necessarily produce the 'preventative' measures that the system otherwise provides. Prevention is needed before the act is committed and this is only achieved by addressing the conditions that allow terrorism to flourish. Education and integration may be two key ways to begin to address the grievances that are aiding the rise of terrorist networks and activities in Europe.

“If we have enough money for renewables in some respects depends on whether we change our policy on pensions”

25. The consequences of rapidly changing demographics in both Britain and Germany are not yet high up on either government's agenda, especially in Germany. It will be crucial for both governments to tackle the problems associated with our rapidly ageing populations, and construct a tenable social system with sustainable and realistic funding. Some possible solutions include: extending working life; including more women in the workforce; encouraging highly qualified international students to stay; raising taxes on healthcare; increasing the number of private pensions; providing child and senior care; funding more education for lower skilled people; developing new work models including mentoring programmes; and a wellbeing programme.

26. The growing interconnectedness within Europe, and the similar threats and perceptions of threats faced by Britain and Germany suggest that more coordination and a step up in bilateral and EU level relations between the two countries would be beneficial. Crucial for future security will be the sharing of skills, knowledge and technology between the two countries and the coordination of policy approaches to counter the identified and, as of yet, unidentified threats of the future. That said, the concept of a European identity would probably be a step too far.

Conclusion

“Where we need to be in this globalised world is deep in each other’s arms”

Shifting powers, changing environments, global threats and regional uncertainties – how can the world, as it emerges from a difficult decade, move towards a more secure, stable, just and prosperous world? The challenges facing Britain and Germany in the 21st century require both countries to develop legitimate structures and policies that respond to fast-changing circumstances, not only on a national but an EU level. A long term strategic culture is needed to deal with the numerous identified, and unidentified, future threats and unintended consequences. Perhaps the current understanding of prosperity and security needs to be redefined. As the ‘middle class dream’ begins to unravel, and the ‘revolution of frustrated expectations’ grows, the post-world war concepts of security and prosperity are potentially no longer sustainable or viable on a global basis. Vision yet pragmatism is required. The dramatic changes in the international landscape require new thinking and fast action on a national, regional, and international basis not only for Britain and Germany but the rest of the world, if a prosperous and secure future is to be delivered.

Ruth Muir

Wilton Park | August 2011

Wilton Park reports are brief summaries of the main points and conclusions of a conference. The reports reflect rapporteurs’ personal interpretations of the proceedings – as such they do not constitute any institutional policy of Wilton Park nor do they necessarily represent the views of the rapporteur.

Should you wish to read other Wilton Park reports, or participate in upcoming Wilton Park conferences, please consult our website www.wiltonpark.org.uk

To receive our e-newsletter and latest updates on conferences subscribe to <https://secure.wiltonpark.org/en/secure/subscribe?action=subscribe>