

## HOW DO WE RELATE TO EUROPE AFTER THE BRITISH REFERENDUM?

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Globalization is badly perceived in our country. Although it has lifted millions of people in the world out of poverty, it has created inequalities in Europe and the US according to Jean-Marie Cambacères, President of the Economic, Social and Environmental Council's section for European and International Affairs. People are also in defiance of the European project, as borne out by for example the free trade agreements (TTIP, CETA, etc.), Brexit and the rise of populism. Current challenges will lead Europe to either rebuild itself with and for the people, or disappear. What do we want to achieve together? How can we make Europe attractive again? By reaffirming European values and building a European civic instruction, social and fiscal convergence, a common security and defence policy, pooling investment and democratizing Erasmus, mobilizing civil society and in particular NGOs like Confrontations Europe, we might encourage the progressive emergence of a European conscience.

We are at a crossroads in our history, when interdependence has never been so great according to Marcel Grignard, President of Confrontations Europe. Now more than ever, we need Europe to join forces to address common challenges. And it is precisely at this moment that most European countries are finding themselves tempted to withdraw, as a direct result of a social and economic crisis, a crisis of our democracies and the defiance of Europeans. We are confronted with the need to rebuild Europe, but to do so we have to decide what we want to achieve together. How do we want to deal with security issues, migrants and national developments? What do we want to achieve together, respecting our diverse cultures while remaining prepared to overcome differences to foster the emergence of a European identity? We believe in solidarity, but how can we give these values concrete form and face the risks of the future together? Brexit is requiring us to reach an agreement on what we want.

Times are changing. The election of Donald Trump and the new geopolitical landscape illustrate the need to redefine what we expect from Europe. Nations have returned, including in Europe, where we are increasingly divided according to Grignard. Brexit has come as a huge symbolic shock, a shortening of the EU. Yet once the Brexit process begins, the UK may want to keep one foot in it, despite what they politically admit. Philippe Herzog, Founding President of Confrontations Europe, believes we must prepare now for what the new relations might be, including from a long-term perspective, and satisfy mutual interest. What values do we still share? We are all Europeans. Do we still share common interests in security, economic and even social matters? Are the Brits willing to re-establish the place of the UK in the world after Brexit? Nick Butler, Professor at the King's College of London, believes we typically share both problems and values. The problems we share are huge – there is globalization, which brings its share of losers, the need for a competitive base, the rise of unemployment, terrorism, insecurity and climate change, none of which can be solved by a single country unilaterally. As regards the risk of mass migration, parking refugees in Turkey is no solution, and given the instability in the surrounding failed states in Africa, the Middle East and other regions, migration is set to amplify in the future. Brexit could further imbalance a European Union in which Germany cannot and does not want to lead alone.

We still share central values with most European populations: belief in a state of law, which has enabled us to combine peace and prosperity over the last 60 years; belief in a social contract, between those who possess and those who do not possess as much; a sense of shared responsibility; belief in



freedom (of speech, of movement, of expression); and faith in internationalism. Major problems transcend national borders and can be resolved by collective action. The agenda for cooperation is huge. But the British people, who have viewed Europe as a transaction relationship and believe, either rightly or wrongly, that the European project is not working, have decided to leave. The EU needs to reconsider its decision model and give thought to more efficient coalitions among the willing. The EU is not working well; it relies mostly on rules, in a world of relationships of power, where the US, Russia and China are rising. The EU needs to become a global public power working towards peace and the sharing of challenges, while defending its own collective interests.

Brexit will be a hard Brexit, except if both parties, on the European and the UK sides, can reach an agreement to curb people's freedom of movement, which seems highly unlikely given declarations from Europeans stressing that the internal market and freedom of movement of people cannot be separated. The UK must therefore prepare for the exit now, to reduce uncertainty disincentives to investment, with an intermediary agreement. But should the EU accept such an intermediary period?

Should we not be already discussing our medium to long-term relationship with the UK? Can we create a new financial balance? Should we cooperate on industrial competitiveness, digital mutation, security and defence? Confrontations Europe is suggesting an ad hoc status of associated state for the UK, in a third neighbourhood circle, the first being the Eurozone and the second the EU.

### **What are we prepared to share in the European Union? Security, freedom and defence**

Europe's security is degrading quickly, with an accumulation of major crises for which we have no solution according to Nicole Gnesotto, President of the Institute of Advanced Studies in National Defence (IHEDN). To the east, the Russian president rejects the European order as implemented since the fall of the Soviet Union, with real military threats, which are no laughing matter. To the south, we are seeing a deterioration in the arc ranging from Mauritania to Afghanistan, with the threat of many quasi-failed states. In addition, there is an internal threat of terrorism coming from nationals, whereas refugees are not threats even though they are perceived as such. This is accompanied by a rise in populism, extremism, xenophobia and temptation for isolation. A wall exists between Hungary and Serbia, and between Greece and Macedonia. The strategic threat is dangerous as it is feeding all populist regimes (in Poland, Hungary, Finland and elsewhere). Three political challenges are further weakening Europe: Brexit, which is killing the irreversibility of the European construction; the election of Trump, which constitutes a breach of human values (rejection of alterity, misogyny, racism, apology of national egoism); and the evolution of Turkey as an authoritarian regime. What should we be doing? Heads of state seem to be talking about moving a bit on European defence, but Europeans might not do anything (and for the time being nothing has changed) for fear of precipitating the departure of the US (which considers Europe and the Middle East as outdated 20<sup>th</sup> century matters), and because they are still in denial, thinking (at least many of them) that Trump might not do what he is saying, that Brexit will not really happen. Michel Troubetskoi believes Brexit could have a positive effect on European defence, because it was mainly the UK that was blocking the increase in the budget of the European Defence Agency and Germany's attitude is evolving. But the UK will continue to block an autonomous high command of NATO. Europe remains a sine qua non framework, in particular as regards security, because, as Gnesotto says, nations are tiny. In all logic, more crises and less US interventionism should lead to a greater European presence, but we are not living in a logical and rational world. We continue to hope!



The EU seems very fragile as it is entering its 60<sup>th</sup> anniversary. The essence of the Union, what makes us unique in the world, what makes us proud, lies in its values according to Shada Islam, Director for Europe and Geopolitics at Friends of Europe. Our real challenge is posed by populists, both outside (Russia, China, Turkey, the US, etc.) and in (not only Hungary, Poland and Finland but also potentially all our countries). Brexit has knocked our confidence and identity and the world is looking at Europe puzzled; China is celebrating its political model and wants stability in Europe, India is troubled, while other non-Europeans from the south of the Mediterranean believe in trade and investment, but most importantly democracy, state of law, human rights and freedom. If populist leaders win power in Europe, inclusion and state of law will not be their first preoccupation, and Donald Trump will not support human rights activists either. Populists talk with passion, simple words and striking formulas. We should fight fire with fire. Faced with threats to freedom of the press in Central Europe (the only left-wing newspaper in Hungary has been closed, there is a similar danger in Poland, and in Hungary and Slovakia all the media belong to an oligarchy), Martin Michelot, Director of Research for the EUROPEUM Institute for European Policy (Czech think tank focusing on Europe), believes Europeans have a role to play in reaffirming European values, instead of aligning with Russia or the US. A Security Union is being presented as an answer to many of our problems (terrorism, radicalization, etc.). We need to strike the right balance between our legitimate need for security and our fight for freedom and values. We are currently combating terrorism and radicalization, but we are not telling Muslims that they are part of our family. Migration will increase, and we will not stop it by building walls and closing borders. We need a consistent plan to overcome this challenge because helping Africa to develop will not stop migration. Security is a major challenge for Europe, but our values are the best tools for fighting intolerance and populism.

Concerning the four key freedoms in Europe, Poland, the Czech Republic, Hungary and Slovakia are “channel” countries according to Michelot. The refugee crisis has turned the spotlight on this European region, which used to be silent in its attempts to catch up with Western Europe on economic and social matters. Brexit has given it a new role in Europe, as the UK used to be the closest ally on the importance of the transatlantic link, internal market and free trade. The four Visegrad countries feel in charge of these issues and have won a new role in promoting “effective solidarity” as regards refugees, which actually means “flexible solidarity” (we take who we want). Talking about rebuilding Europe on new foundations would require taking into account Central European countries, which defend a greater role for national parliaments, for the subsidiarity principle, for the European Council and greater effectiveness of the governance of the Eurozone. Yet there is no appetite for changing Treaties and ending Schengen. This cooperation between the four Visegrad countries is an ad hoc cooperation. The Czech Republic wants a rapprochement with Germany and France and is thinking again about integrating the euro, while Slovakia is the only V4 country to be part of it, which contrasts with what we hear from Hungarian and Polish politicians. The Czech Republic will become a net contributor to the European budget next year and approves the project for a Europe of defence. Both the Czech Republic and Slovakia hope to distance themselves from Poland and Hungary. Belonging to the EU and the four freedoms (of goods, services, people, capital, including foreign direct investments) are the basis of their competitiveness. There is a paradox between the desire to slow down European construction (for political reasons) and a need for Europe, namely for security reasons.

Russia is also developing new tools of influence such as cybersecurity, and the funding of European political parties and populists, but as Martin Michelot and Shada Islam point out, Europe has no long-term vision with Russia, no consistent policy. And, as Emmanuel Forest, Deputy Director General of



Bouygues has reminded us, the President of the European Commission has insisted no European defence policy could happen without Russia.

### **What are we prepared to share in the European Union? Economics and social matters**

Emmanuel Forest, Deputy Director General of Bouygues, raises a series of key questions. Which framework do European businesses hope to maintain with the EU? What are the financial conditions? Which freedom of movement? What likely impact on European public policies? Denis Simonneau, Director of European and International Relations for Engie, points out that businesses hope to maintain the current framework. Yet this is not likely to happen, as politically “Brexit has to mean Brexit” both for the UK and for the EU—a status quo would mean that the UK would remain a member of the EU, and from a political perspective the UK government will not accept to remain under EU regulation as it would lose all influence in its development according to Hervé Jouanjean, former Director General for Budget at the European Commission and current Vice President of Confrontations Europe. Brexit is not good news for either the UK or the internal market, because of the uncertainties preventing players from investing as explained by Simonneau. There is no precedent. The UK has been key on the internal market regulation. Yet there is a risk of a progressive distance between the UK market and the internal market. The UK is benefiting from European funds (Juncker Plan, Horizon 2020, Connecting Europe Facility, etc.). When it leaves the EU, this will stop. The British net contribution to the EU budget represents 8 to 10 billion euros per year, as pointed out by Jouanjean, which raises another question: where will we find this? In the common agricultural policy, the structural funds, research funds? A better perspective would be through equipping the European budget with own resources. Businesses wonder whether there is a premium risk for big investment projects currently being developed in the UK. They worry about the status of their staff in the UK, including non-UK nationals, and about the potential return of duties or barriers to entry for services.

What is the likely impact of Brexit on the Energy Union? As a global energy leader, Engie sees the revolution of energy through decarbonation and decentralization, with consumers-producers, digitalization, greater efficiency in usage, reduced consumption and a de-correlation of the growth rate and power consumption rate. We had therefore fought for a common approach: a harmonization of support to renewables, a common approach on research and development, on interconnections, on ETS and for a carbon price. Will the departure of the UK weaken this approach? Could the UK become a “free rider” penalizing businesses in the 27 other European countries? On the contrary, Brexit could speed up some battles: the doubling of the Juncker Plan, fiscal harmonization, social harmonization, the European social pillar, the external mechanism to fund infrastructures (to foster European champions), the inflexion of competition rules, etc. The UK has traditionally blocked advances in social matters, which should be a key pillar for Europe, but Brexit will not automatically mean substantial progress in this field according to Paul Fourrier from the *Confédération Générale du Travail* trade union.

### **What are we prepared to share in the Eurozone?**

Brexit is seen by some to have triggered the momentum needed to break the deadlock in the first circle, the Eurozone, ossified for years behind red lines, while asymmetric clashes and competitiveness gaps threaten the EMU according to Carole Ulmer, Director of Studies at Confrontations Europe. National opinions differ, so what can we do to reach a compromise to effectively consolidate an economic and monetary union capable of successfully implementing a political investment policy



aimed at promoting sustainable growth and tackling unemployment? How can we reach an agreement on a banking union, a fiscal union and an economic union? And how can we reconcile our strengthening of the Eurozone with the need to also strengthen the second circle, the EU-27?

Even though we tend to focus attention on Brexit, structural problems remain within the Eurozone according to Vincent Aussilloux, Head of the economics department at France Stratégie. We have not been able enough to create and share prosperity in Europe. This helps foster Eurosceptic parties. The non-respect of commitments by some Member States is also accentuating the north-south divide in the Eurozone, this time seen from the point of view of creditor countries. Yet profound reforms have been implemented within it (European stability mechanism, banking union) and there was an attempt to strengthen the budgetary and economic coordination. The European Central Bank has also stepped up dramatically its actions. But these achievements are not sufficient to foster growth and convergence within the Eurozone. The current Eurozone framework is not sufficient to solve the imbalances. The main reason is the inability to take decisions in a democratic, efficient and transparent manner. For that reason, there is a growing political disconnect and misunderstanding from the part of the European people. The European countries must choose the model for the Eurozone they want. There are several options.

The first option rests on a strict implementation of the principle of responsibility: member states would be sole responsible for their fiscal policy but also in case of difficulty. Fiscal rules could be relaxed and solidarity mechanisms such as (OMT) could be ended. Market through interest rates would discipline public finances. It would not require greater political integration, but if applied today speculation would lead to a sovereign debt crisis in over indebted countries.

The second option would mean strengthening solidarity, accompanied by greater budgetary control. As countries would lose flexibility in their fiscal policy, the Eurozone would need a stabilisation mechanism through a fiscal capacity. It would mean a properly functioning executive governance of the Eurozone and greater democratic control. In return, greater discipline and an ex-ante control of national budgets by Member States would be required. This would be politically acceptable only if divergences between countries were reduced to limit possible transfers to certain countries. An investment strategy like a super Juncker Plan (including for instance some funds for a training scheme and mobility and a temporary support for structural reforms) would be set up to help the convergence of economic growth models. To strengthen the democratic governance, a Euro Council could have a legislative competence. This option would require substantial sharing of sovereignty.

Option one is risky because of the myopia of financial markets, option two seems only possible in the longer term. Is there a median option possible? It would mean at the same time developing solidarity and strengthening fiscal policy coordination. Each Member State would remain free to set its fiscal policy but within the orientations defined each year collectively in order to have a proper management of the Eurozone fiscal stance. The banking union should be finalized, with a deposit guarantee. The architecture of crisis prevention should be strengthened to reduce risk concentration and break the vicious cycle between bank debt and sovereign (public) debt. But the real risk actually lies in the risk of the dislocation of Europe through the ongoing economic divergence of the different European countries. This is materialized by a strong industrial polarization in the heart of Europe and deindustrialization at the peripheries according to Philippe Herzog. No institutional mechanism will solve this. We should not underestimate the need to articulate the two circles – the Eurozone and the



internal market – to improve the overall coherence and relevance of European public policies. Are we heading for a Europe of three circles, the third being the neighbourhood? Public policies aimed at investing should be accompanied by structural reforms; this investment pooling/reforms “confidence pact” seems the only solution to recreate a dynamic with European partners.

### **How can we rebuild democracy in Europe?**

Europe is at risk of disintegration: we feel a defiance with regard to where the European project is heading and the way it is being elaborated, a defiance among Europeans and towards elites, as pointed out by Anne Macey, CEO of Confrontations Europe. People want to “take back control” of their destinies. But to achieve this, we need Europe. The nation state is unable to master our destinies in today’s world.

What has the UK referendum revealed? It has reminded us that the British political parties are able to manipulate and polarize people. Catching up decades of Europe as a scapegoat in just six months is a challenge. It has revealed a triple diagnosis of European countries: a social crisis, with inequalities among and within states; an identity crisis; and a crisis of our national and European democracies.

There are speeches we cannot accept, with hate messages and lies. It would be easier to “dissolve the people” as Bertold Brecht has said. What matters most is that we face realities and answer the concerns of the people. In this, the institutional answer is not a good entry point – the answer cannot be found among elites, or in Brussels. A real European political project requires broad mobilization. We are Europe. Should we expect our political decision makers to rebuild Europe and our democracies? What could be the role of a European civil society still in the making? Which links are possible between civil society and the institutions? Does Europe not have a tremendous potential for being a formidable lab of democracy? We tend to think of democracy as being strictly linked to the nation state – but our cultures of democracy are different, including in Europe.

We are facing a deconstruction phenomenon of our democratic system. There are, according to Virgilio Dastoli, President of the European Movement in Italy, at least three examples of non-respect of these fundamental democratic rules: the European Council has violated day after day article 15 of the Treaty (TFUE), which stipulates that the European Council does not assume a legislative function; the Treaty of Rome requires a “loyal cooperation” from Member States, which is not the case; and article 10 of the Lisbon Treaty requires that European political parties help to elevate the European political conscience of citizens, but the results are not to be found. European democracy does not exist because solidarity is missing. A democracy has to guarantee common goods to citizens. The anti-European parties have in fact created a public debate on Europe by their dissidence. We need to build four pillars for democracy: a representative democracy; a participative democracy; a proximity democracy; and a social dialogue democracy.

As regards Europe, Pierre Calame, Founder of the Charles Leopold Mayer Foundation, believes we are in an emergency situation. We do not need to rebuild only European democracy, but also the European project. The small step policy will not work. It needs to stem from citizens and at the local level. For this, we need to acknowledge that Europe’s unification by the market, in 1954, was a plan B, because at the time the project for a European Defence Community had failed. The whole European governance system has focused on market unification, without realizing that in a context of market globalization this was progressively becoming a weakness for Europe. In addition, Central and Eastern Europe has



experienced a catch-up phenomenon, but this has benefited only 40% of populations. Instead of building a Europe of opportunities, we have ended up by creating a Europe of constraints, and European speeches glorifying economic progress that benefits a minority.

In the wake of Trump's election, we are witnessing a "post-truth" society. But in Brussels we have forgotten that the economic rationale is not the only reality. Today, identity-related passions have become stronger. This explains why European top-down communication is not working any more. Explaining that we can win a few points of growth by greater integration or free trade is not audible.

What is worse is that we have forgotten that common goods need a community. The role of a governance is not to manage a community, but to build it. We have lived on the illusion that the market could create a community. We have missed this fundamental step of building a community. Why are we together? Do we have a common project shared by all citizens? Once this is acknowledged, how can we build it? Through a process of deliberative democracy, which could be built on "random samples of citizens" with a robust basis of information, including both anti-Europeans and pro-Europeans. This citizen assembly could be built in two steps: a regional step followed by a European step. Regions are well placed to initiate this process of citizen panels. The coupling of regions could help create strong exchange between these regional panels paving the way for the second step, which would bring these panels together in Brussels. We need NGOs like Confrontations Europe to call for such a citizen process. This initiative could be announced on 25 March 2017, for the European Union's 60<sup>th</sup> anniversary. The European Council of Regions could meet a day before and send the proposal to the informal European Council. Regional panels could finalize their work for the 70<sup>th</sup> anniversary of the Hague Congress, historically at the origin of Europe. The European step could end in time for the elections at the European Parliament and the renewal of the European Commission in 2019. The idea is not to replace institutions, but to ensure they publicly answer the concerns of European citizens.

Through this conference, Confrontations Europe is aiming to make a deeper diagnosis of how Europe is coping with Brexit in a context of important upcoming French elections, as Marcel Grignard points out. We need to take into account the perspectives of our friends from other European countries, namely the UK, Italy and Central Europe. Central European countries for instance began their integration within the EU by absorbing the European *acquis* built by its founders, but have progressively become players and decision makers in the future of Europe.

In addition to our crisis of identity, the diagnosis shows the ambivalence of our development model, which does not just produce progress. We should also aim to overcome opposition, which does not facilitate solutions, as they require co-operation, for example between the public and private spheres. The state is not the only producer of general interest. Brexit is questioning the structure of the European Union and calls, according to Confrontations Europe, for a Europe of three circles: the Eurozone; the European Union; and a third circle, our neighbourhood, with which we need to rethink our relationship. We will not give the European project a second life by skipping nation states. Part of the answer to the future of the Union has to be found at home. Our country and political leaders share a triple responsibility: conducting reforms that our country needs for itself and to position ourselves in a process of competitiveness, promoting European convergence instead of the current divergence; agreeing on what we want as regards the purpose and content of the European project; and building Europe's future with our neighbours.

# CONFRONTATIONS



## EUROPE

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