



GERMANY: MAKING OR BREAKING EUROPE?

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Transcript by Way With Word

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TERRY MARTIN: Before we begin I want to say how pleased we are to be here at the Representation of the State of North Rhine-Westphalia to the EU. The Representation's Director, Rainer Steffans has some opening remarks.

RAINER STEFFENS: Ladies and gentlemen, dear guests, dear panellists looking around here in our crowded premises I feel validated; if the Deutsche Welle today in co-operation with the Carnegie Europe and Hertie School of Governance is calling people come running. I feel very honoured to host this event here tonight and the topic you have chosen tonight is more current than ever.

Last autumn a debate came up when a well-known German politician said, in the light of the German/English dispute of the financial transaction tax: Europe speaks German now, at least the Daily Mail [inaudible] had a banner headline in fact had said now, all at once, German is spoken in Europe, not in the language but in the acceptance of the instruments for which Angela Merkel has fought so long. Regardless of what he has said, a debate started and the debate came not only in the UK and in Brussels but in Germany as well and it's a debate about the role of the strongest economic power in Europe these days.

Before the German unification it was said that Germany is an economic giant but a political dwarf because of our burden of the past. Nowadays, German politics is in a dilemma and to quote a German politician again, not it's our Chancellor Angela Merkel herself; if we don't lead they charge us with lack of European commitment, if we do, they accuse us of throwing our weight around. An English editor went on saying, for two years she's been confronted with the first charge, now she faces the second; damned if you do, damned if you don't.

Tonight we have the chance to highlight the role of Germany these days and I'm really curious about this discussion here tonight; so much fun with the panellists tonight and welcome again.

TERRY MARTIN: Rainer Steffans, thank you, and welcome to Rethinking Tomorrow a Discussion Series, hosted by Deutsche Welle and Hertie School of Governance in co-operation with Carnegie Europe. For those of you who may not know, Deutsche Welle is Germany's international broadcaster providing news and information about Germany around the world in 30 languages.

Carnegie Europe is the European Centre of the Carnegie Endowment for International Peace, often referred to as the Global Think Tank. Hertie School of Governance is a Berlin-based international public policy school and some Hertie alumni are now working here in Brussels and some of them are here tonight.

During the next 90 minutes we will be exploring one of the most compelling and, for many people one of the most vexing topics in Europe and that is the rapid expansion of Germany's economic and political influence. We will be discussing how Germany's influence has grown during the crisis. How other European countries view this development and how Germany might use its new found clout to push through EU institutional reforms.

Ultimately, this debate boils down to one question; is Germany making or breaking Europe? That is what we are talking about this evening. Before I introduce our guests, I want to mention that at key points during this evening's discussion, I will be inviting you, the audience to contribute with your own questions to the panellists, so you can be thinking about those questions as we proceed.

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It is now my pleasure to introduce our five distinguished panellists. Kurt Biedenkopf is former State Premier of the Germany State of Saxony and Honorary Chairman of both Dresden International University and the Hertie School of Governance.

Henrik Enderlein is Associate Dean and Professor of Political Economy and Economics at the Hertie School of Governance in Berlin. Before entering the academic world he worked as an Economist in the International and European Relations Directorates of the European Central Bank.

Sylvie Goulard is a Member of the European Parliament for the West Region of France. She is a member of the Committee for Economic and Monetary Affairs and is Group Co-ordinator for the Alliance of Liberals and Democrats in Europe.

John C. Kornblum is Senior Counsellor at the law firm Noerr LLP and is a former US Ambassador to Germany. He also has significant experience as an investment banker and business consultant and he is based in Berlin.

Quentin Peel is Chief Correspondent in Germany for the Financial Times. His previous postings in Europe include London, Moscow and Bonn. He has also served as the paper's Foreign Editor and Brussels Euro Chief.

This past week a new German President was sworn in. In his inauguration speech in the Bundestag, Joachim Gauck spoke a fair bit about Europe. He said that especially during times of crisis Germany is inclined to dare to go for more Europe, [German language] he said. Kurt Biedenkopf; has Germany seen the European light? Is Germany getting ready to go for more Europe?

KURT BIEDENKOPF: I think the Germans, as well as everybody else in Europe has seen the European light after the Second World War. It is not a new development. At that time people my age breaking [inaudible] down the borders hoping that the vision of a united Europe one day might become reality and prevent a repetition of what had been two civil wars within Europe and expanding into world wars with terrible cost and unspeakable suffering.

It is not a question of whether we dare Europe; I think the issue of whether Europe is to be made or broken is not an alternative. The real issue is how do we continue on a European path, on which we have already accomplished very much? Europe started because it was not possible, at that time in the 50s, to have a political unification of Europe, which was the first effort, on a very different track, namely, on an economic track.

The idea was if you integrate the European economy and establish the four freedoms of movement within Europe, within the realms [inaudible] of the Rome Treaty and then expanding, you eliminate one of the most important possible dangers within Europe, namely a renationalisation of the industry.

TERRY MARTIN: You mention freedom; freedom was actually one of the central tenets, if not the central tenet.

KURT BIEDENKOPF: Freedom and peace.

TERRY MARTIN: Freedom and peace, both for the creation of Europe but particularly, in this speech that we heard this past week from Germany's new President, his speech seemed to be a reply, to some degree, to Chancellor Merkel's speech earlier this year at the World Economic Forum in Davos. She posed the

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question there, Sind wir, die vorbereitet werden, herauszufordern [inaudible]; are we prepared to dare or risk more Europe?

I want to focus on this again, this daring and risk; there is clearly an element of apprehension or angst in that question. The question was not just are we ready for more Europe; the question was do we dare? My question to you, Kurt Biedenkopf, is what does Germany have to fear from Europe? What is this angst?

KURT BIEDENKOPF: This is a misinterpretation of the speech of Angela Merkel. Dare means more integration.

TERRY MARTIN: Is that not connected with a loss of sovereignty?

KURT BIEDENKOPF: Europe has been connected with a loss of sovereignty ever since we passed the Rome Treaty.

TERRY MARTIN: There is a sense of loss, there is a sense of daring, a sense of not just venturing into something.

KURT BIEDENKOPF: Apprehension and angst are not the same thing because you mention both in connection. Apprehension, of course, it's a risk; how will it work? How will people react to the fact that the Parliament that they elect and the Parliamentarians that they know have less and less of a say in their own lives. It is not that

European Parliament that replaces this vacuum, it is the Commission and there is not an anxiety but a wondering whether Europe is becoming more and more bureaucratic. This is something that plays a much larger role in the debate on how do we continue in Europe and it is the question of legitimacy of what is being done in Europe and where does it come from.

TERRY MARTIN: Legitimacy, of course, is attached to institutions, to a degree, in democracies and we will be talking a little about the possibilities for institutional reform as we proceed. First, I want to put a question to John Kornblum; in a talk in January at the Josef Korbel School of International Studies in Denver you reportedly said that Merkel is showing some leadership but she is deeply frightened, again we're getting back to this term, this fear, deeply frightened by her own voters.

We'll talk about German leadership in a moment, but, first, what about the German people; do they really want more Europe? Are they ready for it or are they terribly afraid of it?

JOHN KORNBLUM: I think they are not afraid of it. I think, however, that you have to know where you are at the moment. I would agree with every word that Kurt Biedenkopf said, which I always do, but, there's always a comma at the end. The but is the fact that it is now 20 years since the end of the Cold War. Europe, during the Cold War was a fledgling institution which got its entire sustenance from the United States and had a perfectly protected environment in which to develop.

Since 1990 this environment has changed completely and the Euro crisis is many things but in its essence it is a demonstration of the outside world crashing in on Europe. It cannot any longer treat itself as an institution unto itself. That means that everyone is frightened about what's happening now, and they

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ought to be in a good, positive sense. Being worried about something is something that also motivates people.

Europe is now entering a new era and Germany has always been a leader of Europe. If you go back from the 1950s till today, I could give you a whole string of things. Helmut Kohl did not ask anybody when he put forward his ten points; he didn't even ask his Foreign Minister when he put forward his ten points for reunification.

Willy Brandt pursued his Ostpolitik with just the slightest bit of consultation. I was there I can remember that very well. Helmut Schmidt launched the INF debate, which almost tore Europe to pieces, without telling anybody.

Germany has always been a leader but it has been a leader in substance and not in the images of leadership and right now the EU, which has in fact become almost a personified Europe it has gotten so large that Europe and the EU are not totally the same but pretty close, the EU is now facing challenges which its institutional setup is not going to meet.

The Euro crisis, again, shows that the EU institution simply can't handle it and so everybody has a right to be worried but I think also everybody has a right to look and see how much stability Germany has gone through; these many other major challenges.

I was very active in the INF debate in the early 1980s and most of my friends in Washington thought that Germany was going to leave NATO over this and Germany did not leave NATO; Germany handled the INF debate very well and Germany will handle this chapter also very well but apprehension and fear is going to be part of it because we are in the beginning of a very dramatic era of change.

TERRY MARTIN: Dramatic change, that's an excellent point. To bring in some input from the audience; if you would, please, if you have thought about questions up till this point as we have talked about apprehension and angst and worries in Germany regarding Europe, if you have a question I would invite you at this time to direct it to one of the panellists. If you have a question, please just raise your hand and someone will bring you a microphone and I would ask you to state your name and to whom you are directing your question. Please try to be concise in formulation your question.

GERMAN BROADCASTER ARD: I wonder what is actually meant by more Europe. Certainly, there must be a democratic Europe ruled by majority. On the other hand, we see that a majority of countries in the EU are conducting a policy on economy and finances which is obviously less stable, less sustainable, at least, less successful. Why should a tiny minority of successful countries go into the danger to be overruled by a majority of less successful countries? That is my dilemma where I have no solution but perhaps this brilliant panel has one.

TERRY MARTIN: To the panel at large, the question being; what is meant by more Europe?

QUENTIN PEEL: As an outsider looking in on Germany when I write that Frau Merkel wants more Europe, a goodly part of my audience, certainly that bit that is sitting in the United Kingdom or in America says what on earth is this all about; surely they've got too much Europe, this was a step too far. The Euro, the common currency, was too brave and don't they want to actually row back.

What I think that Frau Merkel and many across the political spectrum in Germany do believe in is clearly a more integrated Europe. Is clearly more integrated at least for the 17 countries in the Eurozone. It

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means much closer co-ordination of economic policy. The big challenge for Germany; does it actually mean that Germany will have to be the guarantor of rather more of the debts of its poorer or less successful partners? I think that is the question Germany hasn't really entirely faced up to yet.

I think the real shift in the middle of this whole Eurozone crisis was the moment when it became totally clear in Germany that the answer had to be to try and repair the mistakes that were made when this common currency was launched; that there was monetary union without economic union and that's the way we have got to go and there are a lot of other people in Europe who are quite scared at the consequences.

HENRIK ENDERLEIN: I totally agree with what you said at the end. The answer to your question is very simple. You cannot have a single currency without more Europe and more Europe implies the institutional setting in which you can govern a common currency area.

When the Euro was established the French had a very sound idea on how to go and the Germans had a very sound idea. The French idea, to put it simply, was to say we are not an optimum currency area as the economists would say so it is a very heterogeneous economic space. The only way to have a common currency is to combine it with the institutions capable of steering the economy in a way that would move all the countries closer together.

The Germans had a relatively sound approach as well which was to say we first allow, through free trade, our currency union to become an optimum currency area and at the end the crowning of this whole process would be a single currency. What did Europe do; a compromise. The compromise was to say we have a currency in the beginning but we don't have the institutions to get the countries closer to each other and today we have two options.

One option is to say we go back, we say we don't want the Euro and we can then disintegrate. The other option is to say we need the institutions to bring this process to a success and that is more Europe. I think it is not a shortcut; it's very simple.

The other question which you were asking is should Germany, I am German, be out-voted by the smaller Member States not behaving responsibly as you said? I think that is not the question. The question is we have a single currency which has to be managed by those 17 countries together and Jean-Claude Trichet is right when calling this creation a [German language]. The approach which you didn't present but which you quoted is pure economic nationalism to say I'm a German, I think as a German about my bank account.

I was once in the German Finance Ministry talking and people at the end said you are right Mr Enderlein but I'm paid by the German taxpayer to minimise the German costs in this whole crisis. I think this guy was wrong in making that statement and should not be paid by the German taxpayer.

TERRY MARTIN: An appeal for a community with a common destiny.

SYLVIE GOULARD: My answer to your question will not be more Europe, it will be definitely more democracy because for me the key issue is that I fully agree with the fact that we need an economic union; we have no choice. I know that the word [German language] is not something the Germans liked last year but the truth is that if we do not organise ourselves we are not going to draw all the advantages of the currency and we might even be in a mess.

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We also need more democracy and it is very interesting that everybody has said a majority of States why should I, as a French person, feel closer to Marine Le Pen than to Henrik Enderlein? Why should I be a prisoner of the national framework and not decide with the other Europeans involved in the same [German language] as we say in German, in the same story. We are in charge of the Euro altogether and

the ECB is the only institution, and it's very sad, where people insist on the fact that they make a policy for 330 million Europeans. Not for the 17 Member States but for the people of Europe.

We have to invent something and it will probably be very difficult, it is a long-term process, but we have to begin and to reinvent some steps and the direction can only be more democracy. We have to make it legitimate and accepted and we need a public debate on the choices we have to make in order to keep our currency alive and it is perfectly feasible.

If I may, the way you put your question, is a very conservative one. It is old-fashioned, it is [Germany language] because you present the things always as we are sovereign and we are losing something. I'm not quite sure that, being French, I'm now less sovereign than before the creation of the Euro when the Bundesbank was deciding on my destiny.

Secondly, if you really believe that in the world as it is national sovereignties remain what they are you should be at the BBC and not at the Deutsche Welle. It's important because then you frighten people; people are afraid of losing something they do not have any more, so please tell the truth at the beginning.

TERRY MARTIN: I do strive to tell the truth as best I can. If my positions are conservative or my questions sound conservative, that's an interesting curious concept, but as you have raised this topic of losing something because I did begin our discussion with that and I was hoping I would provoke you and it seems I have succeeded. Not you specifically but in general our panellists to discuss the topic of what is at stake here? What is at stake in going for more Europe?

If we are going to create more Europe, and this is a question that is being asked in Germany and this is the focus of our discussion and it does have a Conservative Government, by the way, and there is a great deal of discussion within the Conservative Government about what is going to be lost? What does Germany stand to lose and right now the discussion is focusing very much on the feeling that Germany is going to have to pay somehow for other people's debts. That there is a loss of sovereignty in that respect and people are very concerned about that, but I don't want to dwell on that, I want to move the discussion forward onto leadership.

We're hearing calls from Germany's European partners and also from its partners outside of Europe for Germany to show more leadership and perhaps you have some ideas on this. My question is what is meant by leadership in this context and how is Germany supposed to demonstrate that beyond coughing up more cash for the bailout fund?

SYLVIE GOULARD: First of all, I don't know why you reduce the achievements of Germany just to put money in the bailout funds.

TERRY MARTIN: This is a wide-spread perception in Germany.

SYLVIE GOULARD: Why are the countries elsewhere in Europe in the situation they are? What are the inter-dependencies between all our economies? We are all clients and providers of goods or services so of course, if we continue as we do with national budgets, national economies and Thomas [unclear] with

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whom Henrik worked at the ECB used to say the myth, I remember only in French, he said that la maison en ordre; the fact that if everyone is putting their own house in order the Euro is going to be fine. This is not true and of course have all benefited, not only Germany, we have all benefited from the Euro and the single market and we all have to pay a certain price, but, to a certain extent, Germany has also benefited from the existence of the single market and the existence of the Euro.

Of course, we have to take into account, and it is a very serious question, the expectations of the German taxpayers, but the German taxpayers have also to understand that if they jobs, if they have a certain competitiveness it is their merit and it is also part of a broader co-operation in Europe.

TERRY MARTIN: I do want to get to this point about leadership and I would like to address this to Kurt Biedenkopf first. We were getting constant calls for Germany to demonstrate more leadership and, in Germany when Germans hear that, they often think, this is involves what? Is this something more than simply asking for Germany to guarantee the bailout fund? What kind of leadership is Europe looking for from Germany?

KURT BIEDENKOPF: It is very difficult to make something out of that question because you mix [inaudible] the guarantee that Germany has taken up, we haven't lost any money yet to begin with. The major part of the sums that are discussed are guarantees and, in the case that a guarantee is necessary, we have to pay.

TERRY MARTIN: I'm not talking about just the bailout fund.

KURT BIEDENKOPF: You talk about bailout.

TERRY MARTIN: That's one but I am realising that this is not the only thing. When Germans hear this they think that. What is it that they're looking for as an alternative?

KURT BIEDENKOPF: I don't that is true. I don't think that what you are saying is true. The Germans are not just in one direction. They feel that they have a responsibility and they don't quite know why and for what purpose. What we are discussing here and what you are asking me to answer is a question of leadership. You can only have leadership if there is something to lead and if there is a direction to lead in.

If you limit the question of leadership to the present Euro situation you narrow it down in a way that doesn't make sense because the Euro problem is part of a much broader project and that longer project means what position will Europe have in the world at a time when the European population makes up about 3.5/4% of the present world population? How can these European countries in this little continent face this situation and the only sensible answer is to face it together and with this long-term perspective and that's unavoidable and the relative shrinking is continuing with the growing of the world population.

The real reason for all these efforts, a trial and error period, a learning process, is what will the future of Europe be in a world of between and 7 and 8 billion?

QUENTIN PEEL: I think as somebody who certainly has followed this process for the last two years, but longer than that, Germany has indeed been showing leadership and in a pretty dramatic fashion. German is indeed accused of showing too much leadership by some but equally by others like Radek Sikorski who came to Berlin and said what I fear more than German action is German inaction so there's a problem; actually every single decision that has been taken with the Eurozone crisis over the last two years has got German fingerprints all over it. Angela Merkel has fundamentally set the agenda and set the timescale.

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The problem is, I think, that Germany feels uncomfortable with leadership. I'm not sure Angela Merkel does, I think she's starting to enjoy it these days, but I think Germany as a whole doesn't feel comfortable and why the Franco-German relationship is so important. We want to do things with France as well but that relationship, certainly on the economy, is now out of balance. France is much weaker than it was; Germany is strong. It is clearly Germany setting the tune.

That I think is the dilemma that Germany is in the leadership role and feels uncomfortable being in that leadership role and everybody else doesn't quite know where it is going. One other point to add to that the way the German system works, this highly federal country and this very consensual political system also makes the message very confused sometimes. I remember my days in Brussels and that's back in the 1980s where Germany never punched its weight because the message out of Bonn was so confused. In a way we've still got that now; we don't know what the Chancellor or the Finance Minister actually thinks; they don't think the same thing until right at the end.

It is very frustrating dealing with German leadership because German leadership is not in itself clear.

HENRIK ENDERLEIN: It is no leadership and I think that's very important; I want to come back to that.

TERRY MARTIN: I would like to pick up on a point, Sylvie Goulard, that you made in an article in Quentin's newspaper in the Financial Times together with Mario Monti, you often publish articles together, it was a piece an op-ed piece in July of last year and it was focusing a lot on Eurobonds but a couple of other issues as well. In that article you called on Germany to "provide leadership" and said that Germans need to be convinced that "they are benefiting from the European Union". That implies that in the European Parliament you feel that the Germans are not convinced; can you elaborate on that?

SYLVIE GOULARD: We have not said that in the European Parliament the Germans are not convinced at all. On leadership, I fully agree with what Quentin said. This article was published the day of the European Council in July where very important decisions were necessary and if you look at the record I agree with Quentin; leadership ex-post [inaudible] has been shown by the Germans. I always stress in France that, for example, the huge majority that the Bundestag is always having on very important and difficult tax for the German taxpayers and for the German citizens should make everybody in Europe shut up on the German leadership.

The problem is the way you exert leadership and here I want to come back to a very important that has to do with the European Parliament and the European institutions. In the past we had a Franco-German relationship but we had a stronger Commission and I remember Chancellor Kohl being very keen to include smaller Member States, the position of Yunka [inaudible] at the time of the creation of the Euro but also the relationship with Felipe Gonzalez, the role played by Italy, etc.

One of the problems of Germany right now is isolation, not only because there is a willingness to rule or to lead but also because the others are very weak. The French are very weak and they don't know what they want in terms of institutions. They want [French language] but no accountability and they don't even know what parliamentary democracy is. I say it on purpose; look at the way Angela Merkel was obliged to go to the Bundestag before and after the European Council and our beloved President is calling two journalists and he holds a press conference with the people he has chosen which makes a huge difference. I'm in favour of a German model of democracy at the European level and not [French language] public here in Brussels.

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On the other hand, I do not think that the German model can be imposed by the Germans on everybody without discussion and without explaining why. This is what many people fear; it is not the fact that Germany is ruling it's the way it has been done by Angela Merkel and Nicolas Sarkozy and you have quoted Mario Monti. Take an example, the third economy of the Eurozone has disappeared in the last years, which is not a minor issue. Now, with reliable Government in Rome we can hope that there is a more balanced way.

I am not in favour of alliances; I am in favour of institutions working with transparency and with rules and accountability. If we cannot manage to make leadership within this framework we will have problems with our population.

HENRIK ENDERLEIN: I want to pour some water into the wine in this discussion of German leadership. We've just heard leadership ex-post which is an interesting concept. We have heard about leadership without wanting to lead and without knowing where to go. This is not leadership and I think we should take this seriously. It is very fashionable in Brussels these days to say Germany is leading without leading and it is a very strange way. Look at what Germany did in the past two years.

First, it was no cent [inaudible] for Greece. Then it was we will give money to Greece but only to Greece. This lasted for 72 hours and then it was a pan-European scheme but this would not be activated and it will not be permanent; it got activated, it became permanent. Then it was we keep the European rescue scheme small; and now it is bigger. The last red line was 211 billion; it lasted for a few months. The next red line is Eurobonds. This is a certain style of leadership, but it's a very strange style and I think we can explain it.

The reason is that the German Government thinks the German public doesn't know whether it really wants to say resounding yes to the Euro or a resounding no to the Euro; the German public is uncertain and so the German Government is uncertain and it is trial and error. I think what I would criticise in the German debate is Helmut Kohl when he fought for the Euro didn't listen to the German public; that he decided that this was a historic and political necessity. Angela Merkel missed that moment in March 2010 when she could have said Greece is as big as Saarland and Braeman compared to the GDP of the German Federal Republic and both States have been bankrupt for 15 years.

We don't care in Germany; so the Greeks might have cheated, they might not have played by the rules but we don't care. We do not risk the Euro as an historic project because of the 13th salary in Greece. This would have been an option but she decided not to go down that way; she decided to have a debate on whether Greeks should be paid a 13th wage at the end of the year and this is playing a certain type of leadership role which I think is not in the interests of the Euro and not in the interests of the future of Europe.

JOHN KORNBLUM: I couldn't disagree more fundamentally. The European Union is now at a historic turning point which is similar to the Industrial Revolution in the 19th Century; everything is changing. The first thing that is going to change is the practicality of believing that hard-fought compromises in the European Union can deal with what's going on in China and Japan and Brazil. Can deal with traders who deal in milliseconds, not even seconds; can deal with a whole different world. In other words, the whole structure of the European Union is falling apart and you simply have to understand that.

That's why leadership, in this case I agree with Sylvie completely, should be changed; the word should be democracy. One of the problems with acceptance of the European Union is that it has, from the very beginning been an elite project. At least the French tried a referendum once, they'll never do it again but

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the Germans would never dare to have a referendum. They would never dare have a referendum on the Euro.

SYLVIE GOULARD: This is not the only way to deal with democracy.

JOHN KORNBLUM: What I am saying is that what we are into now is democracy and slowly but surely there is now a discussion of what this is all about. What in fact having a common currency means; that the common currency is only a symbol for a major change in the world. One of the major changes in world, and this is really what we should be talking about, is the fact that Germany has the only globalised economy in Europe. Nobody else is keeping up, only Germany.

If you're a German policy-maker or in German industry, I talk to German industry a great deal, you consider Europe to be a block of cement around your legs and the real issue that you are all going to have to face in the coming years is a self-confident Germany is going to continue to exercise leadership the way it always has by doing. Only this doing is going to start becoming global, it's going to start becoming Eurasian and even also more Atlantic and the kinds of things which you talk endlessly about here in Brussels are going to become less relevant to Germany. That's the real story.

I don't think that's bad, I think it's probably good. The question is, how is Germany going to exert leadership to maintain its global position which is, if anything, getting stronger, while, at the same time, retaining some kind of coherence with the European Union; that is going to be a major task which we're not even talking about because debate in the European Union is always about more Europe, always about the Maastricht Treaty, always about the Lisbon Treaty, always about how European institutions are going to deal with things which they were not designed for and which they will never be able to keep up with.

The real story is how is Europe going to have enough technology, enough labour, enough skills, enough financing to deal with what's going on in the other major economies who are, with all due respect with the exception of Germany, simply passing Europe by right now.

PAUL ADAMSON: I think we all agree that we are confused about what leadership means and I think what's different now in terms of German leadership compared to the heyday of the Franco-German axis in the 70s and 80s, Schmidt and Angiskar [inaudible] and Kohl and Mitterrand was that Germany is now exercising leadership on its own, not perfect but it's there. As a consequence, because France is a poor relation, a poor partner, it is therefore more in the public gaze, not just domestically but also internationally. Thirdly, for the moment, it is not prepared, unlike the good old days, to put its hand in its pocket as the paymaster of Europe quite so easily so these are three changes now compared to then.

We are also discussing, as many people in the audience and you people on the panel are discussing, democracy and we have a paradox there because we want leadership sort of, we want someone to tell us where to go otherwise we don't know where to go in Europe. At the same time, we are saying what about the smaller Member States, what about the European Commission as a defender of the rights of the smaller Member States.

What about, as you keep saying, Sylvie in another context, what about the European Parliament; we should be more consulted. At the same time, we want somebody, and often an individual of a large Member State, Frau Merkel, to tell us what to do. We have a major confusion in our minds about what we want in this context.

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QUENTIN PEEL: I wanted to come back a little bit on John, because I feel that what is key to understanding what drives Germany is that Germany wants to be bound into a Europe that contains it. Germany doesn't want to be the only country in Europe that is genuinely part of this globalisation and I think that actually you can conceptually see the common currency as, if you like, the discipline that forces

the less competitive countries to catch up if we're going to keep this thing together. That they've got to become more competitive if the Euro is going to survive.

That is a huge challenge and it clearly wasn't happening over the years in the countries that are now in trouble, particularly in Greece, maybe Italy too had not been keeping up on the competitive side; a different problem, perhaps, in Spain and Ireland. I feel that the German conception of Europe is very profound. I think again, as an Englishman looking at Germany, I am amazed how pro-European Germany is. Germany doesn't need to be as pro-European but it is and it goes deep; it goes right across the political spectrum.

There is a nervousness and I think it probably began with what Helmut Kohl did; he gave up the Deutschmark. That was something that was not popular in Germany and that unhappiness lingers. You see German opinion go up and go down; as the older generation is dying off and the younger generation is coming up we have a generation in Germany that is much more used to the Euro and knows very well that the Euro has been very good for Germany so Germany wants it to survive. I think it is a very deep commitment in Germany.

TERRY MARTIN: Opinion polls regularly show that Germans feel very comfortable saying I am European and sometimes they feel awkward with saying I am German but they feel very comfortable saying I am European.

KURT BIEDENKOPF: I wanted to follow-up on what Mr Peel said because I think he touched on a very important point and that also follows on from John Kornblum's analysis. Germans don't want to be alone in Europe there's no question about that. In many respects they might wonder whether they are paying too much but they certainly feel that there is a reason for paying.

The first argument of getting Greece in before it had even qualified on paper was we cannot leave the oldest democracy out. That is certainly not an economic argument; it is a historic argument and it tells a lot about the conception of Europe underlying this desire of Germany to belong. This desire to belong is not a contradiction; you can have this desire to belong and then do what John said, lead by acting and by example.

The fact that Mr Sarkozy at the end of last year suddenly began to detect Germany's qualities in an enthusiastic outburst of what the Germans all have that is so good and that you should copy, it didn't really please the Germans too much because, first of all, they didn't believe it, the enthusiasm, and, secondly, they don't want to be exposed in this kind of a way. I think leading by doing is a very important idea and this will happen.

If you have the strongest economy and if you, I agree with John, have the only economy that has already qualified for the global economy, if you have these two attributes, if you act, you are bound to act in a way that is very determining for others. That is the kind of leadership that Germany cannot avoid. We are not discussing whether they lead or not; we are discussing which way they lead.

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TERRY MARTIN: This raises the question; how does the rest of Europe see Germany and what does the rest of Europe expect from Germany, which is something I want to talk about in just a moment but I think Henrik Enderlein had a comment to make.

HENRIK ENDERLEIN: I just wanted to remind us that the strength of the German economy is not set in stone. A decade ago everyone was talking about Germany as the sick man of Europe. I think what

Quentin said and also what John said is very important in that respect. Germany needs being surrounded by the European countries because when were the hard reforms triggered; they were triggered at the moment in time when Germany realised that the exchange rate was over-valued in real terms, that they had actually to drive down real wages and that they had to accept those structural reforms which they did. This process then eventually led success, so Germany is right in saying today we did our homework and we behaved well and so we deserve being in the leadership of the [unclear] but this is not set in stone.

I think with the Euro, what all countries have to accept and acknowledge is that the role of the leading economy, and be it only in the business cycle, will move from one area to the other. We have forgotten that the leading countries in the Euro area were Ireland and Spain. Everyone said look at Ireland, the Irish example. Ireland and Spain never violated the stability and growth pact. We all have short-term memories and seem to connect the dots between the German [unclear] and today and Germany has always been this sound and perfectly functioning country. That is not right and it's thanks to the European Union and not despite the Euro area.

SYVLIE GOULARD: If I may, perhaps because I am so often defending Germany and France that I will allow myself to ask you something tonight. What does it mean to be better and to reduce the debate in society just on economic matters? I don't say it because coming from France that is weak right now but I think if we miss the opportunity to look at what all the countries in Europe can bring to Europe and we just have this mentality of besserweissen [inaudible] then we will be lost.

I take two or three examples. As far as women are concerned I do not see Germany as a model. As far as demography is concerned I do not see Germany as a model. As far as flexibility in the services, to be very polite, I do not see Germany as a model. Try to travel in Germany with small children and you will have a funny experience. This is the type of thing that is very important also for the citizens and, of course, economic records and we have to improve our competitiveness but we will never get the citizens onboard if the only thing we have to offer together is to be competitive.

Dreams are important in life. Let's take an example; why should we stick to sovereignty and not explain right now that what is happening Syria is the result of over-estimating the sovereignty of the State. Couldn't we have something more to bring, we Europeans, to the rest of the world saying we have reduced the importance of sovereignty which allows us to tell the rest of the world that we cannot just keep the world as it is with self-regulated Nation States that can do whatever they want; in human rights, in not fighting against climate change, etc.

We have to contribute to a better world. This is the purpose of the European integration. Many people believe that peace was the first goal. If you read again the papers of the [unclear] they all knew that peace would come but they were all convinced that they have something to offer to the rest of the world and this is, in my opinion, the only way to sell again to the public opinion in Europe something we really have in common.

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We have fantastic achievements, the end of the Cold War and even the south, perhaps the countries in the south are now also suffering because they have not been a democracy for decades. They were, Greece, Spain, Portugal, in a situation that was not exactly our situation in the 1950s/60s/70s.

Once again I'm not going to be the French pleading for politics because I hate this but we have to be aware that we are not going to have a sound European project just by promoting competitiveness and unit labour costs.

KURT BIEDENKOPF: Maybe we cannot have a one-dimensional Europe.

TERRY MARTIN: I would just mention a statement that Mario Draghi the President of the ECB made which has been getting a lot of press in Germany over the past week or so. It was an interview he gave to Germany's mass circulation Bild Zeitung newspaper. In that interview he said the old European welfare state model is in fact dead because it had to make debts far too often. The Germans have reinvented it, he said, with no excessive debts. He then, famously now, infamously for some, described Germany as a model for the rest of Europe, and this has been getting a lot of press. The question I would put, maybe to you Quentin, does the rest of Europe see Germany that way, as a model, particularly where the social welfare state is concerned?

QUENTIN PEEL: I saw a rather interesting opinion poll about ten days ago which had been done in Britain and in Germany. Traditionally, I've always thought, particularly reflected in some of the screaming headlines of the British media and so on, that the British were very critical of the Germans and the Germans had this unrequited love affair with the British. Actually, this opinion poll showed absolutely the opposite; that the British, the qualities that they attributed to Germany were much more positive than the other way round. The British all thought, number one, Germans were hardworking. I confess that in the top four was also the lack of a sense of humour. Nonetheless, they were essentially fair minded and so on.

The German attitudes towards Britain were, I regret to say, almost uniquely negative. I fear the top one was drunk; it was also the second one of what the British thought about themselves. I was very struck that even the British have actually, at the moment, rather a positive view of Germany. I totally agree with what Sylvie said about some of the things. We don't want to copy from Germany and the role of women in Germany society is pretty old-fashioned. On the other hand, German attitude towards data protection and privacy is, I think, very positive. This is one of the great qualities that maybe when I drive round London and see ten cameras looking at me at every crossroad I'm a bit scared.

I think the view of Germany, and I think it's what Sarker [inaudible] was trying to tap into in his election campaign and he has stopped now because he may have gone over the top, so there is a respect for Germany. Everything Henrik said is absolutely right but Germany has reunified, has poured money into East Germany over the last 20 years and actually come out with the economy motoring again.

TERRY MARTIN: I'd like to ask the audience for some input at this point. Does anyone have a question for one our panellists?

NIGEL KINNARNEY: My name is Nigel Kinnarney; I'm an Irishman living and working in Berlin. I'm also a former student of the Hertie School of Governance and, in the interests of disclosure, I work with the German Government; Henrik's favourite people, I work with the Finance Ministry. I just want to say that the whole question of leadership, looking at Germany for leadership, I find it a little bit odd because the

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conversation so far, when we talk about German leadership, it seems to be about German internal leadership; the style of Frau Merkel.

I remember, in Ireland, Helmut Kohl was a hero. He was a European hero and when I came to Germany I was shocked to find that there were people who didn't actually like him. I've been thinking about for a long time. I really like living in Germany and I think the view of leadership in Germany, as far as Europe is concerned, is there never will be leadership; there will never be a President of Europe. There will never be a country that says what has to be it, is a joint vision. It is a project and we can use countries as role models but then it should be about benchmarking. It should be about taking the best policies from

all the different countries and making sure that this vision of Europe doesn't die out on short-term economic interests. That's all I wanted to say.

QUENTIN PEEL: Can I just ask a question as you share the same nationality as my wife; I suggested rather impudently to Frau Merkel after the last summit here in Brussels that perhaps more useful than actually going to support Nicolas Sarkozy in his election campaign in France she ought to go to Ireland and fight for the referendum, a yes vote for the fiscal compact that she had fought for in Europe. I don't think she was terribly excited by the idea but what do you think would happen if Frau Merkel went and campaigned in Ireland?

NIGEL KINNARNEY: I think you have to be very careful there is still this notion of sovereignty and rightly so. You can't be seen as a stronger partner and economically stronger. You can't be seen as trying to dictate the way things should go. However, all the politicians of Europe, I think, there is an obligation on them to talk more positively about the European Union and you often see in the referenda in Ireland, for example, the Treaty of Lisbon, you had a massive no campaign but you had all the political parties lined up on the yes side. You had all the trade unions lined up on the yes side, but their voice wasn't heard.

People were voting against a Government and not voting against the project, not voting against the European project and it is often played out in a way that doesn't really reflect the truth and we all have to share a certain amount of the blame because it is a standard procedure for almost every Government in Europe. If there's a great decision made in Brussels it's because of our intervention and if it is a bad decision made it is the people in Brussels pushing it on us and it is not a reflection of the truth.

TERRY MARTIN: We have about 15 minutes left and I want to talk about the possibility for Germany showing perhaps some leadership, I'll use this word again, in moving forward. Germany's role in Europe, Germany's stature in Europe, has shifted, one has that sense, through this crisis because of the responsibility that it is bearing and the role that it is playing.

There is a sense that Germany is building up political capital in Brussels and, Sylvie, you can correct me if I'm wrong on this. My question is; how will it use that political capital, assuming that it is building there, will it try to advance reforms of the European Union? Chancellor Merkel has already talked about her wish to see a future politically Union with a strong Parliament as well as a directly elected President. Will Germany try to put its stamp on Europe to make Europe in that context?

KURT BIEDENKOPF: I think we have to realise and Madame Goulard put it beautifully as far as I'm concerned, that, first of all, Europe's dimension is not only economic and if I look at the polls taken with younger people I see this is definitely demonstrated.

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Secondly, you can lead without saying that you lead; you don't necessarily have to define in the process of trial error, in a learning process. Democracy is also a learning process and we have to learn to restrain ourselves in terms of budgetary behaviour. We have to learn to co-operate in institutional frameworks that do not try to regulate every bit of what should happen, because we cannot predict development safely enough in order to write and do Treaties that have to be ratified every step and then find out, only two or three years later that the Treaties do not comply with the reality that has come about.

An openness in the European development is indispensable and this kind of openness will of course be influenced very strongly by the strongest partner, but he or she doesn't have to carry around a flag, everybody follow me, that would be ridiculous.

TERRY MARTIN: Perhaps I can be a bit more precise with my question. My question is focusing on institutional reforms on the European level.

KURT BIEDENKOPF: That's only part of the story and not the really important part.

TERRY MARTIN: I've read the recent article from you, Kurt Biedenkopf where you took former Chancellor Kohl to task for failing, together with France, for putting the fiscal and economic co-ordination in place to support currency union. Many feel that this is a fundamental flaw in the architecture of the European institutional framework.

KURT BIEDENKOPF: Angela Merkel said the very same thing; she said it was a very big construction mistake, as she put it.

TERRY MARTIN: The question is, will this be corrected?

KURT BIEDENKOPF: The situation in 1997 was totally different from the situation today. The idea of the Euro had to be brought to the people because the people had to part from the Deutschmark and the Deutschmark had assumed a symbolic character in the post-war period so they had to separate themselves. Kohl, until the summer of 1979, made it quite clear that a currency union without an economic government wouldn't work.

In the last phase of the development he parted from that position and said this is a political decision. On a question like that to leave your own position that you have held for years and year, I've participated in most of the discussions, he was absolutely certain. He talked about unzin [inaudible] when somebody suggested it would be different.

At the very end, for some reason that is still not clear, he said we'll try and so they parted with a vehicle, a ship out on the sea, which wasn't finished and then you had to finish it in heavy seas, which we are now doing. This is very difficult, but there, a trial and error process is in order and the problem is that we start with the institutions rather than developing practices which we then, if they have proved to be the right ones, put them in the institutions.

TERRY MARTIN: Some argue that the reason we have the crisis we have now is because those practices, or at least those institutions were not put in place at that time and many are very concerned that we might have another crisis if we do not correct that.

KURT BIEDENKOPF: The reason for the present crisis is that we have institutions that don't work; that's the real reason.

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SYLVIE GOULARD: I make two points. The first one is do we need new institutions or do we need people who respect the Treaties they have themselves negotiated, signed and ratified? You have a lot of possibilities inside the Treaties and I always quote, not only for the German public, Faust [German language]. If we go ahead by making Treaties and not respecting them, you can always change the Treaties but it will not help, what we need now is committed Heads of States and Government.

I take a concrete example; Merkel and Sarkozy could have decided to come to the European Parliament; they are not obliged, they are not accountable, but they could have explained a little bit more to the rest of Europe what they do together. Mario Monti did it. He had a big success. He explained the policy in Italy that he is doing in the interests of the Italians and the Europeans.

These are steps we can do inside the Treaty and, if I may, a last question; what is leadership without military and diplomatic power? This is one of the key questions because we have lots of elements in the Treaties already and we do not use them and all the big Member States have even tried to destroy the external action services and the work done by Mrs Ashton [inaudible] and her team.

If you ask some people in France if there is a German leadership, very quickly you will have the question; leadership in Libya, leadership on military issues, are you joking? As you said, Mr Biedenkopf, I think we have to make a little bit less in some fields but to tackle some issues that we cannot ignore any more which is the role of Europe in the world which means to have common representation, at least in the IMF and perhaps one day, and I am in favour, in the Security Council.

We cannot go ahead with this kind of diet coke policy; I want to eat the sweets but I don't want to get fat. I want all the advantages of being united but I don't want to pay the price for it. In this field the French would have to pay and everybody will have to pay in terms of prestige and national sovereignty.

JOHN KORNBLUM: This discussion reminds me, and probably Kurt Biedenkopf and I are the only two here who were there at that time, of the vote of no confidence against Willy Brandt in 1972; it is the same discussion. Willy Brandt at that time was wrenching Germany out of its immediate post-war past which had been a very important phase, but it needed to change. He was wrenching it out of that and it was the most major confrontation. It is amazing that it is so forgotten now, but it was the most major social confrontation you could imagine.

As we know now, the only reason Willy Brandt didn't get kicked out of office was because the East Germans paid off two Bundestag deputies. This was as deep a crisis as you could have. The European Union is in that same crisis right now. The European Union was not built for ever, as most people think. The key to the future is not more European institutions or better co-operation or a stronger European Parliament. The key to the future is adjusting to a totally different world as Willy Brandt was doing.

I can't resist to remind everybody that there is only one political party in Europe which rejected the [unclear] that was the CSU because it talked about borders in the East. The world is changing, the European Union is going to be strong and it is going to be influential but in ten years it is going to look very little like the way it looks now; it is going to be different and German leadership is already being disserved by doing. Germany is already, this sounds like a technical word but it is really very important, the world's logistic superpower.

Germany is in fact implementing globalisation by getting people to do the things. The entire industrial development of China, insofar as it is used with Western factories and goods, is provided by German logisticians. The German railroad is building high speed trains to China. The Port of Hamburg is the most

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important globalised port in the world. In other words, there's a whole new world being built here which is not much different from the whole new world which was built in the 1860s and 70s when the railroads were expanding and the political world is ignoring it completely.

All this talk about European institutions is of course important because it isn't the institutions which guide your lives, but, just as in my country we are wondering whether our Congress and our Senate are going to survive another ten years because they are so out of touch with what's going on in the world, the same things are true for the European Union. Sorry, but it is simply out of touch.

Germany is important, not because it is going to lead, it is not because it has the only vision for Europe or the best social policy; it's because it is the country which is, in its structures, its geographic position, its

transportation networks and its history of integrating which goes way back into the Middle Ages, Germany is the country who is going to be the leader in this and this is going to be very interesting.

I agree also with those who say Germany doesn't want to see this as leadership. We shouldn't be pessimistic, Germany will always try to do this with Europe, have no doubt about that, will do its best to do it with Europe. The fact is that it is going to be a different process with a different kind of Europe.

HENRIK ENDERLEIN: It might sound semantic but it is an important addition to what you have just said. History has always responded to structural change in the economy with a change in institutions, but institutions are not the European Commission or not the role of the ECM. Institutions are systems of roles and norms and the sense of belonging together. In that sense, the European Union will matter.

What we haven't answered is the question whether the new category in which you assess your new economic order is going to be the German Nation State or a larger European Continent, which is not the Treaty of Lisbon, but is the group of people belonging together, working together and being a successful economic sphere.

In that sense I think there has to be more that should be done and therefore more Europe. Not in the sense of shifting or doing a new Treaty but in agreeing that we are Europeans, perhaps even before being Germans. What you said about feeling closer to some Germans than to Marine Le Pen, I think it's a very important category in thinking.

To be quite blunt, and I said this in the beginning, many Germans are not yet there. You ask them, should you support [overtalking].

TERRY MARTIN: We have only have a couple of minutes left; a concluding comment from Kurt Biedenkopf.

KURTBIEDENKOPF: It is a little story but it makes clear what I am trying to say. A Saxon was asked by his mother whether he feels like a German and he said that depends. If I'm out of Europe I feel like a European. If I'm in Europe I feel like a German and if I'm in Germany I feel like a Saxon. These are the kinds of associations that put all together make up what we were just discussing.

TERRY MARTIN: One final question from the audience.

LOUISA NOSTOPOLO[inaudible]: My name is Louisa Nostopolo; I am Greek living in Brussels the last 30 [inaudible] so I am really a European citizen and I would like not to ask but to tell you our very important

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interest of this missing of belonging in the European citizens that we meet all the time. I worked in education and culture, mainly in education, for 15 years and I know Europe from the education systems. I can tell you that they know Europe when they receive the money or they know Europe from their beautiful experienced projects in education and in culture.

This education, as you know better than me, if you don't listen to it, the [unclear] education is not the important, it is less important. I don't know if there is the hierarchy here but I don't mind and this is the lack of belonging. I don't think that the European Union can go on only after European Council and European Council. We need a dream, we need a vision. I have all the respect for you, the panellists and for your age and I am in the 60s, but I don't see new generations in politics.

This is a concern and a very important one.

TERRY MARTIN: I am afraid we are going to have to leave it there. I wish we had more time. I didn't get to half of the topics that I wanted to talk about this evening. I'm glad we did have an opportunity to reflect, at least, on the questions regarding German leadership in Europe and how this train might move forward.

I want to thank our panellists for your input, your thoughts and I want to thank all of you for coming out this evening. Please do keep watching the Rethinking Tomorrow series. From Deutsche Welle, Hertie School and Carnegie Europe, thank you very much.